

# PROCUREMENT GUIDANCE



## Sustainable Procurement

An introduction for practitioners to sustainable procurement in World Bank IPF projects

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# Common Abbreviations and Defined Terms

This section explains the common abbreviations and defined terms that are used in this Guidance. Defined terms are written using capital letters.

Abbreviation / term	Full terminology / definition
<b>Applicant</b>	A firm, joint venture or Consultant that submits an Application in response to an invitation for Prequalification, Initial Selection or Shortlisting.
<b>Bank</b>	IBRD and/or IDA (whether acting on its own account or in its capacity as administrator of trust funds provided by other donors).
<b>Bid</b>	An offer, by a firm or joint venture, in response to a Request for Bids, to provide the required Goods, Works or Non-consulting Services.
<b>Bidder</b>	A firm or joint venture that submits a Bid for Goods, Works, or Non-consulting Services in response to a Request for Bids.
<b>Borrower</b>	A borrower or recipient of Investment Project Financing (IPF) and any other entity involved in the implementation of a project financed by IPF.
<b>Core Procurement Principles</b>	The Bank's Core Procurement Principles (value for money, economy, integrity, fit for purpose, efficiency, transparency and fairness) are set out in detail in Section III. C of the Bank Policy: Procurement in IPF and Other Operational Procurement Matters.
<b>ESA</b>	Environmental and Social Assessment.
<b>ESCP</b>	Environmental and Social Commitment Plan.
<b>ESIA</b>	Environmental and Social Impact Assessment.
<b>ESS1</b>	Environmental and Social Standards 1.
<b>Goods</b>	A category of procurement that includes: commodities, raw material, machinery, equipment, vehicles, Plant, and related services such as transportation, insurance, installation, commissioning, training, and initial maintenance.
<b>IBRD</b>	International Bank for Reconstruction and Development.
<b>IDA</b>	International Development Association.
<b>IISD</b>	International Institute for Sustainable Development.

Abbreviation / term	Full terminology / definition
<b>Initial Selection (IS)</b>	The shortlisting process used prior to inviting request for proposals in the procurement of Goods, Works or Non-consulting Services.
<b>Investment Project Financing (IPF)</b>	The Bank's financing of investment projects that aims to promote poverty reduction and sustainable development. IPF supports projects with defined development objectives, activities, and results, and disburses the proceeds of Bank financing against specific eligible expenditures.
<b>KPI</b>	Key Performance Indicator.
<b>Legal Agreement</b>	Each agreement with the Bank providing for a loan for a project, including Procurement Plan and all documents incorporated by reference. If the Bank enters into a project agreement with an entity implementing the project, the term includes the project agreement.
<b>Most Advantageous Bid/Proposal</b>	As defined in the Procurement Regulations, Annex X, Evaluation Criteria.
<b>NGO</b>	Non-governmental Organization.
<b>Non-consulting Services:</b>	Services which are not Consulting Services. Non-consulting Services are normally bid and contracted on the basis of performance of measurable outputs, and for which performance standards can be clearly identified and consistently applied. Examples include: drilling, aerial photography, satellite imagery, mapping, and similar operations.
<b>Prequalification</b>	The shortlisting process which can be used prior to inviting request for bids in the procurement of Goods, Works or Non-consulting Services.
<b>Procurement Documents</b>	A generic term used in these Procurement Regulations to cover all Procurement Documents issued by the Borrower. It includes: GPN, SPN, EOI, REOI, prequalification document, initial selection document, request for bids document, request for proposal documents, forms of contracts and any addenda.
<b>Procurement Plan</b>	The Borrower's Procurement Plan for IPF projects, as referred to in the Procurement Regulations, Paragraphs 4.4 and 4.5, and incorporated by reference in the Legal Agreement.
<b>Procurement Process</b>	The process that starts with the identification of a need and continues through planning, preparation of specifications/requirements, budget considerations, selection, contract

Abbreviation / term	Full terminology / definition
	award, and contract management. It ends on the last day of the warranty period.
<b>Procurement Regulations</b>	The “World Bank Procurement Regulations for IPF Borrowers”.
<b>Project Procurement Strategy for Development (PPSD)</b>	A project-level strategy document, prepared by the Borrower, that describes how procurement in IPF operations support the development objectives of the project and deliver VfM.
<b>Proposal</b>	An offer, in response to a request for proposals, which may or may not include price, by one party to provide Goods, Works, Non-Consulting Services or Consulting Services to another party.
<b>Proposer</b>	An individual entity or joint venture that submits a Proposal for Goods, Works and Non-consulting Services in response to a request for proposals.
<b>RFB</b>	Request for Bids as a selection method.
<b>RFP</b>	Request for Proposals as a selection method.
<b>SAVi-Tool</b>	Sustainable Asset Valuation-i-Tool.
<b>SD</b>	System Dynamics.
<b>Shortlist</b>	The shortlisting process used prior to inviting request for proposals in the procurement of Consulting Services.
<b>SME</b>	Small and Medium Enterprise.
<b>SOEs</b>	State-owned Enterprise or institution.
<b>ST</b>	Systems Thinking.
<b>Standard Procurement Documents (SPDs)</b>	Procurement documents issued by the Bank to be used by Borrowers for IPF financed projects. These include, GPN, SPN, EOI, REOI, standard prequalification documents, Initial Selection documents, Request for Bids documents, and Request for Proposals documents.
<b>VfM</b>	Value for Money.
<b>Works</b>	A category of procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and related services such as transportation, insurance, installation, commissioning, and training.



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# Section I. Introduction

## Purpose

This Guidance is written for World Bank (Bank) staff and Borrowers responsible for implementing Bank Investment Project Financing (IPF). It provides an introduction to public sector sustainable procurement. It gives practical how-to advice and supports good sustainable procurement practice. It informs practitioners how to include sustainable factors into procurement processes, as well as providing incentives for vendors to offer more sustainable products and services. The content of this guidance is non-mandatory and is provided as illustrating good practice only.

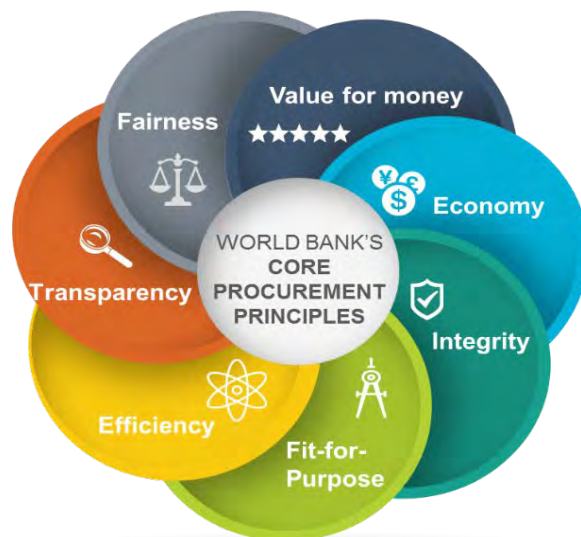
## Background

The Bank describes its vision and Core Procurement Principles in the Bank Policy *Procurement in IPF and Other Operational Procurement Matters*.

The vision for procurement financed by the Bank through IPF operations is:

*“Procurement in Investment Project Financing (IPF) supports Borrowers to achieve value for money (VfM) with integrity in delivering sustainable development.”*

Fundamental to good sustainable procurement are the Bank’s Core Procurement Principles.



*Figure I - Core Procurement Principles*

This guidance links to the *World Bank Procurement Regulations for IPF Borrowers* (Procurement Regulations) and should be read in conjunction with other Bank guidance such as: Project Procurement Strategy for Development (PPSD), VfM, and Evaluation Criteria.

## What is sustainable procurement?

The concept of sustainability is based on three pillars, namely: economic, environmental and social. Effective sustainable procurement supports sustainable development. Sustainable development has been defined as:

*“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”*

1987 Brundtland Commission Report

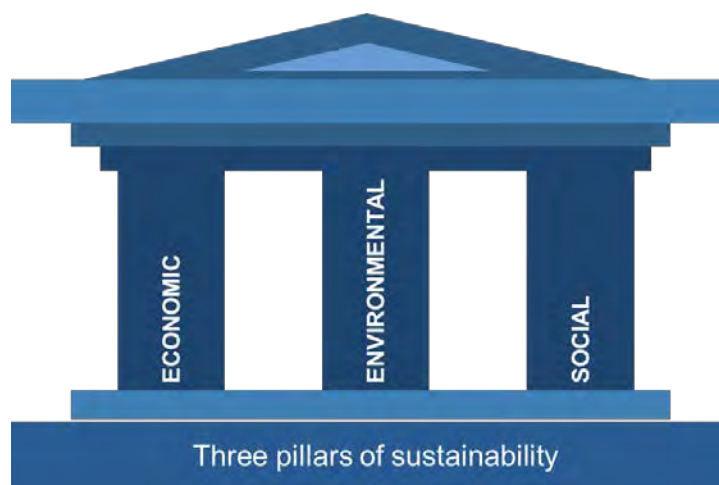


Figure II - The three pillars

Pillar	Examples
<b>Economic</b>	<ul style="list-style-type: none"> <li>• Economic regeneration</li> <li>• Sustainable economic development</li> <li>• Emerging markets</li> <li>• Development of SMEs</li> <li>• Total cost of ownership and life cycle costing</li> <li>• Value for money</li> <li>• Poverty reduction</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• Environmental resource management</li> <li>• Urban planning</li> <li>• CO2 reduction</li> <li>• Alternative energies: e.g.: solar, wind</li> <li>• Water management</li> <li>• Sustainable agriculture</li> <li>• Marine resources management</li> <li>• Protection of ecosystems</li> <li>• Pollution and waste management</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Human rights</li> <li>• Clean drinking water</li> <li>• Food security</li> </ul>

- Fair pay and labor law protections
- Anti-child labor and forced labor laws
- Fair trade
- Health and safety
- Gender equality including universal education
- Child mortality and maternal health
- Healthy lives and well-being for all

*Table 1 - Examples of the three pillars*

Sustainable procurement is a process which incorporates sustainability considerations throughout the procurement process in order to achieve optimal VfM in delivering development objectives.

It is said that sustainable procurement is “smart” procurement, as it takes a three-dimensional life cycle approach versus the traditional one-dimensional, economics-focused approach. Three-dimensional thinking (economic, environmental and social) does not mean it takes three times longer, nor is the outcome necessarily more expensive. Sustainable procurement is strategic procurement practice at its optimum.

Beyond any requirements established by the Bank’ other policies (e.g.: environmental and social), sustainable procurement is not mandatory. The use of sustainable procurement is at the Borrower’s discretion. This recognizes that countries continue to evolve national and regional level policy settings that work towards greater sustainability in development.

However, the Bank encourages Borrowers to actively consider and apply sustainable procurement, where appropriate. The use of sustainable procurement has been enabled through the Procurement Regulations, which state:

*“5.12 If agreed with the Bank, Borrowers may include additional sustainability requirements in the Procurement Process, including their own sustainable procurement policy requirements, if they are applied in ways that are consistent with the Bank’s Core Procurement Principles.”*

Where a Borrower decides to include sustainable procurement aspects in a procurement, information on how to implement sustainable procurement is provided in Annex VII of the Procurement Regulations.

## Why undertake sustainable procurement?

There are many reasons to practice sustainable procurement. They include the following five key business drivers:

### 1. Financial

Reduce total operating costs by procuring more efficient and sustainable goods, works or services that:

- a) develop the market’s capacities to deliver sustainable solutions;
- b) increase demand for sustainable solutions which in turn increases market competitiveness;
- c) strive for innovative and more sustainable outcomes;
- d) cost savings on a long-term basis by applying life-cycle costing; and

e) minimize disposal costs and sustainable impacts of products at their end of life.

**2. Risk management**

Engage in the mapping of economic, legal, environmental and social sustainability threats and opportunities, and develop approaches to manage them.

**3. Commitments and goals**

Reflect the purchasing agency's organizational culture, values, and ethics in accordance with relevant policies. This could include developing sustainable procurement policies that are in harmony with a country's overall strategy; that is, commitments and priorities ought to be clearly stated in the policy and the operational implementation ought to be reflected in procurement practices.

**4. Responses to increasing stakeholder expectations**

It is important to take account of social responsibility and sustainability issues. Beyond the requirements established by the Bank in its other policies (e.g.: environmental and social), these can be further enhanced by using sustainable procurement approaches.

**5. Attractiveness**

Performance in terms of social responsibility and sustainability may impact a Borrower's or project's image, enhance competition and provide organizations greater competitive advantage. Implementing sustainable procurement may attract other financial investors, boost labor markets, attract the best organizations to bid, and further drive development goals.

# Section II. Sustainability and the procurement process

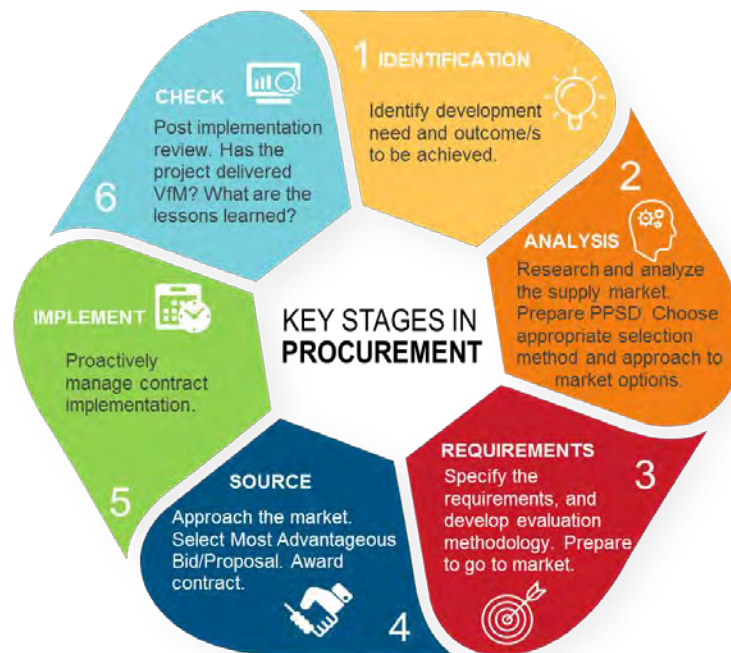
## The procurement process

The Procurement Regulations contain a definition of the Procurement Process as:

*“The process that starts with the identification of a need and continues through planning, preparation of specifications/ requirements, budget considerations, selection, contract award, and contract management. It ends on the last day of the warranty period.”*

For the purpose of this guidance, Figure III represents a generic procurement process. This diagram illustrates the common stages of procurement and their usual sequencing. Actual procurements may differ.

This guidance demonstrates how sustainability priorities are considered and how they can be reflected at each stage.



*Figure III - Key stages in the procurement process*

## Sustainability considerations

Sustainable procurement considerations occur at various stages throughout the procurement process. It is crucial to take sustainable procurement considerations into account from the outset. For example, in stage 1, during the identification of need and defining the development outcomes to be achieved.

Key to achieving effective sustainable procurement is designing a fit for purpose procurement process. Sustainability opportunities and risks ought to be managed throughout the

procurement process. However, the assessment, analysis and procurement strategy need to be proportional to the size, nature and complexity of the procurement.

The PPSD research and analysis, and other relevant assessments (such as Environmental and Social Impact Assessments (ESIA), help practitioners to work through the Approved Selection Methods for Goods, Works and Non-consulting Services (see Procurement Regulations, Section VI and Annex XII) to identify the appropriate Selection Method, Market Approach Option/s and Standard Procurement Document (SPD).

Figure IV below identifies some of the key sustainability considerations that may be taken into account at the different stages in the procurement process.

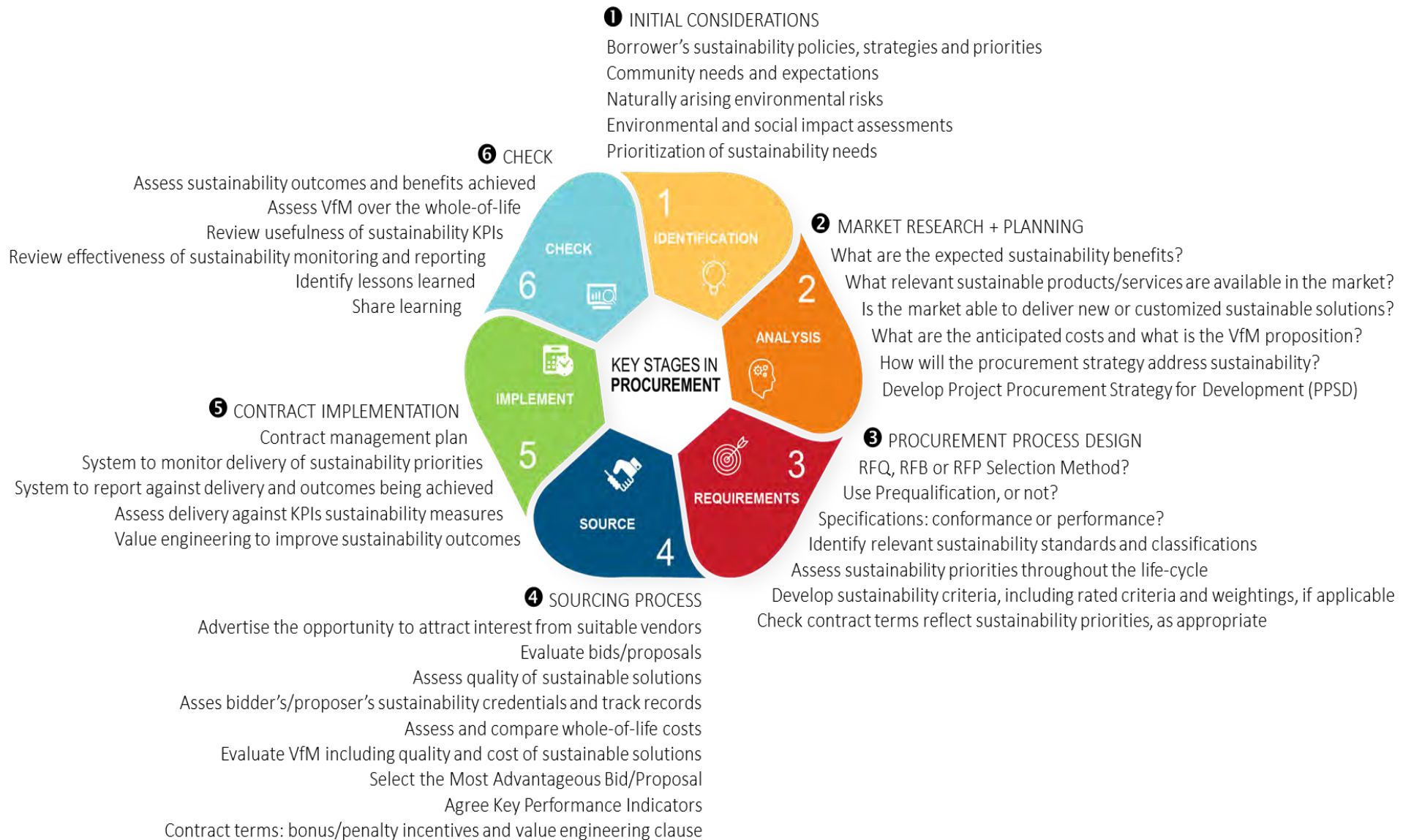


Figure IV - Stages in Procurement Key sustainability considerations at each stage of the procurement process





# Section III. Key Stages in Procurement

## Stage 1: Identify sustainability needs



### PROCUREMENT PROCESS Stage 1: Identification

#### Identifying need

One of the first actions is to determine the key sustainability impacts and issues that the procurement approach will address. For any approach to be truly sustainable it ought to deal with all three pillars i.e.: economic, environmental and social.

Sustainable opportunities and risks need to be identified at a project level. Once these are identified a process to prioritize them helps gauge their relative importance and weighting.

Sustainability priorities may arise from a variety of sources, such as:

1. **Borrower's policies on economic, environmental and social sustainability**

Consider what Borrower policies are already in place. These may relate to development of SMEs, emerging markets, sustainability generally or specific policies such as equality in employment, health and safety requirements, vehicle emissions standards, packaging, disposal etc. Such analysis may be supported by a Country Partnership Framework/Country Engagement Note or the Systematic Country Diagnostic that informs each new Country Partnership Framework/Country Engagement Note.

These requirements, such as standards on labor laws, resource efficiency, or community health and safety, are typically also identified in the Environmental and Social Assessment (ESA).

2. **Community needs and expectations**

Communities face enormous challenges as their economic, environmental and social resources change, often through depletion and destruction. Sustainable procurement provides an opportunity to address these concerns and to achieve recovery. Understanding the local context and community needs and concerns is critical to delivering effective sustainable procurement.

3. **Naturally arising environmental risks**

Extreme weather and climate impacts are becoming increasingly common and carry a significant economic, environmental and social toll. There may be opportunities within a procurement project to address these concerns through sustainable procurement.

#### 4. Environmental and Social Impact Assessment (ESIA)

The Bank requirements for ESIA are outlined in Environmental and Social Standards 1 (ESS1).

#### Environmental and Social Assessment (ESA)

The Bank's Environmental and Social Standards 1 (ESS1) sets out the Borrower's responsibilities for assessing, managing, and monitoring environmental and social risks and impacts at each stage in a project in order to achieve environmental and social outcomes consistent with the Environmental and Social Standards (ESS).

In assessing, developing, and implementing a project the Borrower may agree with the Bank to use all, or part, of the Borrower's national, environmental, and social frameworks to address the risks and impacts of the project, providing such use will enable the project to achieve objectives materially consistent with the ESS. The Environmental and Social Assessment (ESA) ought to be proportionate to the sustainability risks and impacts of the project. It ought to inform the design of the project and be used to identify mitigation measures and actions to improve decision making.

Borrowers are encouraged to manage environmental and social risks and impacts of the project throughout the project life cycle in a systematic manner, proportionate to the nature and scale of the project and the potential risks and impacts. See Annex III for references to more information on ESS1.

#### Relative importance

It is helpful to assess the relative importance of sustainability at a project level and in terms of sustainable procurement priorities. Consider the following factors when looking at importance:

- a) how important is sustainability to the Borrower and the procuring agency?
- b) what scope is there to improve in terms of better sustainable outcomes?
- c) will the market be able to respond to the sustainability needs?
- d) will the anticipated costs of the sustainable solution be prohibitive, neutral or result in savings?
- e) what are the parameters for overall VfM in this procurement?

## Stage 2: Analyse sustainability needs



### PROCUREMENT PROCESS

#### Stage 2: Analysis

### Research and analysis

Stage 2 of the procurement process focuses on researching and analyzing the supply market and preparing the PPSD. It deals with choosing the appropriate Selection Method and Approach to Market Option/s as well as the appropriate SPD.

Sustainability needs identified in Stage 1 now need to be analyzed and incorporated into the PPSD. The PPSD analysis helps the practitioner develop an appropriate procurement strategy that support delivery of sustainable outcomes. Typically this focuses on actions that generate benefits to the procuring entity, the economy, and society while minimizing damage to the environment.

The PPSD guidance provides detailed advice as to where and how sustainable procurement can be introduced into the strategic thinking and project procurement planning process. If the Borrower decides to include sustainable procurement in a project, it must be a discrete element addressed within the PPSD. Experience demonstrates that attempting to apply sustainable procurement practice post-planning significantly limits the value and likely success of sustainable outcomes.

### PPSD

A risk assessment undertaken during the needs identification phase ought to be documented in a risk management plan (as outlined in PPSD). The risk management plan will be informed by the analysis at each of the steps of the PPSD, and ought to also include sustainable procurement risks related to the operating environment, market conditions, implementing agency's capability, supply chains and vendors' capabilities.

The Borrower ought to ensure that sustainable procurement risk assessment is relevant to the specific project. The probability and criticality of each risk ought to be assessed, and a risk mitigation plan ought to be developed and maintained during the life of the project.

Strategic actions related to sustainability ought to be embedded in the PPSD, such as:

- a) key findings about sustainable procurement needs, opportunities and risks, and the supply market's ability to deliver;
- b) actions required to manage key sustainable procurement risks and opportunities;
- c) recommended demand-related approach (i.e.: elimination, reduction, re-use, etc.);
- d) how the sourcing strategy will deliver sustainable procurement objectives;
- e) how sustainable procurement priorities will be incorporated into the requirements;

- f) when will sustainability criteria to be used: e.g.: at the Pre-qualification/Initial Selection and/or Bid/Proposal evaluation stages;
- g) the nature of sustainability evaluation criteria and the weight given to them, with careful consideration to finding the best balance with other criteria, such as price and quality;
- h) expected sustainability benefits, including life-cycle savings; and
- i) impacts of the sustainability approach on the project plan and budget.

When the procurement process is for large works/industrial plants, the Bank's Standard Procurement Documents (SPDs) already require criteria for labor, health and safety. Some similar requirements are included in the contract.

## Strategic assessment

The objective of assessing sustainability needs at Stage 1 is to identify the significant sustainability impacts and issues that occur and the opportunities to manage them. Through the PPSD, the Borrower then develops a prioritized list of sustainability needs, opportunities and risks and designs how these will be managed throughout the procurement process.

To minimize subjectivity when analysing sustainability impacts:

- a) refer to previous requirements/specifications and determine what worked well and what could be improved;
- b) examine the key sustainability impacts at each stage in the life cycle, from raw components to delivered products and through to the process of disposal; and
- c) inquire with a wide range of manufacturers, vendors, industry experts, and end-users about new and innovative approaches — this helps challenge any pre-judgments that may have been made.

A prioritized approach to sustainability impacts, based on comparative importance and cost/benefit will help to identify a short list of the most important needs. The objective is to create a realistic and achievable sustainability profile for the procurement. This profile is critical, as it will inform the requirements, evaluation criteria, supplier selection, contract conditions, KPIs and future procurements.

To help guide the prioritization of sustainability needs, consider the Borrower's sustainability policies and objectives, the Bank's sustainability considerations (Procurement Regulations Annex VII) and good international practice.

Develop a set of question that will help prioritization. See example in Table II.

Element	Key Questions	Supporting Questions
<b>Organizational Need</b>	How important is this issue to the Borrower?	<ul style="list-style-type: none"> <li>Are there specific targets or objectives set by the government (e.g., to reduce carbon dioxide emissions or to create new jobs)?</li> <li>Does the Borrower or implementing agency have specific targets or objectives (e.g., to improve energy efficiency or support apprenticeships to reduce local unemployment)?</li> <li>Do the procurement requirements lead to increased sustainability impacts and can they be changed to minimize these impacts?</li> </ul>
<b>Risks and Opportunities</b>	What scope is there to improve? What is the balance between cost and benefit?	<ul style="list-style-type: none"> <li>From the PPSD, what are the major components in the project?</li> <li>What are the major sustainability risks and opportunities related to the specific project/goods/services?</li> <li>What plans can be put in place to mitigate these risks and/or seize these opportunities?</li> </ul>
<b>Market Analysis</b>	Will the market be able to respond to this issue? Who is best placed to manage the sustainability risk or opportunity?	<ul style="list-style-type: none"> <li>What is the capability of the market to address risks/opportunity and to meet project needs?</li> <li>Is there a need to build capabilities at existing suppliers or find new suppliers?</li> </ul>

Table II - Example sustainability decisions in the Procurement Process

To prioritize sustainability apply a scoring and ranking system.

Table III below contains an example where scoring is based on a three point scale:

- 3 = high
- 2 = medium
- 1 = low.

The following example illustrate this point. Actual priorities and scores will vary in practice.

Issue	Organizational Needs	Risk and Opportunities	Market Analysis	Total Score
	Priority	Scope to Improve	Market Responsiveness	
CO <sub>2</sub> Reduction	3	3	3	9
Use of Natural Resources	2	2	2	6
Fair Pay	3	3	1	7
Economic Regeneration	3	3	1	7
Waste Minimization	2	2	1	5

Table III - Example sustainability needs prioritization matrix

In this example, the top three sustainable issues to be addressed in this procurement are:

- a) reduction in CO2 emissions;
- b) economic regeneration; and
- c) fair pay.

Another tool to help analyze sustainability needs in a procurement is the supply positioning model described in Figure V overleaf. This looks at the procurement based on cost versus risk or vulnerability.

This tool helps assess how to strategically target efforts according to the sustainable procurement issues raised at the earlier stages of the project. Refer to Section V of the PPSD guidance for a more detailed explanation of procurement risk.

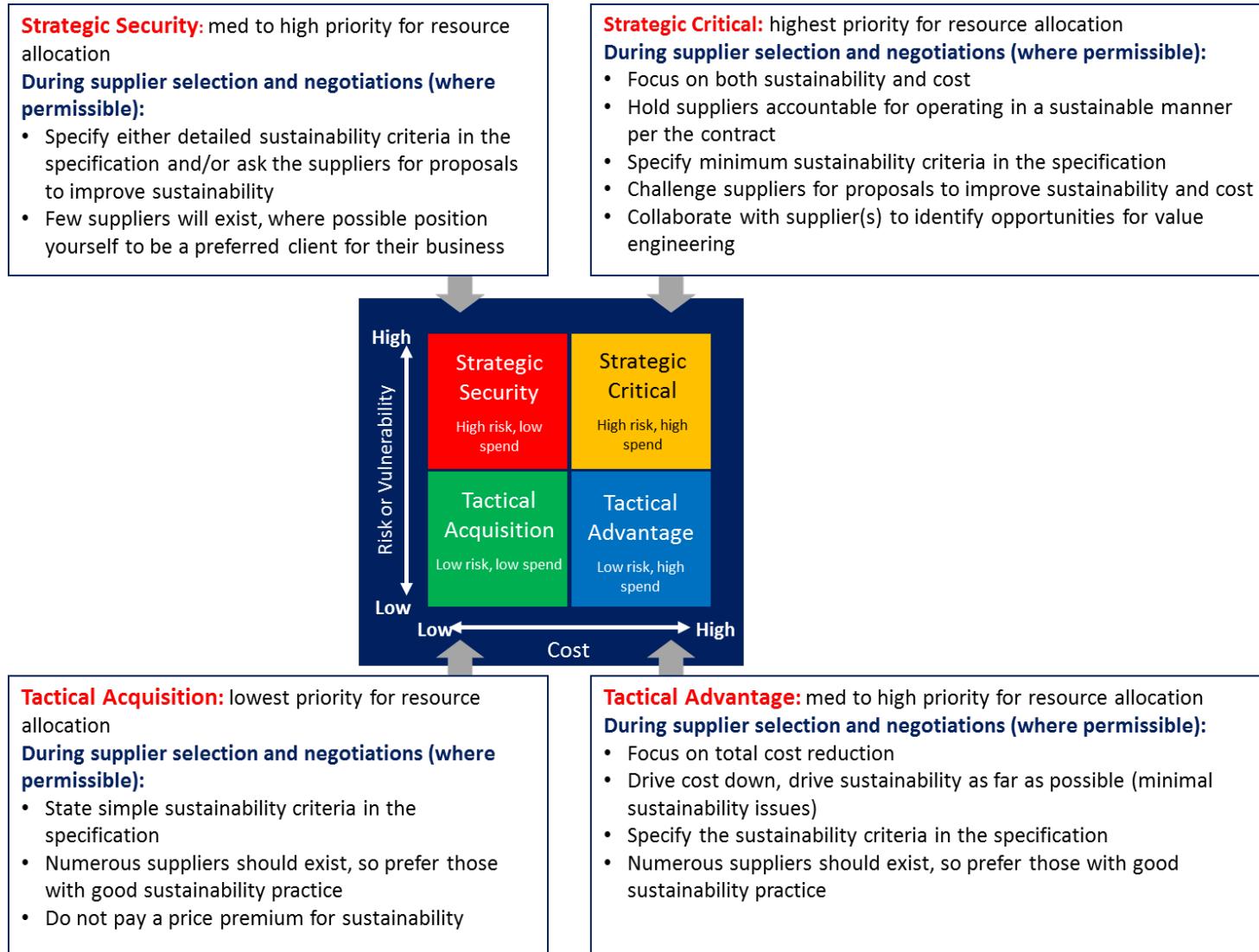


Figure V - Supply positioning model



## Stage 3: Develop sustainability requirements and evaluation methodology



### PROCUREMENT PROCESS

#### Stage 3: Requirements

### Defining requirements

It is critical to include the sustainability priorities identified in the PPSD in the design of the procurement process and in the specifications and evaluation methodology. This helps ensure that appropriate sustainable priorities are incorporated into the procurement decision.

When writing specifications, consult the PPSD, Section 8.1 and Annex II. For more information refer to the Procurement Regulations, Annex VII. The following may also be noted:

- a) specifications need to be compliant with local laws and regulations;
- b) is the market ready to deliver the sustainability needs (i.e. what intelligence did you glean when conducting market analysis and supplier consultation) to improve the possibility of compliant Bids/Proposals; and
- c) sustainability priorities ought to be transparently and effectively communicated to potential suppliers in the specifications.

The Procurement Regulations (Annex VII 2.5) state:

*“The sustainable procurement requirements should be based on evidence (i.e. with supporting data), and on existing social-label criteria, eco-label criteria, or information collected from stakeholders in industry, civil society, and international development agencies”.*

There are two broad categories of specifications. These are conformance specifications and performance specifications. These different specifications encourage different levels of innovation from the market, and Borrowers must consider which is most appropriate for the specific sustainability priorities of the procurement.

There are key differences between conformance and performance based specifications which will impact on the Borrower’s decision about which to use.

#### 1. Conformance based specifications

These type of specifications describe in detail the technical requirements of the design, method of production, construction and/or delivery. These are sometimes called technical, detailed, input, or design specifications. Where sustainability is a priority the specification may specify a physical characteristic of the product (attribute), e.g.: recycled content, or the way in which the product is manufactured or delivered (process), e.g.: sustainably managed timber.

Generally, RFB processes use conformance based specifications. That is, the Bidder must conform to the specifications prescribed by the Borrower. The Borrower controls



the design and method of delivery. There is usually little room for innovation or alternative sustainable solutions.

Conformance specifications are evaluated against qualifying criteria. That means that the Bids either meets, or do not meets the requirements. Meeting requirements results in a Bid being determined to be substantially responsive.

## 2. Performance based specifications

These type of specifications describe the outcomes or results required in terms of business, functional or sustainable performance requirements. These are sometimes called output or results based specifications. Where sustainability is a priority the specification may define the proposed function to be fulfilled by the product, e.g.: the strength and durability of concrete to be supplied, or energy/fuel efficiency of a machine.

Generally, RFP processes use performance based specifications, (or a mixture of performance and conformance). That is, the Proposer develops a solution that will deliver the sustainable requirements outcomes described by the Borrower. The Proposer controls the design and method of delivery.

Performance specifications are used where the Borrower seeks innovation in sustainable solutions. This is especially effective when procuring unique or novel requirements. Performance specifications are assessed on their merit by scoring against rated criteria. Proposals can then be ranked against each other based on the quality and best fit for purpose VfM solutions.

Conformance vs performance specifications

	Conformance Specifications	Performance Specifications
Time to develop specifications	LONGER	LESS
Borrower's degree of control in delivery	HIGH	LOW
Risk to Borrower if specifications are wrong	HIGH	VERY LOW
Complexity of evaluation	LOW	MED to HIGH
Level of supplier innovation sought	LOW or NIL	HIGH

Figure VI - Key differences between conformance and performance specifications

Where possible, the sustainable procurement requirements ought to be evidence-based (i.e.: with supporting data) and, if appropriate be based on existing social-label criteria or eco-label criteria (refer to Annex I). Detailed technical sustainability requirements ought to be addressed through either precise conformance (describe the exact nature of the technical requirement) or performance specifications (describe the exact nature of the sustainability outcome or objective to be achieved).

A specific requirements may rely on a sustainability standard that is to be met by vendors or that allows vendors to propose their ideas, innovations and approaches to managing the sustainability risk. Conformance sustainable specifications may also specify the materials to be used in production and/or the method of production, packaging, or service delivery. However, the level of specifications ought to be directly linked to the subject matter of the contract, and can only include those requirements that are related to the production of the Goods, Works, Non-consulting or Consulting Services being procured.

The Borrower ought not to require production processes that are proprietary or otherwise only available to one vendor, or to vendors in one country or region, unless such a requirement is justified to the satisfaction of the Bank (refer to Procurement Regulations).

What to include in specifications:	What not to include in specifications:
<ul style="list-style-type: none"> <li>• Use plain English and simple language – avoid technical and legal jargon and use of acronyms</li> <li>• Clearly identify the sustainability priorities to be addressed</li> <li>• Identify sustainable risks that are to be managed or eliminated e.g.: health and safety</li> <li>• Clearly state the sustainable standard, performance or outcome/s to be achieved</li> <li>• Clearly identify realistic timelines, or milestones for delivery</li> <li>• Allow for innovative solution, if this is appropriate</li> <li>• Take a whole of life approach by identifying recurring costs, future maintenance and sustainable disposal, if appropriate</li> <li>• Be based on a fit for purpose approach</li> <li>• Be technically accurate</li> <li>• Be written in such a way as to encourage bids/proposals from suitable vendors with strong sustainability credentials and experience</li> <li>• Support diversity and equal opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Exclude an area of risk that the Borrower assumes will be the liability of the supplier</li> <li>• Exclude any risk in relation to a construction site</li> <li>• Breach copyright</li> <li>• Be biased towards a particular supplier e.g.: by specifying a particular brand</li> <li>• Discriminate on the basis of country, state or local companies</li> <li>• Be ambiguous</li> </ul>

*Table IV - Content of specifications*

## RFQ vs RFB vs RFP

An essential decision in designing a fit for purpose procurement process is whether to use a Request for Quotations (RFQ), Request for Bids (RFB) or Request for Proposals (RFP) Selection Method (refer to the Procurement Regulations, Section VI and Annex XII and the guidance on *Standard Procurement Documents* for more details). This choice will be influenced by the nature, size, complexity, risk and value of the procurement and the category of goods, works or services being procured.

### Request for Quotes

For a low to medium value procurement that is simple and easy to specify, or off-the-shelf standard product or service, and there is a ready market with many suppliers it may be appropriate to use a RFQ Selection Method.

**Example:** RFQ purchase of sustainably sourced paper

Demand for sustainably produced print paper is growing. Increasingly suppliers are keen to demonstrate their sustainability commitments and credentials. In this scenario the RFQ includes a mandatory criterion that the paper must be sourced sustainably and that this is capable of verification through an internationally recognized standard or body such as Programme for the Endorsement of Forest Certification (PEFC).

### Request for Bids and Prequalification

For a procurement where the Borrower uses conformance based specifications, the market has a proven ability to deliver and the Borrower wishes to retain tight control over the design, specification and delivery it may be appropriate to use a RFB Selection Method.

**Example:** RFB procurement of rural lighting project

In this scenario the Borrower specifies the design and technical detail for the project. Sustainability is a critical, must-have priority and only suppliers with relevant electrification sustainability accreditation will be invited to Bid. The Borrower undertakes a Prequalification (PQ) to identify suitably accredited suppliers. The PQ contains a mandatory criterion that Applicants must have an internationally recognized accreditation in relation to sustainable electrification and that the accreditation is current.

### Request for Proposals and Initial Selection

For the procurements where the complexity is moderate to high, the cost of bidding is high, there is a high potential for alternative sustainability solutions and the market is able to offer customized solutions it may be appropriate to use a RFP Selection Method.

**Example:** RFP construction of university campus

In this scenario the Borrower specifies, in performance based specifications, the sustainability priorities to be met and the sustainable outcomes to be delivered. The Borrower undertakes an Initial Selection (IS) to identify suitably accredited and experienced suppliers. The IS contains a mandatory criterion that Applicants must have an internationally recognized accreditation in relation to sustainable building works and that the accreditation is current. This is a pass/fail criteria.

The IS also contains rated criteria to assess each Applicants’ level of experience. The rated criteria requires Applicants to provide information on the number of sustainable building projects they have completed, the sustainability standards they delivered, whether or not the work was independently audited or accredited, the value and size of the projects and whether or not they won any award/s in relation to their work. Using rated criteria the Borrower is able to score each Applicant’s sustainable building experience and rank them in order of highest to lowest score. The Borrower then selects the top scoring Applications to go forward to the RFP process.

## Industry standards and verification

Sustainability criteria are generally based on verifiable standards and technical competencies. Verification of a supplier’s compliance with sustainability standards is the relevant certifying authority’s responsibility, e.g.: ISO. However, the Borrower ought to perform due-diligence and obtain confirmation from the certifying body.

Sustainability criteria where appropriate, ought to identify specific certification or verification of an industry, environmental or social standard, code or management system standard. Examples include: Health and Safety Management (OHSAS 18001), Eco-Management and Audit Scheme (EMAS), Environmental management (ISO 14001), Energy management systems (ISO 50001). A Borrower may also decide to require vendors to sign their own sustainability code of conduct or charter and include in the contract as a KPI.

Example category	Example verification
<p><b>Technical capability of the bidder/proposer:</b></p> <ul style="list-style-type: none"> <li>The Bidder/Proposer must provide verification of sufficient experience in sustainable facility construction</li> </ul>	<p>The Bidder/Proposer must provide comprehensive information verifying their experience, with credible references in the following fields:</p> <ul style="list-style-type: none"> <li>Use of building materials produced in a socially responsible manner (e.g.: reconstituted concrete)</li> <li>Energy efficient construction in accordance with internationally recognized environmentally sustainable standards and that the construction/s has been independently audited and accredited to that standard</li> </ul>

*Table V - Example technical sustainability criteria*

The Borrower may include criteria relating to industry supplier databases or other reliable pre-established external databases containing supplier data (such as trade bodies) and use this during the evaluation.

Some trade bodies maintain their own supplier qualification database or vendor registration systems online or employ supplier risk and performance management vendors that maintain databases. Other sources include public lists of vendors of certified/labeled products, local networks, United Nations Global Network (UN-specific), UN Global Compact, or Global Reporting Initiative.

Technical capability will likely be a key determining factor in the ability to meet social and environmental requirements. The procurer could, for example, require appropriate qualifications to ensure that the necessary health and safety measures are implemented. In

accordance with the principle of proportionality, the sustainability criteria must be directly linked to the performance of the contract, i.e.: in the bidder pre-qualification phase certifications or equivalent verification of industry specific environmental or social standards, codes of supplier conduct or a certain management system can be required (e.g.: OHSAS 18001, EMAS, ISO 14001, BSCI/SA8000, ISO 50001). This type of independent certification can therefore be an important verification of the necessary technical and professional qualification of a supplier.

Consideration, however, ought to be made for the scope of coverage along the supply chain. This ought to be informed by the industry sector and sustainable risk profile of the project. Table VI contains example questions a Borrower may use to validate these types of considerations.

Question	Verification
Is the supplier a member of a multi-stakeholder initiative (e.g. ETI) or in an independent monitoring organization (e.g., Social Accountability International corporate program)?	Verification of membership
Is an independent, up-to-date (not older than two years) audit of working conditions in the supply chain available?	Audit report
Does the manufacturer carry out an internal audit of working conditions in the supply chain?	Audit report
Is a code of conduct including ILO core working standards available in the supply chain?	Code of conduct
Is the supply chain shown as transparent by the manufacturer?	Description of the supply chain

*Table VI - Examples questions and verification*

## Required and desirable criteria

The procurement approach taken by Borrowers also guides the type of specification and criteria. RFB would typically use conformance specifications and qualifying criteria, whereas RFP would typically use a combination of conformance and performance based specifications and a combination of qualifying and rated criteria.

Criteria can be either:

- required / mandatory:**

Pass/fail criteria that aim to establish the minimum acceptable performance that must be met. The criteria may also exclude undesirable features. Required or mandatory criteria may also include standards set by the government (e.g.: through regulation)

- desirable / optional:**

Where the criteria defines desired or optional sustainability solutions. In this case the criteria is not mandatory. Such criteria are used to reward sustainability performance that exceeds the minimum standards. It may also form the basis of a Key Performance Indicator (KPI) to measure and manage delivery. Where the market for eco-friendly or

socially responsible products and services is not sufficiently mature, or if there is only limited availability of certain sustainability products, the sustainability needs may be expressed in the specifications and criteria as ‘desired’ or ‘preferred’ to indicate that it is not a mandatory requirement.

Criteria	Vehicles	Construction Works	Wood Products
Required / mandatory	Minimum standard <100g CO <sub>2</sub> /km	Minimum standard 5% of working hours to socially disadvantaged people	Minimum standard 100% recycled or FSC/PEFC labeled or equivalent.
Optional / desirable	One point awarded for every 10g below thresholds	Best offer gets 10/10, 5% only gets 0/10	10/10 if 100% eco-label that guarantees additional environmental benefits through the life cycle

Table VII - Examples of required and desirable criteria

## Qualified supplier lists

For routine procurements that have sustainability requirements it may be efficient for Borrowers to establish a list of suppliers that have been vetted for the sustainability accreditation and experience. For example, suppliers who meet certain standards and demonstrate good sustainability practices:

- a) technical capability (EMAS ISO14001 certification)
- b) past experience (e.g. records of orders or references)
- c) environmental technical competence (e.g. minimize accumulation of waste)
- d) social responsibility (e.g. code of conduct).

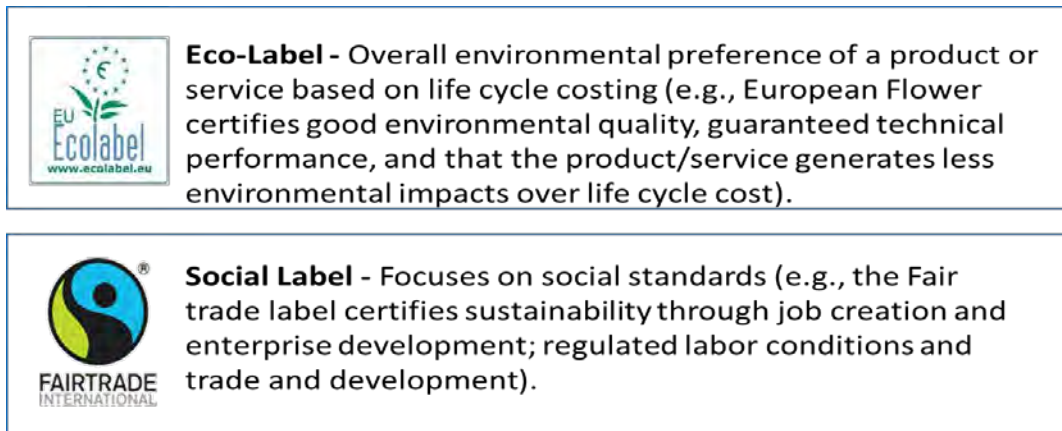
Qualified supplier lists can be an effective way of making it easier for suppliers to engage in procurement opportunities. They allow suppliers to respond to a qualification questionnaire once, but the information is used many times as it allows multiple buyers in numerous procurements to rely on it. Is this type of list is to be credible, it must be updated regularly.

## Using eco/social labels

Standard certificates and labels are valuable tools for implementing sustainable procurement. They can help Borrowers overcome some of the challenges they face when trying to sensibly deliver social or environmental sustainability. The Procurement Regulations (Annex VII, 2.6.) permit the use of:

*“Internationally recognized certification or accreditation schemes [that] demonstrate [a] firm’s ability to apply environmental management measures. Such schemes may include ISO 14001 or other systems, that conform to the relevant international standards on certification and environmental management may be recognized. Firms may also be able to demonstrate that they apply equivalent sustainable management measures, even without certification.”*





*Figure VII - Example of eco/social labels*

When applied appropriately, labels can be useful in preparing conformance specifications and award criteria. Borrowers may use criteria from labels to draft conformance specifications and verify compliance.

However, for labels to be used appropriately the following considerations ought to be taken into account:

- a) the label must be a credible, internationally recognized certification or accreditation scheme;
- b) the use of a particular label needs to be relevant to the subject matter of the procurement; and
- c) vendors ought not to be required to be registered under a particular label, equivalent labels or accreditation ought to be allowed.

Though not as numerous as eco-labels, some social labels are beginning to emerge in a number of market sectors. Social labels can cover different types of socio-economic issues, such as human rights, workers' rights, a ban on child labor, payment of a fair price to developing country producers, etc. Some labels also incorporate both environmental and social aspects. Others focus on a single issue (e.g. GoodWeave, dedicated to ending illegal child labor in the carpet industry, or the Forest Stewardship Council for sustainable forestry).

When writing specifications and developing evaluation criteria, Borrowers have to make sure that the specifications related to the social performance of the suppliers are relevant to what is being procured.

Standard	Description	Application
Type I, ISO 14024	Eco-Labels	Voluntary, multiple criteria based, third party verified, and based on life cycle considerations.
Type II, ISO 14021	Green Claims	Declarations firms make about their product or service. These types of eco-labels are not independently verified.
Type III, ISO 14025	Environmental Impact Labels	Product information shared through a list of parameters; no evaluation, just data.
"Type I-like"	Focus on Single Issues	Energy consumption, sustainable forestry, etc.

*Table VIII - ISO 14020 Series of Environmental Standards Classification*

For more information on labels and certification schemes available worldwide, refer to:

- a) Ecolabel Index — <http://www.ecolabelindex.com/>
- b) Global Ecolabelling Network (GEN) — <http://www.globalecolabelling.net/eco/eco-friendly-products-by-category/>
- c) EU GPP Criteria — [http://ec.europa.eu/environment/gpp/eu\\_gpp\\_criteria\\_en.htm](http://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm)
- d) Standards Map — <http://www.standardsmap.org/>
- e) International Finance Corporation/WB Performance standards — [http://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/IFC+Sustainability/Our+Approach/Risk+Management/Performance+Standards](http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Our+Approach/Risk+Management/Performance+Standards)



## Stage 4: Select supplier and award contract



### PROCUREMENT PROCESS Stage 4: Source

#### Sourcing

Stage 4 of the procurement process deals with approaching the market, decisions on when to include sustainable criteria evaluating PQ/IS and full Bids/Proposals, identifying the Most Advantageous Bid/Proposal and awarding the contract. It is important that the procurement documents clearly describe the sustainability evaluation criteria so that suppliers are informed on how their Proposals will be evaluated against them.

Depending on the nature, size and complexity of the procurement, the Borrower may organize a pre-Bid/Proposal supplier briefing. The purpose is to give potential suppliers advance notice of the procurement opportunity and to inform them of the specifics of the sustainability priorities being sought.

This is an opportunity to ensure that potential suppliers fully understand the business opportunity. Borrowers can explain and respond to questions on their requirements, the commercial / business expectations and the sustainability needs of the project. It is an opportunity to promote competition and proactively influence suppliers.

Maintaining transparency and accountability before, during and after these meetings is essential.

#### Evaluation

The evaluation methodology will determine how the PQ/IS and Bids/Proposals will be evaluated. The methodology may include

- a) **qualifying criteria:** which set all mandatory requirements that must be met (pass/fail or yes/no criteria)
- b) **rated criteria:** that are weighted allow Bids/Proposals to be scored and ranked in order of merit
- c) **monetary quantifiable criteria:** the methodology and calculations applied to prices to establish comparative evaluative costs, such as: life-cycle costing, functional guarantees min/max adjustment, domestic margin of preference, and where sustainability priorities are to be monetized aspects such as energy consumption, CO2 emissions or waste.

For additional details on evaluation criteria, see the guidance entitled “*Evaluation criteria – How to use evaluation criteria to achieve value for money.*”

The supplier with the best sustainable procurement solution may not always be the successful Bidder/Proposer if they are not competitive in other areas. It is important that the whole of

their Bid/Proposal is assessed on all criteria to determine the best fit for purpose solution and VFM procurement.

Some contracts may be awarded conditional upon achieving a minimum sustainability standard over a specified time. This allows the supplier to develop and improve systems or approaches to achieve incremental progress towards the ultimate sustainability goal.

In the following examples the Bid/Proposals are evaluated based on their ability to meet the criteria. This provides a starting point for contract implementation. The KPIs may take that standard and apply incremental improvements over the life of the contract.



Figure VIII – Example of criteria designed to improve labor practices

## Evaluating non-cost attributes

There are methods that can be used to assess non-cost sustainability factors.

The first, and most common method, is to score the proposed solutions against rated and weighted sustainability criteria. This rewards solutions that exceed the minimum expectations or are able to demonstrated superior standards or performance.

The second, is to use rated assessments in very specific contexts. Suppliers may be requested to summarize, within their Bid/Proposal, their experience and proposed methods to deliver the sustainable solution. The Borrowers can assess Bidders/Proposers approach and methodology to contract delivery and managing sustainability opportunities and risks.

The third, is where the Borrower carries out product testing to check if it is fit for purpose or sufficiently robust. If not, the product may lead to other sustainability issues arising or increased repair and replacement costs. Some proposed solutions may be over-engineered, providing unwanted functionality or unnecessary levels of service at added expense. Neither extreme provides a sustainable procurement solution and this ought to be reflected in the

evaluation. Eco-labels, Environmental Product Declarations, and other product standards can help to evaluate the sustainability credentials of a product. Alternatively, evidence based on trials or other client references can also help to evaluate this important aspect.

The fourth, is life-cycle costing. Techniques to determine life-cycle costing consists of assessing sustainability impacts associated with key stages of a product's life cycle, for instance: raw material extraction, materials processing, manufacturing, distribution, use, repair and maintenance, disposal or recycling, and environmental impacts such as CO<sub>2</sub> emissions. Even though the technique is mostly used to assess environmental impacts, the same approach can be applied to all sustainability issues.

## Life-cycle cost tools

- a) **Life Cycle Cost and green public procurement** — <http://ec.europa.eu/environment/gpp/lcc.htm>
- b) **Swedish Tool** — <http://www.kkv.se/upphandling/hallbarupphandling/stall-hallbarhetskrav/Livscykelkostnader-LCC/>
- c) **Danish Tool** — <http://mst.dk/virksomhed-myndighed/groenstrategi/groenne-indkoeb/totalomkostninger/>
- d) **SMART Sustainable Procurement Tool** — <http://www.smart-spp.eu>
- e) **ISO 15686-5 on Buildings and constructed assets** — Service-life planning – Part 5: Life-cycle costing

## Award contract

Where sustainability is a priority, the sustainability commitments, standards and measures ought to be written into the contract to ensure that the supplier is contractually bound to deliver them. This may, in the case of supplier performance development, mean that they are described in incremental performance terms in the KPIs.

It may be appropriate to include a Value Engineering clause in the contract which allows the supplier to propose sustainability improvements and efficiencies during contract implementation.

## Key Performance Indicators (KPI)

Key Performance Indicators (KPIs) are used to measure the performance of suppliers. Targets and related KPIs can cover the whole spectrum of sustainable impacts depending on the priorities set in the PPSD. They can be further refined during the selection stage: from raw materials sourcing, labor standards across the supply chain, local sourcing and training, through production, use, and end-of-life management.

Targets and KPIs ought to be aligned with the Borrower's broader sustainability goals and objectives, and the objectives of the sustainable procurement approach. Table IX shows an example of outcome indicators for a project in the construction sector.

Objective: To deliver social and economic benefits for the region affected by the project	
Goals	Measures
<p><b>By [insert date] the project will have achieved these goals annually:</b></p> <ul style="list-style-type: none"> <li>• 10% of the total supply chain expenditure will be sourced from businesses operating within the local vicinity</li> <li>• 5% of the total supply chain workforce on sites will be apprentices or trainees</li> </ul>	<p>How to measure success:</p> <ul style="list-style-type: none"> <li>• Report for the project</li> <li>• % of expenditures in the region</li> <li>• % of local workforce</li> <li>• % of workforce apprentices or trainees</li> </ul> <p>All new projects will report:</p> <ul style="list-style-type: none"> <li>• Expenditure with local businesses</li> <li>• Person days on site for local residents</li> <li>• Person days on site for apprentices or trainees</li> </ul>

*Table IX - Example of construction contract outcome indicators*

## Performance incentives

The Borrower may want to incorporate sustainability performance incentives that are tied to the KPIs. This can help incentivize suppliers to meet or exceed expectations or dis-incentivize suppliers from not meeting sustainability requirements. Incentives could include:

- a) supplier bonuses paid for achieving targets
- b) supplier charges/debits for under performance or non-performance
- c) fixed price contracts could be agreed upon (in this case, reducing waste or improving efficiency could improve a supplier's profit margins)
- d) gain share agreements could be put in place (i.e.: the customer and the supplier split any gains from improvements in sustainable supply arrangements).

## Stage 5: Manage contract implementation



### PROCUREMENT PROCESS

#### Stage 5: Implement

### Manage contract implementation

During Stage 5 of the procurement process the Borrower ought to proactively manage the contract to ensure that the sustainability priorities are delivered, as agreed. It is essential that the award of contract is not seen as the end of the sustainable procurement process, but the beginning of a process that actually delivers the sustainability needs.

The best way to manage contract implementation and the relationship with the supplier is to develop a comprehensive contract management plan. The contract management plan may be finalized and jointly agreed to include performance targets and measures. Linking sustainability targets with the contract management plan assists in maintaining focus and momentum for delivering the sustainability outcomes.

The contract manager and supplier ought to revisit the established sustainable procurement risk profile, throughout the planning and selection stages. By doing so, supplier buy-in, alignment, and continued focus on key sustainable procurement risks and opportunities can be maintained.

### Performance monitoring

Ongoing performance monitoring is necessary for the duration of the contract to ensure that the supplier continues to deliver in accordance with the specifications, contract terms, KPIs and/or separate action plans.

Review meetings ought to be set at agreed intervals, and for significant contracts with key suppliers, these ought to be held face-to-face. These meetings ought to provide an opportunity for both parties to communicate, share concerns, promote understanding and foster a good business relationship.

It is good practice to carry out periodic audits of suppliers throughout the life of the contract, especially for important and complex contracts, to verify that sustainability claims and work practices meet agreed requirements.

During this stage, monitoring results will usually depend on effective data collection in relation to what is being delivered, and to what standard or level of performance is being measured. Data ought to be collected at the appropriate point in the supply chain and aggregated to show the overall position. This can be achieved by setting up a system of outcome indicators. The following types of issues may be taken into consideration:

- a) online tools can enable efficient collection and aggregation of sustainability performance data;

- b) the supply chain ought only be asked to provide data on impacts detailed in the contract;
- c) avoid collecting unnecessary data that will not be used in a meaningful way. This adds cost for no benefit. Generic questionnaires are an example of this and ought to be considered only if the information is to be used to inform procurement decisions; and
- d) prevent duplication by use of existing data collected for other purposes.

## Macroeconomic indicators

These are not typically used at the supply chain level, however, some Borrowers may use such indicators to inform overall strategy. An example would be social return on investment, which may, in turn, impact objectives for the supply chain and the criteria for making procurement decisions.

## Reporting

It is important that the sustainability results are openly and transparently reported. The results can be incorporated in the purchasing agency's reports, for example the annual report, a separate CSR report, or part of a more formal reporting process with independent assurance. When doing so, the procurement team needs to make sure that aggregated data is presented in a way that is meaningful for management and relevant to external publication purposes.

## Managing the relationship with the supplier

Although managing the contract is key to successful outcomes, it is also important to manage the relationship with the supplier. This involves setting clear expectations (through the contract and KPIs) and managing any issues arising professionally and in a timely manner.

The quality of the supplier relationship can be strengthened and enhanced through a combination of practices, these include:

- a) ensuring the supplier fully understands the contractual commitments and how they will be delivered, including the sustainability priorities;
- b) agreeing a contract that has a fair balance of risk between the purchaser and the supplier;
- c) agreeing procedures (e.g. base-contracts, protection of intellectual property) and conditions (e.g. prompt payments) that generate a better conditions for all supply chain stakeholders;
- d) ensure that suppliers, who have fully delivered, are paid on time as per the contractual terms and legal requirements;
- e) improve issues resolution through fair, transparent, professional and timely dialog; and
- f) pay particular attention to the different categories of suppliers: strategic, SMEs, fragile suppliers, etc.

## Disposal

Some goods, equipment and infrastructure require sustainable disposal strategies to be developed for the end of their useful life. Disposal options ought to be reviewed and assessed with the aim of minimizing environmental impacts, maximizing recycling and reuse and determining all opportunities to minimize landfill and pollution. Unethical disposal can have significant impacts on communities and the environment which could result in remediation costs and damage to reputations.

Disposal requirements ought to be factored in at the design and procurement stages, and checked throughout the operational phases of product/service life. This could include ensuring consideration of disassembly and reuse at the design stage, optimal selection of components and materials in the specification to maximize recycling opportunities, and recovery of sub-systems and resources while minimizing the use of hazardous materials that could be dangerous and costly to dispose of.

## Stage 6: Post-contract implementation checks



### PROCUREMENT PROCESS Stage 6: Check

Stage 6 in the procurement process occurs after the contract has ended. It covers activities to check and review delivery and assess if the sustainability outcomes and priorities were delivered, and, if so what impact they had. Was VFM achieved? What lessons are there for future sustainability procurements?

Part of this process may involve debriefing the supplier and key stakeholders on what went well and what could have been improved. What lessons were learned and how can these be shared by all parties involved.

It may be useful to develop a debriefing document to feed into the next PPSD, in the event that this type of procurement is to be repeated in the future. The document could contain, at a minimum:

- a) an overview of performance against sustainability needs, objectives and/or priorities;
- b) whether the sustainability aspects were delivered;
- c) were they delivered as well as had been expected;
- d) what impact did the delivery have (both positive and negative); and
- e) analysis of key success factors and how these could be incorporated into the next sustainable procurement.

Lessons learned, by both the Bank and the Borrower, ought to be shared with each other. By sharing experiences, Bank staff and Borrower's will have a valuable opportunity to learn from successful and unsuccessful experiences in delivering sustainable procurement outcomes.



# Annex I: Labels and certification schemes

Examples of labels and certification schemes available worldwide at the time of publishing include:


Reference	Description
<b>Eco-Label Index</b>	A global directory of Eco-Labels available worldwide.
<b>Global Eco-Labeling Network (GEN)</b>	The GEN is a non-profit association of third-party, environmental performance recognition, certification, and labelling organizations founded to improve, promote, and develop the "Eco-Labeling" of products and services.
<b>EU GPP Criteria</b>	The EU GPP criteria are developed to facilitate the inclusion of green requirements in public tender documents.
<b>Standards Map</b>	Provides information on standards, codes of conduct, and audit protocols addressing sustainability hotspots in global supply chains.
<b>International Finance Corporation (IFC)/WB Performance Standards</b>	Includes environmental and social performance standards and define client's responsibilities for managing their environmental and social risks.

*Table X - Example of labels and certification schemes*

Additional references and worldwide examples of some of the eco-/social labels in relation to Bank Projects can be found below:




It is important to note that each sustainable procurement opportunity will need to be assessed on its own circumstances, context and merits together with Procurement Regulations.




A procurement example:





<b>Energy Star</b>		Reduced energy consumption of electronic devices (multi-functional devices, computers, etc.)	United States Environmental Protection Agency (3 <sup>rd</sup> Party Certified)	Worldwide	As part of the sustainable energies' technologies development for climate change that promotes local content, very small enterprises in Mexico are to be supported in the ICT field. Therefore, in a procurement procedure for multi-functional devices for several government agencies could include basic sustainability criteria and refer to ENERGY STAR criteria granting up to 80% of all products available locally.
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Examples of labels and certification schemes (this list is not exhaustive)




Name	Logo	Objective	Issuer	Geographical distribution
Energy Star		Reduced energy consumption of electronic devices (multi-functional devices, computers, etc.)	United States Environmental Protection Agency (3 <sup>rd</sup> Party Certified)	Worldwide
Safer Choice		Product certification that helps consumers, businesses, and purchasers find products made with safer chemicals (e.g. Indoor/outdoor cleaners & maintenance products, degreasers, laundry & dish detergents, kitchen & bath cleaners)	United States Environmental Protection Agency (3 <sup>rd</sup> party certified)	Worldwide
SmartWay Partnership		Helps companies advance supply chain sustainability by measuring, benchmarking, reporting and improving freight transportation efficiency to reduce GHG emissions and air pollutants.	Self-certification by Partner firms	U.S. and Canada, with pilots underway in Mexico, Chile and Argentina
SmartWay Trucks		Truck tractor and trailer equipment which includes packages of EPA-verified fuel saving and emission reducing technologies	United States Environmental Protection Agency	U.S. and Canada, though similar equipment and technologies are available in most major truck markets globally




Name	Logo	Objective	Issuer	Geographical distribution
<b>WaterSense</b>		Helps consumers and businesses identify water-efficient, high performing products, homes, and services.	United States Environmental Protection Agency (3 <sup>rd</sup> party certified)	Manufacturers can be located worldwide, but must, at a minimum, sell products in the U.S.
<b>ANSI/BIFMA e-3 Furniture Sustainability Standard – level® certified</b>		Multi-attribute sustainability standard for furniture	Business and Institutional Furniture Manufacturers Association (BIFMA) (3 <sup>rd</sup> party certified)	Worldwide
<b>Association for Contract Textiles NSF/ANSI 336: Sustainability Assessment for Commercial Furnishings Fabric</b>		Single attribute sustainability standard that addresses textiles in commercial furnishings fabric.	First-party, second-party or third-party conformance.	Worldwide

Name	Logo	Objective	Issuer	Geographical distribution
Cradle to Cradle™		Multi-attribute sustainability standard that addresses an array of product types (e.g. cleaning products, furniture, building materials, etc.)	Cradle to Cradle Institute Products Innovation (3 <sup>rd</sup> party certified)	Worldwide
CRI Green Label Plus™ Program		Single attribute sustainability standard that addresses indoor air quality/VOC emissions in carpet.	Carpet and Rug Institute (Independent laboratory testing)	United States
Ecologo/UL 2762 Sustainability Standard for Adhesives		Multi-attribute sustainability standard that address human health and environmental impacts of adhesives.	Underwriters Laboratories (3 <sup>rd</sup> party certified)	Worldwide

Name	Logo	Objective	Issuer	Geographical distribution
<p><b>Environmental Choice New Zealand EC-3314 Synthetic Carpets</b></p>		<p>Multi-attribute sustainability standard for Carpets</p>	<p>Environmental Choice New Zealand</p>	<p>Worldwide</p>
<p><b>Environmental Choice New Zealand EC-07-15 Synthetic Paints</b></p>		<p>Multi-attribute sustainability standard for Synthetic Paints</p>	<p>Environmental Choice New Zealand</p>	<p>Worldwide</p>
<p><b>EPEAT</b></p>		<p>Global ecolabel for the IT sector (e.g. computers, TVs, Imaging Equipment, Mobile Phones, Servers)</p>	<p>Green Electronics Council (3<sup>rd</sup> party certified)</p>	<p>Worldwide</p>
<p><b>FloorScore®</b></p>		<p>Single attribute sustainability standard that addresses indoor air quality/VOC emissions in flooring products.</p>	<p>SCS Global Services (3<sup>rd</sup> party certified)</p>	<p>Worldwide</p>


Name	Logo	Objective	Issuer	Geographical distribution
Global Recycled Standard		Multi-attribute sustainability standard that addresses recycled content, environmental, social, and chemical processing in an array of different products (e.g. apparel, carpet, flooring, furniture).	Textile Exchange (3 <sup>rd</sup> party certified)	Worldwide
Good Environmental Choice Australia (GECA)		Multi-attribute sustainability standard that addresses an array of product types (e.g. carpet, flooring, paint, etc.)	Good Environmental Choice Australia (GECA) (3 <sup>rd</sup> party certified)	Australia
GreenCircle Certified Environmental Facts		GreenCircle Certified is an approved third-party verifier for material ingredient reports such as Declare labels, Health Product Declarations (HPDs), and Manufacturer Inventories. GreenCircle offers multi-attribute and single-attribute certifications for products and operations	Green Circle Certified (3 <sup>rd</sup> party certified)	Worldwide

Name	Logo	Objective	Issuer	Geographical distribution
		including and not limited to Waste Diversion from Landfill, Sustainable Manufacturing Practices, Recycled Content, Bio Based Content, and Certified Energy Savings.		
Green Squared®		Multi-attribute sustainability standard for ceramic and glass tiles, quarried stone, and tile installation materials.	Green Squared® (3 <sup>rd</sup> party certified)	
Declare		Single attribute sustainability standard that addresses indoor air quality/VOC emissions and leadership approaches to chemicals in an array of products.	International Living Future Institute	Worldwide
International Living Future Institute: Living Product Challenge <sup>SM</sup> 1.0		Multi-attribute standard for an array of product types (e.g. Carpet, Flooring, Paints & Coatings, Furniture)	International Living Future Institute(3 <sup>rd</sup> party certified)	Worldwide

Name	Logo	Objective	Issuer	Geographical distribution
<b>Master Painters Institute (MPI®) Extreme Green™</b>		Multi-attribute sustainability standard for paints	Masters Painters Institute (3 <sup>rd</sup> party certified)	North America
<b>NSF/ ANSI 140 Sustainability Assessment for Carpet</b>		Multi-attribute sustainability standard for commercial carpets and rugs	first-party, second-party or third-party conformance.	Worldwide
<b>NSF/ANSI 332 Sustainability Assessment for Resilient Floor Coverings</b>		Multi- attribute sustainability standard for resilient floor coverings	first-party, second-party or third-party conformance.	Worldwide
<b>SCS Indoor Advantage™ Gold</b>		Single attribute sustainability standard that addresses indoor air quality/VOC emissions in an array of products.	SCS Global Services (SCS) (3 <sup>rd</sup> party certified)	Worldwide



Name	Logo	Objective	Issuer	Geographical distribution
<p><b>SCS Indoor Advantage™ Gold for Furniture</b></p>	 <p>The logo features a green circular seal with a bird in the center. The text 'CERTIFIED' is at the top, 'INDOOR AIR QUALITY™' is on a banner across the middle, and 'SCS GLOBAL SERVICES' is at the bottom. Below the seal, it says 'INDOOR ADVANTAGE GOLD'.</p>	<p>Single attribute sustainability standard that addresses indoor air quality/VOC emissions in Furniture</p>	<p>SCS Global Services (SCS)(3<sup>rd</sup> party certified)</p>	<p>Worldwide</p>
<p><b>Sustainable Furnishings Council Exemplary</b></p>	 <p>The logo consists of a green globe icon on the left and the text 'sustainable FURNISHINGS COUNCIL' on the right.</p>	<p>Multi-attribute sustainability standard for Furniture.</p>	<p>Sustainable Furnishings Council</p>	<p>Worldwide</p>
<p><b>Sustainable Materials Rating Technology (SMaRT)</b></p>	 <p>The logo features a green circular icon with a stylized 'S' and 'M' and the text 'SMaRT certified'.</p>	<p>Multi-attribute standard for an array of product types (e.g. Carpet, Flooring, Paints &amp; Coatings, Furniture)</p>	<p>Institute for Market Transformation</p>	<p>United States</p>
<p><b>TÜV Rheinland® Green Product Mark</b></p>	 <p>The logo shows a blue square with a white triangle and the text 'TÜV Rheinland CERTIFIED'. To its right is a green square with the text 'Green Product' and 'www.tuv.com ID: 010000000'.</p>	<p>Multi-attribute sustainability standard for an array of product types (e.g. furniture)</p>	<p>TÜV Rheinland® (3<sup>rd</sup> party certified)</p>	<p>Worldwide</p>

Name	Logo	Objective	Issuer	Geographical distribution
<p><b>UL 2818 GREENGUARD</b>                      Certification Program for Chemical Emissions for Building Materials, Finishes and Furnishings</p>	 <p>The logo is a green square with rounded corners. At the top, it features the UL logo (a circle with 'UL' inside) and a leaf icon. Below that, the word 'GREENGUARD' is written in bold. Underneath, in smaller text, it says 'PRODUCT CERTIFIED FOR LOW CHEMICAL EMISSIONS UL COM/CC UL 2818'. At the bottom, the word 'GOLD' is written in a white box.</p>	<p>Single attribute sustainability standard that addresses indoor air quality/VOC emissions in building materials, finishes, and furnishings. Meets the LEED Low-Emitting Material criteria.</p>	<p>Underwriters Laboratories (3<sup>rd</sup> party certified)</p>	<p>Worldwide</p>

# Annex II: Sustainability valuation tools

## Smart Procurement Valuation-Tool

Monetizing economic, environmental and social gains of sustainable procurement is a key step towards effective and efficient public spending. The MAVA Foundation and the IISD have developed a valuation tool to provide this evidence.

The SPV-Tool calculates the net economic, environmental and social impacts when governments procure sustainable goods and services. These impacts are communicated in both their own and monetary terms to create a clear picture of how sustainable procurement can bring better VfM across the product/service life cycle.

The creation of sectoral, multidimensional models, such as the SPV-Tool allow to quantitatively project and evaluate trends (for issue identification), identify entry points for interventions and set targets (for policy/investment formulation), assess ex-ante the potential impact across sectors and the effectiveness in solving stated problems (or exploiting opportunities) of selected interventions (for policy/investment assessment), as well as monitor and evaluate the impact of the interventions chosen against a baseline scenario (for policy/investment monitoring and evaluation ex-post assessment).

The SPV-Tool is based on the System Thinking (ST) and System Dynamics (SD) methodologies. ST allows to map systems, visualizing interdependencies across indicators (e.g.: economic, environmental and social), reaching a shared understanding of the underlying functioning mechanisms of the sector analyzed. SD is a form of computer simulation modelling designed to facilitate a comprehensive approach to planning for sustainability (Meadows, 1980; Randers, 1980; Richardson et al., 1981; Forrester et al., 2002). A key characteristic of SD is that it allows to integrate the three spheres of sustainable development in its analytical process. In fact, SD allows to represent explicitly stocks and flows of human, built and natural capital, and to create linkages among them through the use of feedbacks, delays, and non-linearity. SD is commonly used by the private sector (e.g. for supply chain vulnerability assessments) and by the public sector (e.g. for climate mitigation and adaptation, as well as green economy planning).

The creation of integrated product models for sustainable procurement (SPV-Tool) is driven by available literature and stakeholder inputs (through the creation of system maps or Causal Loop Diagrams). These diagrams are then used as the starting point for the creation of the quantitative model, which would be entirely customized to the product analyzed, the sectors it relies on, and the ones it affects.

In the context of sustainable public procurement, the main outputs of the SPV-Tool include the investment required to implement the intervention desired, resulting avoided costs, and added benefits. For example:

Product	Investment	Avoided Cost	Added Benefits
Vehicles	Capital cost (cost differential)	Energy use and cost; and health impacts and cost	Greenhouse gas emission reduction; energy self sufficiency; and employment creation

Table XII - SPV-Tool

## Sustainable Asset Valuation-i-Tool (SAVi-Tool)

To help countries prioritize sustainable and natural infrastructure, IISD has developed a sustainable asset valuation model (SAV-i) that will prove to governments and investors that:

- a) sustainable and natural infrastructure is not only more sustainable and climate-resilient, but also more bankable than grey infrastructure;
- b) preserving and restoring natural ecosystems may be more bankable than building civil engineered structures for essential climate adaptation and environmental services; and
- c) sustainable and natural infrastructure can, when sensibly planned and financially structured, yield more satisfactory internal rates of return and net present values than their grey alternatives.

The SAV-i Tool includes 2 models:

- **Model 1** is a SD model to quantify and monetize the economic, environmental, and social co-benefits of sustainable and natural infrastructure; and
- **Model 2** is a unique project finance model that will couple the monetized economic, environmental and social co-benefits with financial parameters that determine project bankability. These financial parameters include long-term demand, long-term revenue, projected operating costs, capital expenditure, costs of capital, projections on inflation, discount rates, currency risks, etc.

Both models are based on a well-tested methodology and a solid framework, which can be customized to several types of infrastructure. The SD methodology, will serve as a knowledge integrator (making use of data across sectors, and for various actors). It allows for a conventional cost-benefit analysis of given infrastructure design choices, as well as a more comprehensive assessment of the broader economic, environmental and social outcomes of infrastructure (e.g. including key externalities and specific vulnerabilities).

Model 1 includes the estimation of the following: (1) investments (e.g. capital and O&M costs), (2) forecasted impacts (e.g. reduction of fish stock following the installation of a hydropower dam), (3) emerging avoided costs (e.g. reduced energy consumption in buildings, avoided road construction in the case of better road siting), and (4) added benefits (e.g. employment creation and income for the local population). These four key elements of the analysis can be included in simulation models through the use of stocks and flows, where physical infrastructure is coupled with economic, environmental and social drivers and outcomes. It will highlight the importance of resilience, anticipating risks and highlighting the broader benefits to be accrued by all actors.

Model 2 will demonstrate the bankability of infrastructure projects based traditional financial parameters including longer term demand, longer-term revenue, projected operating costs, capital expenditure, costs of capital, projection on inflation and discount rates, etc. However, the value added in the IISD project finance model is that in addition to the financial parameters, the model will build in the monetized economic, environmental and social co-benefits.



# Annex III: Other reference documents

## Procurement Regulations for IPF Borrowers

Refer to the Procurement Regulations for IPF Borrowers, specifically:

### Section IV and Annex V on PPSD

Outlines how to develop the PPSD as required by the Procurement Regulations. It is the procurement strategy at the project level that describes how procurement in IPF operations will support the development objectives of the project and deliver Fit for Purpose and VfM. Under the Procurement Approach (determined in the PPSD), the Borrower shall include (among other) quality requirements, that may contain sustainable procurement requirements.

### Section V (5.12) and Annex VII on sustainable procurement

Defines the Bank requirements for the Borrower, when the Borrower decides to include sustainable procurement requirements into the procurement process.

### Section V (5.50) and Annex X on Evaluation Criteria

Describes the principles of Bid/Proposal evaluation criteria which may include sustainable procurement to be taken into consideration

## Environmental and Social Standards 1 (ESS1)

ESS1 includes the following annexes that set out certain requirements in more detail:

### ESA Annex 1

This Annex contains different methods and tools to carry out the ESA and document the results. This includes mitigation measures to be implemented that will reflect the nature and scale of the project (these will also reflect national regulatory requirements, which may be relied upon by the Borrower to the extent they meet the requirements of the ESSs).

As specified in ESS1, tools and methods include one or more of the following eight elements:

- a) regional/sectoral/strategic (Environmental Social Impact Assessment (ESIA));
- b) environmental and social audit;
- c) hazard or risk assessment;
- d) cumulative impact assessment;
- e) social and conflict analysis;
- f) environmental and social management plan;
- g) environmental and social management framework; and

- h) other methods/tools: specific features of a project may require the Borrower to utilize specialized methods and tools for assessment, such as a Resettlement Plan, Livelihood Restoration Plan, Indigenous Peoples Plan, Biodiversity Action Plan, Cultural Heritage Management Plan.

## ESA Annex 2: Environmental and Social Commitment Plan (ESCP)

The ESCP forms part of the legal agreement between the Borrower and the Bank. It is designed to consolidate, into a single document, the material measures and actions required for the project to achieve compliance with the ESSs over a specified time frame satisfactory to the Bank.

The ESCP will be developed as information on the potential risks and impacts of the project become known. It will take into account the findings of the ESA, the Bank's environmental and social due diligence, and the results of the engagement with stakeholders. Preparation of the ESCP will start as early as possible, normally prior to the pipeline stage, and will serve as a tool to facilitate the identification of potential environmental and social risks and impacts as well as mitigation measures.

## ESA Annex 3: Management of Contractors

The Borrower will ensure that all vendors engaged on the project operate in a manner consistent with the requirements of the ESSs, including the specific requirements set out in the ESCP.

Once the sustainable risk profile has been determined from one (or a combination) of the sources above, it may be managed throughout the different stages of the procurement cycle as further described in the following section.

## International tools

There are also many good international toolkits on sustainable procurement, such as:

### **KfW Group: Toolbox on sustainable procurement**

Published in 2014 in English, French, and Spanish by the KfW Group on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), this toolbox focuses on the water, waste water/waste management, (renewable) energy sectors, as well as transport and communications. The methods and concepts presented can equally be applied to other sectors. The Toolbox is available at: [www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Publications-Videos/Publications-by-topic/Environment-and-sustainability/index.html#2](http://www.kfw-entwicklungsbank.de/International-financing/KfW-Development-Bank/Publications-Videos/Publications-by-topic/Environment-and-sustainability/index.html#2)

### **SPV-Tool and SAVi-Tool**

Monetizing economic, environmental and social gains of sustainable public procurement (sustainable procurement) is a key step towards effective and efficient public spending. The MAVA Foundation and the International Institute for Sustainable Development (IISD) have developed valuation tools to provide this evidence. See Annex II. Contact: [www.iisd.org](http://www.iisd.org).



## World Bank Guidance

The following Bank guidance on procurement may be helpful:

- Project Procurement Strategy for Development: Long Form Detailed Guide
- Project Procurement Strategy for Development: Short Form Detailed Guide





