

## **Sustainable Public Procurement**

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*Publication date:*  
2012

*Document Version*  
Publisher's PDF, also known as Version of record

[Link to publication](#)

*Citation for pulished version (APA):*  
Roos, R. (2012). *Sustainable Public Procurement: Mainstreaming Sustainability Criteria in Public Procurement in Developing Countries*. Centre for Sustainability Management.

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# Sustainable Public Procurement

Mainstreaming sustainability criteria in  
public procurement in developing  
countries



Rita Roos

June 2012

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ISBN 978-3-942638-27-2

## ABSTRACT

Public procurement represents an estimated 15–25% of GDP in developing countries. Public procurement is increasingly seen as a powerful policy tool to bring about major environmental and social benefits. This master thesis explores opportunities and challenges to mainstream sustainable public procurement (SPP) in developing countries to help achieving broader sustainable development objectives. The thesis introduces the concept of sustainable public procurement and sets out to learn from experiences made by global leaders in SPP. It provides an overview of ongoing SPP initiatives in the developing world and analyzes in detail the experiences of two countries, the Republic of Mauritius and Chile. Interviews with key stakeholders are conducted to analyze potential benefits, main incentives, and key barriers. The thesis also explores the question of what is required as a prerequisite or enabling condition for sustainable public procurement in developing countries. Major emerging issues refer to the country context including the capacity needed to plan, manage, implement and account for the results of SPP policies and programs as well as linkages to development cooperation and generic principles of change management. As a conclusion, a generic model to mainstream sustainable public procurement in developing countries is presented. The model is based on a root cause analysis for barriers identified and on the assessment and prioritization of the suitability of tools and approaches to achieve the stated objectives. The model focuses on mainstreaming issues at the national and the organizational level. Major recommended objectives and management approaches at the national level comprise awareness rising, the development of an agreed set of SPP benchmarks, strategic planning and implementation processes that are adapted to the country situation, as well as effective partnerships in international development cooperation. The recommended actions aiming at establishing a national SPP framework are further broken down to the organizational level or the level of the individual procuring entity. Proposed actions at this level focus on the design and implementation of a strategy to embed sustainable public procurement in daily procurement practices. The sustainable public procurement process is the core of this analysis. Other issues presented refer to the alignment of the procurement entity's sustainable procurement goals and strategy with broader organizational objectives and to ways of working, competencies and techniques used by managers and procurers. The thesis concludes by recommending the application of certain tools developed in this thesis and by advocating for concerted actions to be taken by the international procurement community.

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**ABBREVIATIONS**

CD	Capacity Development
CSD	United Nations Commission on Sustainable Development
CSR	Corporate Social Responsibility
DEFRA	UK Department for Environment, Food and Rural Affairs
EU	European Union
FOEN	Swiss Federal Office for the Environment
GDP	Gross Domestic Product
GNI	Gross National Income
GPP	Green Public Procurement
GP	Good Practices
GPA	Government Procurement Agreement
HLF	High Level Forum
ICLEI	Local Governments for Sustainability
IGPN	International Green Purchasing Network
IISD	International Institute for Sustainable Development
ILO	International Labour Organisation
LCA	Life Cycle Assessment
LR	Legal Review
NGO	Non-Government-Organization
MAPS	Methodology for Assessing Procurement Systems
MDGs	Millennium Development Goals
MRA	Market Readiness Analysis
MTF	Marrakech Task Force
MTFP	Marrakech Task Force on Sustainable Public Procurement
NPV	Net Present Value
OECD	Organisation for Economic Co-operation and Development
PPO	Procurement Policy Office Mauritius
SME	Small and medium sized-enterprise
SCM	Supply Chain Management
SCP	Sustainable Consumption and Production
S-MAPS	Sustainable MAPS
SPP	Sustainable Public Procurement
SWOT	Strengths, Weaknesses, Opportunities, Threats
TF	Task Force

UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNCITRAL	United Nations Commission on International Trade Law
UNPCDC	United Nations Procurement Capacity Development Centre
VFM	Value for Money
WB	The World Bank
WLC	Whole Life Costing

# **1 BACKGROUND AND INTRODUCTION TO SUSTAINABLE PUBLIC PROCUREMENT**

Public procurement represents an estimated 15% of the Gross Domestic Product (GDP) in Organisation for Economic Co-operation and Development (OECD) countries and up to 25% of GDP in developing countries and procurement is increasingly seen as a powerful public policy tool to bring about major environmental and social benefits (OECD 2011c; ADB 2011). Most OECD countries are implementing national programs to promote Sustainable Public Procurement (SPP). This strategy allows for the consideration of economic, environmental and social criteria when awarding public contracts to drive sustainable production and consumption patterns (United Nations 2008). SPP in developing countries is still in its infancy even though the negative consequences of climate change exacerbate existing development problems. This master thesis explores opportunities and challenges for developing countries to integrate sustainability criteria in public procurement and presents a generic model for mainstreaming SPP in developing countries. Chapter 1 introduces the concept of SPP, explains its relevance for developing countries, and illustrates linkages to other fundamental concepts.

## **1.1 The concept of Sustainable Public Procurement**

Public procurement is the overall process of acquiring goods, works and services on behalf of a public authority (Hilse 1996; IISD 2007). It is in essence a question of matching supply and demand, just as with any private procurement procedure. Public contracting authorities however, have to exercise special caution when awarding contracts, because they handle public funds and are accountable to tax payers. Public procurement laws and procedures can differ from country to country and also between national governments, state-owned enterprises and local governments. There are generally two underlying principles to be observed within public procurement. These principles are best value for money by ensuring cost-efficiency through competition, and fairness to ensure a level playing field for market participants by applying procedures that safeguard non-discrimination, equal treatment, transparency, and proportionality (Hilse 1996; IISD 2007; European Commission 2011 b).

In 2002, the *World Summit on Sustainable Development* acknowledged that public procurement can contribute to achieving sustainable development goals and the *Johannesburg Plan of Implementation* effectively institutes SPP as a crosscutting issue (WSSD 2002). The plan encourages public procurement practices that stimulate development and diffusion of environmentally sound goods and services and promotes the integration of the three pillars of sustainable development which are economic development, social development and environmental protection. These pillars are interdependent and mutually reinforcing components. Consequently, a concept described as linkage by McCrudden has become increasingly important for the public sector. A linkage is the act of participating in the market as a purchaser and at the same time regulating it through the use of its purchasing power to achieve environmental goals or social justice (McCrudden 2004).

Sustainable Development is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations 1987, 1). The most regularly cited definition for sustainable procurement originates from the *United Kingdom Sustainable Procurement Task Force* and coherently builds on this concept. The Task Force defines sustainable procurement as “a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy whilst minimizing damage to the environment” (DEFRA 2006, 10). In other words, sustainable public procurement is where the concept of sustainable development and public procurement meet.

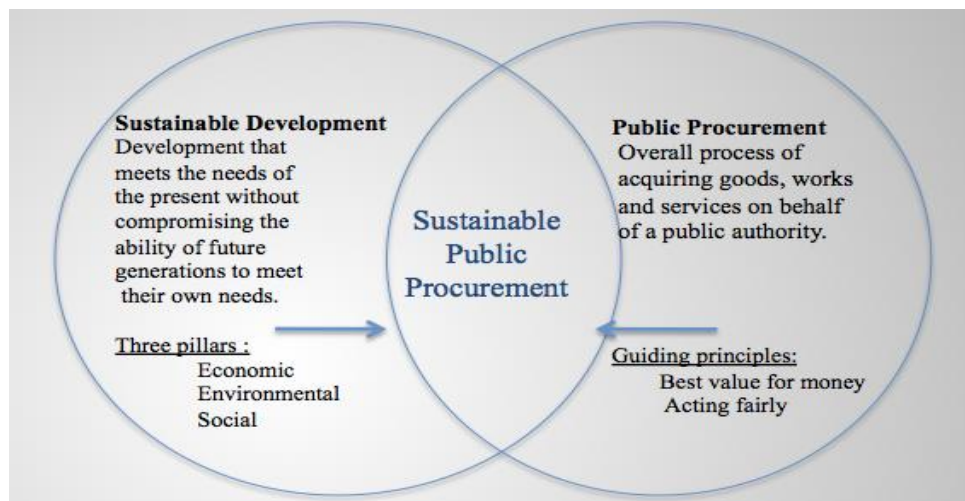


Fig. 1: Sustainable Development and Public Procurement (Based on WCED definition of Sustainable Development) (United Nations 1987, 1. Author's illustration)

The three pillars of sustainability establish a triple baseline of external concerns to be fulfilled. This means that purchasers need to look beyond the conventional criteria of price, quality and service when making purchasing decisions. The triple baseline also requires the purchaser to consider the whole life cost (WLC) of procurement. The WLC not only considers upfront costs but includes operating and disposal costs to ensure real value for money over the longer term. The four primary goals of sustainable procurement can be defined as follows i) to minimize any negative impacts of goods, works or services across their life cycle and through the supply chain for example, impacts on health and well-being, air quality, generation and disposal of hazardous material, ii) to minimize demand for resources for example, reducing purchases, using resource-efficient products such as energy-efficient appliances, fuel-efficient vehicles and products containing recycled content, iii) to ensure that fair contract prices and terms are applied and respected that meet minimum ethical, human rights and employment standards, and iv) to promote diversity and equality throughout the supply chain by for example, providing opportunities for small and medium sized enterprises (SMEs) or by supporting training and skill development (Berry 2011).

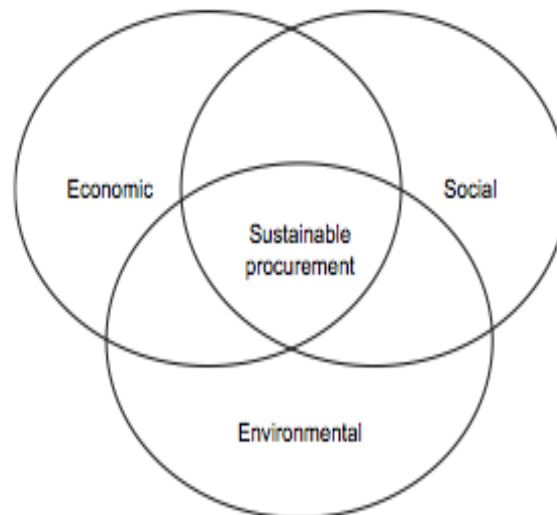


Fig. 2: Balancing sustainable procurement objectives (Berry 2011, 27, Fig. 7a)

## 1.2 Introduction to SPP in developing countries

Adopting the definition used by the World Bank, developing countries include countries averaging a Gross National Income (GNI) of less than USD 12,275. The total share of developing regions' income to the global economy amounts to 30% (World Bank 2011a). Many developing countries have recently embarked on reform programs to adhere to broadly accepted Good Practices in procurement. These reforms have been largely encouraged by the *2005 Paris Declaration on Aid Effectiveness (the Paris Declaration)* and its targets on reliable country procurement systems. Most countries usually commence their procurement reform process with legal and regulatory reform. Regulatory reform includes the development of supporting tools and documents, establishment of institutions, training of officials, and initiatives to ensure transparency and access to information as well as monitoring compliance. These reforms are otherwise known as “first generation reforms” (OECD 2011a). Unfortunately, these programs usually fail to address the sustainability dimension as defined above, but there is a growing awareness of the importance of SPP. As the Government of Mauritius put it, “the increasing gap in safety, resource efficiency and environmental standards between products sold on European and on developing world markets needs to be addressed” (MOFE 2010, 33). Activities connected with SPP can be found in emerging markets such as Mexico, Argentina and Brazil as well as in some developing countries. The United Nations Environment Programme (UNEP) has recently been supporting the countries of Chile, Colombia, Costa Rica, Lebanon, Mauritius, Tunisia and Uruguay in designing and implementing SPP policies and action plans (UNEP & FOEN 2011).

## 1.3 Linkages to sustainable development and related concepts

First and foremost, SPP is based on the concept of sustainable development which demands to consider the limited ability of the biosphere to absorb the effects of human activities, to assure the basic needs of all global citizens are met, and to adopt life-style changes which ensure security and growth within the planet's ecological means. The *UN Conference on*

*Environment and Development*, held in Rio de Janeiro in 1992, provided the fundamental principles and the program for action for achieving sustainable development called *Agenda 21*. The *Johannesburg Plan of Implementation* of the 2002 *World Summit on Sustainable Development* reaffirmed the Rio principles and commitments including those contained in the September 2000 *UN Millennium Declaration* targeting priority areas of development focusing at poverty reduction, primary education, gender equality, health, environmental sustainability and a global partnership for development (Michelsen et al. 2008). Sustainable development is a normative concept based on ethical principles. It formulates a vision of how the world should be like and requires an integrated approach, which takes account of social, economic and environmental objectives. The challenge is to ensure that the advancement of one objective is not to the detriment of another (Michelsen et al. 2008; Berry 2011).

To achieve development objectives, the capacity to plan, manage, implement, and account for results of policies and programs is critical. However, there is a striking contrast between the increasingly recognized importance of capacity and the difficulty of achieving it. In Africa, the *New Partnership for Africa's Development* has identified capacity constraints as a major obstacle to sustainable development (OECD 2006a). In looking for new ways to improve the effectiveness of funding of development provided by donor countries and international development agencies, more than 150 countries and international institutions have agreed on a set of principles which form the foundation for the catalytic role of development cooperation. These principles were agreed upon in the *Paris Declaration on Aid Effectiveness* and reaffirmed in the *Accra Agenda for Action*, and the *2011 Busan Partnership for Effective Development Co-operation*. Capacity development has been endorsed as an explicit objective of national development and poverty-reduction strategies (OECD 2005/2008; 4<sup>th</sup> HLF 2011).

Moreover, transforming a public procurement system into a sustainable one is a complex task and represents a significant change which calls for the consideration of generic change management principles. The process can be described as “a journey, with some individuals, organizations or nations ahead of others in terms of making this transition to a more sustainable way of living” (Berry 2011, 1).

Another related concept is supply chain management (SCM). SPP has the potential to stimulate markets for sustainable products resulting in economies of scale and lower production costs for businesses that have been working on sustainable design and supply chain management for over a decade (IISD 2007). The challenge for public entities is to better understand their supply chains as “the management of material and information flows and the management of co-operations or partnerships” (Seuring 2010, 2). It is important to understand the impacts and risks involved in supply chains and to manage them across every stage of the procurement cycle to respond to the key elements of SCM.

## 2 OBJECTIVES, SCOPE, METHODOLOGY

### 2.1 Objectives and structure

SPP is an emerging concept and the related social, environmental, and economic issues are numerous and complex from a technical as well as a management point of view. The objectives of this thesis are as follows.

*Provide an overview of the state of play in SPP in industrialized countries*

Current SPP strategies and approaches are presented and analyzed to identify good international practices and to benefit from lessons learned. Chapter 3 summarizes major trends in sustainable public procurement and highlights a few European initiatives.

*Provide an overview of the state of play in SPP in developing countries and learn from early implementation experiences*

Ongoing SPP initiatives in developing countries are outlined to identify emerging Good Practices. Chapter 4 introduces a methodology developed by the *Marrakech Task Force on Sustainable Public Procurement (MTFP)*, which has been replicated by several developing countries.

*Analyze initial experiences in promoting SPP as well as potential benefits and barriers for SPP in developing countries including the perspective of key stakeholders*

The experiences of two developing countries, the Republic of Mauritius and Chile, are presented and analyzed. The respective country context, best practices and lessons learned in establishing a national SPP framework are explored and synthesized in Chapter 5. Given the importance of stakeholders in change management processes, key stakeholders are interviewed to capture expert opinions on potential benefits and barriers for SPP in developing countries. A knowledge sharing Internet platform, managed by UNDP, is demonstrated in Chapter 6 and used to gather perceptions that go beyond the two selected countries.

*Define prerequisites for integrating sustainability criteria into public procurement in developing countries*

An enabling environment is needed for SPP to thrive. Based on the information collected and guided by key principles of capacity development and change management, prerequisites for SPP in developing countries are defined in Chapter 7.

*Assess the suitability of tools and approaches*

Management approaches to overcome barriers in the promotion of SPP are identified in Chapter 8.1 based on a root cause analysis and emerging Good Practices. The management concepts and tools are categorized and prioritized in Chapter 8.2.



### *Develop a generic model for mainstreaming SPP in developing countries*

In conclusion, a generic model for mainstreaming SPP in developing countries is presented. The model is anchored in a broader conceptual framework based on principles of capacity development, change management and aid effectiveness. Its elements, rationale and recommended management approaches are described for two management levels, the national level and the organizational or procuring entity level. This framework promotes international consensus and benchmarks and a country-tailored deployment of SPP (Chapter 8.3) as well as the inclusion of sustainability criteria in daily procurement practices (Chapter 8.4).

## **2.2 Scope and boundaries**

This thesis analyzes SPP strategies and approaches in industrialized and developing countries with a view to identify and learn from emerging Good Practices. Due to the wealth of information, a comprehensive global or even national mapping of SPP activities is not feasible. For the same reasons, the in-depth analysis of country experiences is limited to two developing countries that have embarked on a SPP program. To expand the information base, expert opinions are captured in interviews across key stakeholder groups and additional perceptions are collected using the Internet. When identifying prerequisites and developing a generic concept for mainstreaming SPP in developing countries, focus is placed on management processes at the national and organisational level rather than the individual level. Last but not least, the thesis' main perspective is the procurement perspective. Legal considerations, albeit pivotal in establishing the foundation for SPP, are addressed in broader terms only since public procurement law is a complex academic domain on its own.

## **2.3 Methodology**

The methodology developed is outlined in the table below. It comprises the following phases.

### *Phase I - Data Collection*

Information is collected related to the following issues including state of play in SPP in industrialized and developing countries, country experiences, and potential benefits and barriers for promoting SPP in developing countries. Publicly accessible information such as literature, Internet sources, country examples are used and supplemented by structured interviews aimed at receiving expert opinions from key stakeholder groups. The tools used in this thesis include stakeholder mapping, questionnaire for structured interviews, Internet posts and a portfolio analysis of potential barriers.

### *Phase II - Data Analysis and Interpretation*

The data collected is analyzed and interpreted. The findings include an overview of Good Practices reflecting the current state of play, country context information, application of strategic management tools and approaches at the national level, application of management tools and processes at the organizational level, overview of potential benefits and main

incentives, portfolio of barriers and the identification of other areas which require particular attention.

### *Phase III – Concept design phase*

The findings of phase II are utilized to identify the prerequisites for SPP in developing countries, develop ways and means to overcome barriers, assess the suitability of tools and approaches, and develop a model for mainstreaming SPP in developing countries by addressing both the national framework and the procuring entity level.

Tab. 1: Methodology

<b>Phase I – Data collection Desk studies and interviews based on stakeholder mapping and questionnaire</b>	<b>Phase II – Data analysis Analysis and interpretation of data and information collected to identify areas in which actions are required.</b>	<b>Phase III- Design phase Definition of prerequisites and development of a model for mainstreaming SPP in developing countries.</b>
<b>Issues:</b>	<b>Findings:</b>	<b>Model components:</b>
1. State of Play in SPP in industrialized countries	1. Overview of Good Practices	1. Prerequisites for SPP in developing countries
2. State of Play in SPP in developing countries	- Industrialized countries (1a) - Developing countries (1b)	
3. Country experiences: - Republic of Mauritius - Chile	2. Country context information	2. Ways and means to overcome barriers in order to mainstream SPP in developing countries
	3. Application of strategic management tools and approaches at national level	
	4. Application of management tools and processes at operational (entity) level	
4. Potential benefits for SPP in developing countries including perspectives of key stakeholders	5. Overview of potential benefits and main incentives for SPP in developing countries	3. Assessment of suitability of tools and approaches, prioritization
5. Potential barriers for SPP in developing countries including perspectives of key stakeholders	6. Portfolio of barriers for SPP in developing countries.	4. Generic model for mainstreaming SPP in developing countries at the national level
	7. Interpretation of findings and identification of areas which require further attention	5. Generic model for mainstreaming SPP in developing countries at the organizational (procuring entity) level

## **2.4 Cooperation with UNEP and UNDP**

The United Nations Environment Programme (UNEP) provided valuable information on the *Marrakech Task Force* process by sharing background information and by facilitating communication with national SPP focal points. This information provided is closely related to UNEP's ongoing project *Capacity Building for Sustainable Public Procurement in Developing Countries*. Thanks to the cooperation with UNEP and the United Nations Development Programme (UNDP), a *Briefing Note on SPP* could be published on the website of the UN Procurement Capacity Development Centre (UNPCDC) serving as a starting point for different posts and online discussions which included a short online survey on SPP.

### 3 STATE OF PLAY IN SPP IN INDUSTRIALIZED COUNTRIES

Governments in industrialized countries have increasingly become involved in making their procurement greener and more sustainable. SPP has emerged as a powerful way to stimulate more sustainable consumption and production patterns for society at large (United Nations 2008).

Chapter 3 provides an overview of the state of play in SPP in industrialized countries. It starts by describing some major international and national initiatives that have influenced the global SPP debate (Chapter 3.1) and then takes a closer look at European best practices (Chapter 3.2).

#### 3.1 Overview of SPP policies and implementation status

The Canadian-based public policy research institute, International Institute for Sustainable Development (IISD), conducted a review in 2007. The Institute identified five major international SPP initiatives which influence the global SPP debate (IISD 2007).

The *Marrakech Task Force on Sustainable Procurement (MTFP)* is a voluntary initiative (2005-2011) led by Switzerland and comprised of governments and other stakeholders built into the 10-year Framework of the *United Nations Environment Program (UNEP) on Sustainable Production and Consumption*. The MTFP has developed a methodology to promote SPP in developed and developing countries (FOEN n.d.).

The *International Green Purchasing Network (IGPN)* is based in Tokyo and promotes green purchasing. The IGPN provides a platform for networking, exchange and collaboration for international organizations, local authorities and non-government organizations (NGOs) active in sustainable procurement. IGPN has published *Green Purchasing Guidelines* and also hosts the annual *International Green Procurement Conference* (IGPN 2011a).

The *Local Governments for Sustainability (ICLEI)* is a non-profit association of over 1200 local government organizations from 70 different countries supporting local governments in SPP. ICLEI provides technical consulting, training, and information services to build capacity and share knowledge at the local level (ICLEI 2011e).

The *North American Green Purchasing Initiative* was established at the Commission for Environment Cooperation in Canada. The Initiative maintains a list of ongoing green procurement initiatives, conducts research, and creates a unified voice for manufacturers, purchasers, and stakeholders working with green purchasing in North America (NAGPI 2011).

The *European Union Green Purchasing Programme (GPP)* has adopted a wide range of legal and policy instruments. These instruments enable the consideration of environmental and social criteria in public procurement in the European Union (EU) member states.

Annexure 1 provides additional information on these major international SPP programs.

The 2007 IISD study also took a glance at the implementation status of a total of 35 national SPP programs in OECD countries, Africa, Asia, and Latin America, which had an electronic presence at the time and summarized the following trends (IISD 2007).

- National programs on SPP are mainly being implemented in OECD member states.
- Activities on SPP by local governments are in abundance, also in developing countries.
- National laws and policies provide the all-important prerequisite for SPP.
- SPP programs are effectively used to support sector specific policies.
- Laws and policies are insufficient to bring about change in the traditional procurement mindset. Sustainability considerations need to be integrated in procurement processes.
- There is a proliferation of more than 300 tools identified on SPP.
- There is increased emphasis on identifying environmentally and socially preferable alternatives and increasing public sector capabilities in whole life costing.
- There is a focus on mitigating the impacts of climate change.
- There is an increased focus on transparency and combating corruption.
- There is a prioritization of frequent and significant areas of spending.
- There is more emphasis on environmental sustainability, compared to social sustainability.

Current SPP policies in Europe, the US, Canada, Japan, and Australia display a high level of cross-national variation as they reflect different national policy priorities. Public procurement in the EU, for example, is governed by a set of guiding principles such as best value for money and fairness coupled with an overall policy framework designed to open up the EU's public procurement market to competition within the Union. Policy discussions concerning sustainable public procurement have a predominantly environmental character. There is a considerable variation both in the extent to which EU member countries have developed and implemented a national policy and in the character and focus of existing policy frameworks. By contrast, SPP policy frameworks in the United States place particular emphasis on avoiding discrimination and providing equal opportunities for women and minority owned businesses with some emphasis on purchasing from indigenous people. In Canada, federal procurement policies include economically oriented aspects of purchasing and in addition, comprise measures to ensure procurement opportunities for aboriginal businesses. In Japan, sustainability criteria emphasize environmental aspects and corporate governance measures are mandated. State-based schemes in Australia support local businesses (McCrudden 2004; Brammer & Walker 2007; European Commission 2007a; AEA Group 2010). The focus of sustainable procurement can range from inclusion of certain demographics, good governance, and environmental sustainability to buying local. The focus of each policy directly links to one or more of the three pillars of sustainable development based on country priorities.

Two recently published studies funded by the European Commission provide some evidence on the organizational uptake of sustainable public procurement policies. The most important finding is that the integration of sustainability considerations at the procuring entity level corresponds very closely with the intensity of national policies. European countries such as the Netherlands, Sweden, Norway, the United Kingdom (UK) and Denmark lead in terms of SPP policies and programs. The disseminating activities of these countries display a high level of awareness of sustainable procurement policies (70–80%). These countries have all achieved a high level of adoption of sustainable procurement policies through organizational procurement strategies and procurement procedures (Kahlenborn et al. 2011). The level of awareness of existing tools supporting sustainable public procurement is highly significant in determining both the choice to adopt these policies and the number of tenders that introduce those criteria (Testa et al. 2011). While the latter study focused on green public procurement, the findings confirm that information and sensitization campaigns as well as the training of purchasers actually increases the capability of public bodies to effectively use SPP. Testa et al. also discuss the dimension and positioning of a public authority. Smaller authorities and governments face higher barriers in developing SPP initiatives. This could be a question of economic resources or organizations' lack of capacity to define the proper responsibilities, roles and functions in order to develop high profile, interdisciplinary and technically problematic knowledge (Testa et al. 2011).

### **3.2 Good Practices: The European experience**

The *European Union Green Purchasing Programme (GPP)* has triggered national green and sustainable procurement programs in almost all EU member states and has resulted in numerous initiatives facilitating the integration of sustainability criteria in public procuring practices. This chapter identifies good practices which shall be understood as methods and techniques with results superior to those achieved by other means.

#### **3.2.1 The EU Green Purchasing Programme (GPP)**

Sustainable Development is recognized as an overarching goal in the EU, since its inclusion in the EU Treaty Principles in 1997. At Lisbon in 2000, the EU stated the objective to become “the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion” (European Commission 2004, 7). The *EU Sustainable Development Strategy* was adopted in 2001. Shortly thereafter, the environmental dimension was added reflecting the aim to promote economic growth and social cohesion while paying due regard to environmental protection. The *Sixth Environment Action Programme* in 2002 identified four priority areas where action is urgently needed. These priority areas are climate change, nature and biodiversity, resource management, and environment and health (European Commission 2004).

The EU set out the possibilities to integrate sustainability considerations into public procurement procedures. The EU's decision was guided by the understanding that sustainable development cannot be achieved if there is no integration of sustainability considerations into all other policy areas. The EU Procurement Directives, 2004/18 *Public*

*Sector Procurement Directive* and *2004/17 Utility Sectors Procurement Directive*, open the possibility to consider social and/or environmental issues during the procurement process. The directives allow for sustainable procurement initiatives while also reinforcing the objective to obtain best value for money through a transparent and fair competitive process in line with the rules of the European Single Market. Best value for money means to get the best deal within the parameters set and this can include environmental and social considerations. Acting fairly requires following the procurement laws as well as ensuring transparency and equal opportunities for bidders to compete for the contract (European Commission 2004; European Commission 2007a; European Commission 2010). The adoption of EU regulations into national procurement legislation allows member states to have a legal basis for including environmental considerations in technical specifications, selection and award criteria, and contract performance clauses. Member states also have a legal basis for taking account of social considerations provided they are linked to the subject-matter of the contract and the principles of value for money and equal access for all EU suppliers are observed.

In 2008, the European Commission enhanced its GPP strategy by defining common GPP product criteria. The product criteria are comprised of minimum core criteria and more demanding comprehensive criteria. The indicative target was for the member states to achieve a 50% level of compliance with endorsed common core EU GPP criteria for ten priority product/service groups by 2010 (AEA 2010; European Commission 2012b). The concept relies on setting good performance environmental criteria for products and services and then utilizing these during public procurement in Europe. A *GPP toolkit* supports the uptake of the GPP policy. As of 2010, criteria for the 19 product groups noted in the table below were identified. More detailed information is provided in Annexure 2.

Tab. 2: EU GPP Product Groups (European Commission 2012a)

EU GPP Product Groups	
1. Copying and graphic paper	11. Windows, glazed doors and skylights
2. Cleaning products and services	12. Thermal insulation
3. Office IT equipment	13. Hard floor-coverings
4. Construction	14. Wall panels
5. Transport	15. Combine heat and power
6. Furniture	16. Road construction and traffic signs
7. Electricity	17. Street lighting and traffic signals
8. Food and catering services	18. Mobile phones
9. Textiles	19. Indoor lighting
10. Gardening products and services	

Overall, the *EU GPP Programme* has evolved over a period of more than ten years. The key milestones are summarized in the table (Tab. 3) below.

Tab. 3: Milestones of EU GPP Programme (AEA 2010; European Commission 2004; European Commission 2007a; European Commission 2008; European Commission 2012b)

Country/Regional context	
<b>Definition of political context</b>	EU Treaty recognizes Sustainable Development as overarching goal (1997)
<b>Sustainable Development Strategy</b>	EU Sustainable Development Strategy (2001; renewed in 2006)
<b>Definition of Priorities</b>	6th Environment Action Programme (2002-2012): <ul style="list-style-type: none"> <li>▪ Climate Change</li> <li>▪ Nature and Biodiversity</li> <li>▪ Resource Management</li> <li>▪ Environment and Health</li> </ul>
<b>Legal context</b>	EU Procurement Directives 2004/18 and 2004/17 (2004)
Promotion of national SPP strategies	
<b>Strategy/Targets</b>	<p>Interpretive Communication of July 2001</p> <p>Communication on Integrated Product Policy (June 2003): Called on member states to develop National Action Plans</p> <p>Communication Public Procurement for a Better Environment (2008):</p> <ul style="list-style-type: none"> <li>▪ Process for setting common GPP criteria</li> <li>▪ Political support through a political target, 50% green public procurement by 2010 (defined as complying with the endorsed priority GPP core product criteria) linked to indicators and monitoring</li> <li>▪ Recommended tools for more and better green public procurement</li> </ul> <p>Development of GPP criteria (2008-2010)</p> <p>EU 2020 Strategy: Calls for greater uptake of GPP</p>
<b>Informational instruments</b>	Web-based GPP training toolkit, Practical handbooks (2004, 2010, 2011)
<b>Monitoring of implementation</b>	<p>Report to the EU High-Level Group on CSR (2007)</p> <p>Review of ten European national schemes plus Norway (2010)</p> <p>Monitoring the Uptake of GPP in the EU (2012)</p>
<b>Continuous improvement approach</b>	<p>GPP criteria are regularly reviewed, updated, and published</p> <p>Recommended Framework Conditions for scheme/criteria developm. (2010)</p> <p>Working plan for aligned eco-label process and GP process</p> <p>In the course of 2012, policy review with the aim of increasing the use of GPP throughout the EU.</p>

### 3.2.2 SPP implementation in EU member states

The EU has published several reports monitoring the implementation of GPP/SPP programs in member states. They provide a wealth of information on what has been achieved across Europe. In the context of this thesis, country specific achievements can only be characterized in brief.

The 2007 *Report to the EU High-Level Group on Corporate Social Responsibility (CSR)* brought to light 103 governmental SPP initiatives in 26 member states and came to the following main conclusions. The two most important driving forces behind SPP are European policies and the increasing awareness of environmental problems, in particular climate change, and related public pressure, resulting in a both bottom-up and top-down approach. SPP programs require high-level political commitment as well as a bottom-up ownership, a



commitment to learning, the involvement of stakeholders in optimizing the design of SPP initiatives, and informational SPP instruments. Legal provisions, action plans, training, and guidelines/websites on SPP have developed into a standard set of SPP policy-making across the EU (European Commission 2007a).

A study carried out in 2010 focused on comparing the success of national schemes and of criteria setting processes in ten countries including, Austria, Belgium, Denmark, Finland, France, Germany, the Netherlands, Sweden, the United Kingdom and, although not a member state, Norway. These countries were recognized for their leadership in GPP/SPP. The following benchmarking criteria were used to recognize these countries.

Tab. 4: Key characteristics to success of national scheme and criteria, EU (AEA 2010)

Key Characteristics	
Scheme	Criteria
Aim	Time
Stakeholder Involvement	Evidence Base
Communication	Stakeholder Involvement
Monitoring of Scheme	Communication
Training	Level of Uptake
	Compliance/Verification
	Ambition
	Scope of Criteria

The study concluded that all countries reviewed have a stated aim for their scheme. Germany heavily relies on the Blue Angel eco-label rather than developing a separate national scheme. The level of stakeholder involvement is strong in most cases. In terms of overall communication, a wide variety of methods are used to communicate developments and raise awareness of the scheme, including web based information and conferences. Monitoring the overall success and uptake of GPP/SPP is an area still progressing. At the time of assessment only Sweden and the Netherlands had monitoring systems in place and mechanisms to feed results back into the scheme. A wide range of training is offered including face-to-face training, online courses, dedicated help lines and conferences, the latter also being open for suppliers (AEA Group 2010). Overall, the UK and the Netherlands were among the countries ranked highest. For more details, the benchmarking methodology and findings related to the criteria setting process are described in Annexure 3 and the achievements of some countries such as the UK, the Netherlands, and Germany are outlined and compared to the EU Scheme in Annexure 4. For example, the *UK Sustainable Procurement Strategy* had a significant impact on approaches developed for SPP implementation in developing countries and is illustrated in the country case study below.

Tab. 5: The UK Sustainable Procurement Strategy  
(DEFRA 2005; DEFRA 2006; Westminster Sustainable Business Forum 2008)

#### Country Case: The UK Sustainable Procurement Strategy

In 2005, the UK government published its Sustainable Development Strategy, *Securing the Future*, which set the target of making the UK a leader in the European Union on SPP by 2009. The *Sustainable Procurement Task Force* was established to create a National Action Plan to embed sustainability within UK public sector procurement. The Task Force made six key recommendations:

- 1) The government must lead by example and demonstrate through leadership and commitment.
- 2) The government must set clear priorities and establish a single integrated SPP framework.
- 3) The government must raise the bar through minimum and more demanding standards.
- 4) The public sector must build capacity. A *flexible framework* was developed for benchmarking purposes.
- 5) The government must remove actual or perceived barriers.
- 6) The public sector must capture opportunities for innovation and social benefits and better manage risk through engagement with the market (DEFRA 2006).

In March 2007, the *UK Government Sustainable Procurement National Action Plan* was published and the Office of Government Commerce became responsible for embedding SPP policies. This was followed by the creation of a Centre of Excellence for Sustainable Procurement to provide stronger central coordination of performance management. The Centre also provides guidance and support to procuring entities, and sets out actions required to counter barriers that stand in the way of further progress. This strategic process led to the development and dissemination of methodologies and tools designed to help procuring entities to make their procurement more sustainable.

In 2011, the European Commission sponsored a study measuring if the stated 50% target was met. Since there are no systematic statistics on GPP in the member states, a survey was conducted. Over 850 public authorities from 25 member states participated in the survey. Information on more than 230,000 contracts signed in 2009–2010 for a value of approximately 117.5 billion Euros was collected. The Commission concluded that, although the uptake of GPP in the EU is significant, it appears that the 50% target had not been met. The survey showed that only 26% of the contracts included the EU core GPP criteria. Further, only 55% of the contracts partially complied with the set standards. In terms of value, 38% of the total value of the contracts included green criteria. The study also highlighted that the uptake of EU GPP criteria varied significantly across Europe. Based on this latest study, Belgium, Denmark, the Netherlands and Sweden are considered the top performing European countries. The results of this study will be taken into account in the context of the ongoing modernization process of EU public procurement policy (European Commission 2012b).

### 3.2.3 Integration of sustainability considerations in procurement practices

An early study carried out in 2007 by the University of Bath School of Management, UK, came to the conclusion that sustainable procurement practices in the public sector is a significant and yet understudied concept. A further survey which included 280 public procurement practitioners from 20 mostly industrialized countries, showed that a wide range of sustainable procurement practices are embedded to some degree in public sector procurement practices around the world and that the extent and nature varies significantly across countries (Brammer & Walker 2007). Kahlenborn's analysis of patterns integrating sustainability criteria in European public entities backs these conclusions (Kahlenborn et al. 2011). For example, technical specifications are most often used to introduce environmental criteria (66%), followed by award criteria (45%), and through requirements for technical and/or professional ability (44%). The introduction is used by only 11%. Further, requirements for technical and/or professional ability are most often used to introduce social criteria (40%), followed by the contract conditions (33%) and award criteria (34%) (Kahlenborn et al. 2011).

While recognizing that different situations may require choosing alternate solutions, the use of contract clauses for social considerations is recommended by the EU Directives. Survey results also show that front runners balance the various elements of the tendering process to capitalize on many possibilities to introduce environmental and social criteria.

Comprehensive guidance materials have been developed over time thanks to numerous initiatives at the European, national, and local levels. These materials are available online to facilitate the integration of sustainability considerations in public procurement practices based on the EU Procurement Directives. The European Commission has developed *Buying Green* and *Buying Social* handbooks and *GPP training toolkits* to guide practitioners through a sustainable procurement process (European Commission 2004; European Commission 2010; European Commission 2011c). Similarly, ICLEI has published several guides. The most notable of these guides is the *Procura+ Manual*. The manual details a milestone process for establishing an institutional framework for SPP, key product criteria for a number of products and services, and practical tips on how to integrate sustainability criteria in a cost-effective way (ICLEI 2000; ICLEI 2006; ICLEI 2007). ICLEI also promotes the use of specific tools such as whole life costing and CO2 assessment by providing templates and guidance notes (ICLEI 2011a; ICLEI 2011b; ICLEI 2011c; ICLEI 2011d). The German City Alliance provides another example targeting local government procurement. The Alliance has circulated a step-by-step guide on how to integrate social criteria in public procurement based on the German procurement legislation (Deutscher Städtetag et al. 2009). Most recently, the British Standard Institute has issued the first standard for sustainable procurement, *BS 8903 Principles and framework for procuring sustainably*. The standard is suitable for private enterprises and public entities and builds on the following key themes.

- 1) Fundamentals are higher level organizational frameworks such as procurement policies and strategies. Fundamentals should be in place to provide strategic context, identify strategic priorities, and guide decision-making and sustainable procurement practice.
- 2) The public procurement process follows certain stages, which are defined by the relevant procurement laws and regulations. Sustainability considerations and activities can be addressed at various points across this process.
- 3) Enablers include ways of working, competencies, practices and techniques that should be in place and utilized by managers or buyers to support the activities within the procurement process (Berry 2011).

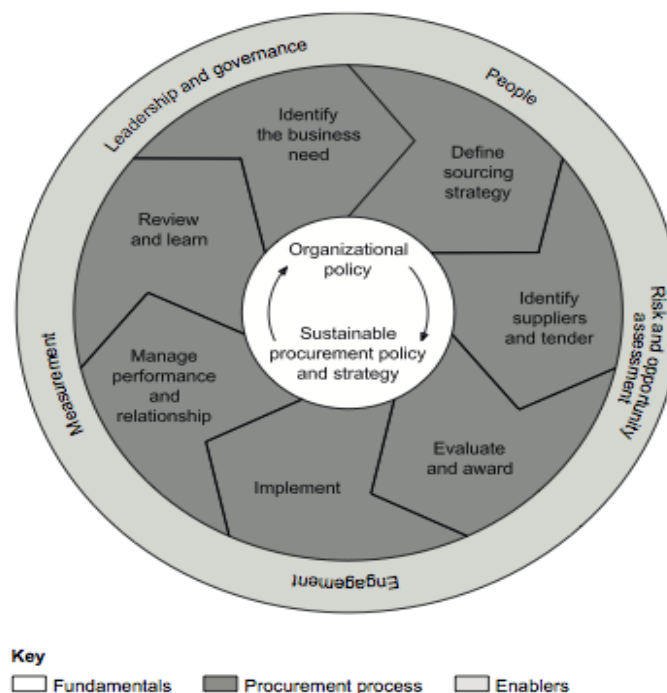


Fig. 3: Sustainable procurement overview (Berry, 2011, 66, Fig. 11)

### 3.2.4 Overview of Good Practices in industrialized countries

The analysis of the current state of play of SPP has shown that the concept and the implementation of SPP is still a rather new and very dynamic topic. Even in industrialized countries, there are a number of areas that need to advance further such as the systematic inclusion of all dimensions of sustainability, solid monitoring and reporting mechanisms, and scientifically sound impact studies making the business case for SPP. However, the analysis has brought to light a number of good practices, which can be drawn upon when developing strategies for mainstreaming SPP in developing countries. The key themes are summarized in the table below.

Tab. 6: Findings 1a: Overview of Good Practices, Industrialized Countries

<b>A. Good Practices for designing and implementing national SPP programs (national level)</b>	
<b>Country context (Prerequisites)</b>	
High-level political commitment for Sustainable Development including legal or constitutional provisions	
Sustainable Development Strategy including the economic, social, and environmental dimension	
Environmental and Social Laws	
Action Programs, priority areas clearly defined	
Procurement Law/Regulations that are based on the principles of VFM and Acting Fairly and which allow for or mandate the consideration of economic, social, and environmental criteria	
Availability of LCA data and eco-labels	
<b>National SPP Program</b>	
Scheme:	
	<ul style="list-style-type: none"> <li>- Aim/Targets linked to SD strategy</li> <li>- Institutions, which have a) ownership for development of scheme and criteria, and b) capacity</li> <li>- Prioritization and selection of products/services/works should be evidence-based and a transparent process</li> <li>- Early dialogue with external stakeholders, commitment of stakeholders including businesses</li> <li>- Communication on strategy and implementation</li> <li>- Continuous training program and supporting information to overcome obstacles (guidelines, websites)</li> <li>- Monitoring of scheme</li> </ul>
Criteria:	
	<ul style="list-style-type: none"> <li>- Core/comprehensive criteria to allow for different ambition levels</li> <li>- Developed from lifecycle-based thinking, evidence used must be transparent</li> <li>- Scope should be "sustainable procurement", meaning, economic, environmental and where possible relevant and appropriate social criteria</li> <li>- Must be easy to use, both for professionals and suppliers</li> <li>- Criteria development process should have clear, defined roles for stakeholders and participants</li> <li>- Clear outline of stages and timetable for criteria development process should be given/process should not take longer than 1 year</li> <li>- Regular criteria revision (at least every three years, at most annually)</li> </ul>
<b>Management Approach: "Plan, Do, Check, Act" (Continuous improvement process)</b>	

<b>B. Good Practices for integrating sustainability considerations in procurement practices (procuring entity level)</b>
<b>Fundamentals</b>
Higher level organizational and procurement policies and strategies including values, mission, and goals
Sustainability policy/strategy which specifies how sustainability objectives correspond to operational priorities
Sustainable procurement policy including targets, actions, monitoring progress, and reporting results
<b>Procurement Process</b>
Preparation of the process
Defining the requirements of a contract
Selecting suppliers, service providers and contractors
Evaluation of tenders and award of contract
Contract Implementation
<b>Enablers</b>
Leadership and governance including accountability
Competence of people including knowledge, skills, and attitudes
Assessment and prioritization of risks and opportunities
Engagement of Stakeholders related to wider sustainability agenda as well as sustainability objectives
Measurement including performance indicators and outcomes

## 4 STATE OF PLAY IN DEVELOPING COUNTRIES

SPP in developing countries is still in its infancy. The spreading application of SPP and good practices developed and prolifically shared in industrialized countries has not yet filtered in a meaningful way into the developing world. Activities connected with SPP can mainly be found in middle-income countries (IISD 2007; United Nations 2008). Most prominently, the United Nations Environment Programme (UNEP) has assisted seven countries in developing SPP policies and action plans using a methodology developed by the *Marrakech Task Force on Sustainable Public Procurement* (UNEP n.d.). Chapter 4 provides an overview of these and other efforts to establish SPP in developing countries. The chapter starts by describing the context of public procurement reform. It then outlines some prominent SPP initiatives in developing countries and summarizes emerging good practices.

### 4.1 Overview of policies and implementation status

#### 4.1.1 Context of public procurement reform in developing countries

Public procurement is a critical governance system that is integral to the delivery of goods, works and services by the government to its citizens. In developing countries, it is also key to the successful implementation of projects funded by the global donor community in the context of multi- and bilateral development cooperation (OECD 2011a).

Traditionally, public procurement systems in developing countries have been generally weak. In many countries, the pertinent lack of adequate procurement regulation and institutions, capacity constraints in the public and private sector as well as insufficient transparency and accessibility of the public procurement market has lead to poor performance and diminished trust in the system. A partnership, later called the *Task Force on Procurement*, was formed in 2003 to strengthen procurement capacities in developing countries. It included the OECD-DAC, multi-lateral development banks, bilateral donors, international organisations, NGO's and representatives from more than 30 developing countries and resulted in the development of commonly shared standards and tools and extensive sharing of country experiences to support procurement reform programs in developing countries (OECD 2005; OECD 2011a).

Some of the commitments made were included in the *Paris Declaration on Aid Effectiveness*, a landmark agreement endorsed by more than 100 donors and developing countries to improve the quality and effectiveness of aid to help meeting sustainable development goals by 2015 (2<sup>nd</sup> High Level Forum 2005). The principles of the *Paris Declaration* are ownership, alignment, harmonization, managing for development results and mutual accountability. Two targets related to procurement were set based on the principles of the *Paris Declaration*. First, to increase the number of developing countries with reliable procurement systems, and secondly for donors to increasingly use these country systems when delivering aid (OECD 2005).

Figure 1.1 The Paris Declaration pyramid  
Five shared principles with actions to make aid more effective

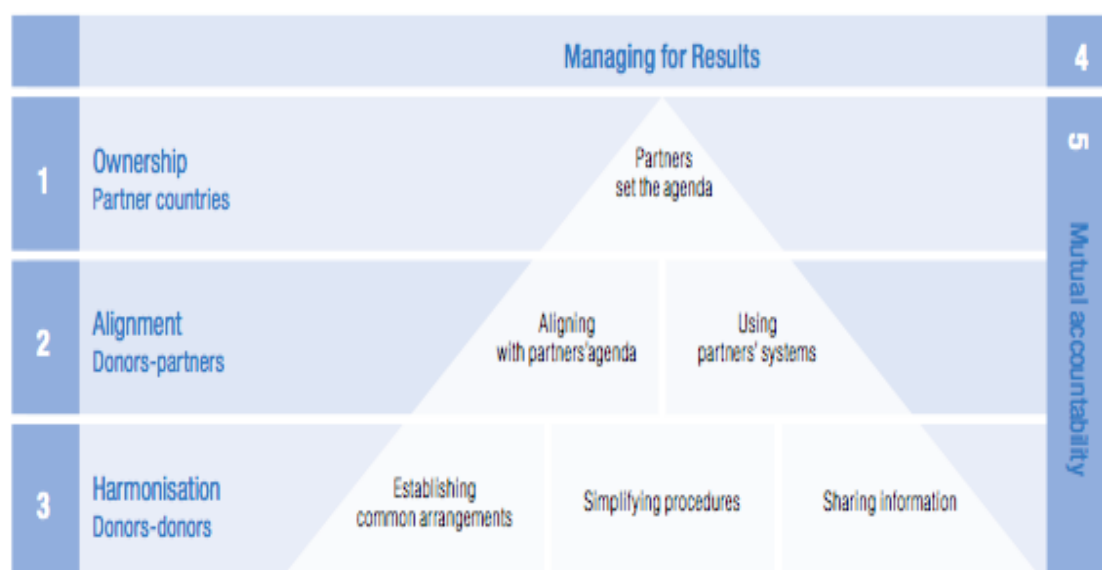


Fig. 4: The Paris Declaration pyramid (OECD 2011d, 18, Fig. 1.1)

Progress towards achieving the *Paris Declaration* targets has been periodically measured and the targets were reaffirmed during the 3<sup>rd</sup> and 4<sup>th</sup> High Level Forum (HLF) meetings in Accra (2008) and Busan (2011). The 4<sup>th</sup> HLF concluded that substantial progress has been made in many countries, but globally donors and development countries have fallen short of the goals that they set themselves for 2010. For example, the *Paris Declaration* refers to ownership of development primarily to developing country governments' abilities to "exercise leadership over their development policies and strategies and co-ordinate development actions" (OECD 2011d, 29). The target was for 75% of partner countries have operational development strategies by 2010. Success would include a country-wide development policy, a realistic development strategy, clearly defined priorities, and well-costed policies that can be funded. While the quality of countries' national development strategies has improved, only 37% of the countries assessed have met the target (OECD 2011d).

In preparation of the HLF meeting in Busan, the *Task Force on Procurement* analyzed 20 procurement reform and capacity development programs in developing countries. The publication provides evidence on areas where reforms are furthest ahead. These first generation reforms include the following.

- 1) Procurement laws, regulations, procedures and standard bidding documents
- 2) Establishment of a procurement regulatory body
- 3) Procurement education and training
- 4) Procurement audits, internal control systems, public access to information
- 5) Provisions for anti-corruption, anti-fraud or conflict of interest (OECD 2011a).



While the study has brought to light numerous good practices and progress made at the country level, it has also provided a sobering picture of typical bottle necks of procurement reform which define the baseline for second generation procurement reforms including the promotion of SPP.

- 1) The human capacity development remains a key issue since the quality of every system depends on having qualified and knowledgeable people to manage and implement it.
- 2) Decentralization presents challenges that affect a well functioning procurement system since capacity and skills are usually less developed in decentralized structures.
- 3) Effective use of technology increases transparency and efficiency and provides information to stakeholders and managers that can be used to monitor and manage performance.
- 4) Reforms require resources, take time and require long-term government commitment in order to bring about successful change.
- 5) The most successful procurement reform initiatives are country led and part of a broader public administration reform process, which helps to ensure integration and prioritization of reforms.
- 6) The role of donors is evident in supporting reform initiatives and in providing advice and knowledge to countries, but lack of donor coordination and a reluctance to use country systems can have a negative impact on reform.
- 7) Stakeholders from civil society and from the private sector play an important role as drivers of change and overseeing results (OECD 2011a).

Consequently, concerns about the credibility, efficiency and effectiveness of country procurement systems were reported a common reason for donors to continue using their own procurement guidelines and mechanisms or to require additional safeguards (OECD 2011d).

The single most important tool developed by the *Task Force on Procurement* is the *Methodology for Assessing Procurement Systems (MAPS)*. MAPS has also been referred to in the *Paris Declaration* as the common tool to be used for assessing national procurement systems. MAPS has been applied in more than 60 developing countries and the use of this tool has widely established the foundation for the development of procurement reform strategies and capacity development programs (OECD 2006b; OECD 2008a; OECD 2010; OECD 2011a; World Bank 2008). While the MAPS benchmarking tool comprehensively covers the traditional understanding of good international procurement practices, sustainability considerations are not systemically addressed. MAPS comprises 12 indicators and 54 sub-indicators, which are grouped under four organizational pillars noted in the table below.

Tab. 7: Methodology for Assessing Procurement Systems, MAPS (OECD 2010)

<b>Pillar I – Legislative and Regulatory Framework</b>	
Indicator 1	Public procurement legislative and regulatory framework achieves the agreed standards and complies with applicable obligations.
Indicator 2	Existence of Implementing Regulations and Documentation.
<b>Pillar II – Institutional Framework and Management Capacity</b>	
Indicator 3	The public procurement system is mainstreamed and well integrated into the public sector governance system.
Indicator 4	The country has a functional normative/regulatory body.
Indicator 5	Existence of institutional development capacity.
<b>Pillar III – Procurement Operations and Market Practices</b>	
Indicator 6	The country's procurement operations and practices are efficient.
Indicator 7	Functionality of the public procurement market.
Indicator 8	Existence of contract administration and dispute resolution provisions.
<b>Pillar IV – Integrity and Transparency of the Public Procurement System</b>	
Indicator 9	The country has effective control and audit systems.
Indicator 10	Efficiency of appeals mechanisms.
Indicator 11	Degree of access to information.
Indicator 12	The country has ethics and anticorruption measures in place.

The *Task Force on Procurement* has produced *A Practical Guide to Transforming Procurement Systems*, which builds on aforementioned principles and findings and provides practical guidance on how to manage a procurement reform, modernization and/or capacity development process. The typical transformation process follows the three main phases of assessment, strategic planning, and implementation (OECD 2011b).

#### 4.1.2 Overview of SPP initiatives in developing countries

The *Marrakech Task Force on Sustainable Procurement* in partnership with UNEP is considered one of the most important international driving forces promoting SPP in developing countries. The MTFP process (2005–2011) was initiated by the government of Switzerland as one of the Task Forces under the *Marrakech Process on Sustainable Consumption and Production*. It was launched to promote SPP in developing and developed countries. Task force members, including governments from all continents and international organizations, developed a specific methodology to enable governments to make their procurement more sustainable. In 2008, the project *Capacity Building for Sustainable Public Procurement in Developing Countries* was designed. The project was supported by the European Commission, Switzerland, and the Organization of Francophone countries. The project aimed to roll out the MTFP Approach in a number of developing countries in partnership with UNEP. Since then, the MTFP Approach has been piloted in seven countries including Chile, Costa Rica, Columbia, Uruguay, Tunisia, Mauritius, and Lebanon. Some other countries such as Argentina and Ghana are testing the MTFP Approach outside the direct supervision of UNEP. In the upcoming second phase of this project, UNEP plans to scale up the ongoing activities to up to 20 countries within the next 3 years (UNEP & FOEN

2011). The MTFP Approach is currently being revised based on feedback received during the pilot phase. Some process steps and tools have been recalibrated and more guidance and good practice examples will be provided in the revised implementation guidelines (UNEP 2012d). UNEP intends to merge its SPP capacity building initiative with a program promoting eco-labels. The MTFP Approach in this thesis will be further referred to as *the Approach to SPP*. The figure below illustrates the current implementation status in the seven pilot countries.



Fig. 5: Progress Chart SPP Capacity Building Project, UNEP (UNEP 2012b)

Many international organizations such as the United Nations, the World Bank and Asian Development Bank, have committed to purchasing products that promote social and environmental sustainability through their own corporate procurement practices and some are also moving towards larger inclusion of sustainability in project definition and procurement practices in development lending programs (UNEP & UN n.d.; UNOPS 2009; UNEP et al 2011; IGPN 2011b; World Bank 2010a and 2010d). The World Bank, who considers itself “a leader in promoting best practices in public procurement” (World Bank 2012a, 7), has recognized that new concepts and innovative approaches to good public procurement have emerged and has started a 2-year process of reviewing the Bank’s Procurement Policies and Procedures. The review includes assessing the relevance and applicability of emerging concepts “including value for money and best-fit-for purpose, e-procurement, the implications of green procurement, the use of preferences, interactive ways of working with potential bidders and methods to increase efficiency” (World Bank 2012a, 8). These intended reforms reflect a change in perception from viewing public procurement as a set of bureaucratic rules to recognizing procurement as a strategic function, and it is expected that sustainable public procurement will play a role in upcoming consultations with stakeholders.

Presently, only a few countries have a government-wide, overarching policy on sustainable procurement. An analysis of publicly accessible information indicates however that an increasing number of developing countries are taking steps towards integrating environmental and, to a lesser extent, social criteria into their national procurement (UNEP & UN n.d.). In addition to the UNEP pilot countries mentioned above, the following are other examples of SPP in the developing world.

The *Sustainable Public Procurement in Urban Administrations in China* project, funded under EuropeAid's SWITCH-Asia Programme, takes China's green purchasing list of eco-friendly products and producers as a starting point to screen the framework conditions, implement SPP in three target cities, and facilitate a national policy dialogue in China and Asia (Philipps et al. 2011).

The *International Institute for Sustainable Development (IISD)*, a Canadian-based public policy research institute, has supported several developing countries (Vietnam, India, Ghana) in specific tasks related to SPP and has for example conducted feasibility studies (IISD 2011).

The program *Implementing Sustainable Public Procurement in Brazil* was launched in 2006 with the support of ICLEI. Since 2007, when the State of Sao Paulo joined the program, about 900 ecological products have been identified enabling public procurers to take into account sustainability criteria. In 2010, federal legislative reform made the promotion of SPP by all public entities mandatory (UNEP et al. 2011).

Other countries that are currently implementing SPP projects include Mexico and Argentina as well as South Africa and Malaysia. Malaysia uses public procurement as a tool for promoting social groups historically disadvantaged by race, ethnic and other types of discrimination (UNEP & UN n.d.).

The impact of international, regional and bilateral trade agreements on SPP programs is a key issue that is being discussed. The *Agreement on Government Procurement (GPA)* is the only plurilateral agreement to the World Trade Organization that addresses the issue of government procurement. It does not specifically address SPP, but it enables environmental and social standards to be implemented within the policies of the member states. While only a few developing countries are party to the GPA, current research concludes that there do not seem to be any impediments to adopt sustainable procurement standards and practices within national procurement frameworks. This is as long as they are conditioned by the fact that they are non-discriminatory in their application and impact and provided that sustainable procurement practices are adopted in a transparent manner. Regional trade agreements are usually silent on the issue of sustainable procurement creating some ambiguity as to the legal validity and the scope of policy flexibility available domestically to develop and implement such policies (IISD 2007; Mosters 2010; McCrudden 2004). Annexure 5 provides an overview on SPP related provisions included in the GPA and in selected regional affiliations such as *NAFTA* and *ASEAN* and national legal frameworks in countries such as Mexico, Brazil, India, China, and South Africa.

## 4.2 Emerging Good Practices

To date, the *Approach to SPP* (introduced in Chapter 4.1) is the only methodology developed and systematically tested in developing countries. Under the chapeau of UNEP's SPP Capacity Building project, it has paved the way for SPP implementation in seven pilot projects. Supplementary measures initiated by UNEP have facilitated research and cross-country knowledge sharing. Chapter 4.2 describes the key elements of this approach and summarizes the emerging Good Practices.

### 4.2.1 The Approach to SPP

The *Approach to SPP* is "a methodology with the goal to encourage public authorities to move towards more sustainable patterns in public procurement" (UNEP n.d., 6). The approach is guided by the following main principles.

- 1) Good procurement is sustainable procurement: This is the basic principle, which underlies all the other principles and contains the core message that good procurement must take in consideration the three pillars of sustainable development which are the social, the environmental and the economic pillars.
- 2) Leadership: Champions, such as organizations and senior management, can demonstrate leadership by sharing best practices and encouraging others.
- 3) Policy through procurement: SPP can contribute to the delivery of a wide range of government and organizational objectives.
- 4) Enabling delivery: SPP requires the communication of a consistent message designed for the needs of various internal and external audiences. SPP should be supported by clear lines of responsibility, with incentives and penalties for delivery.
- 5) Implementing: Implementation should be based on life cycle approach and on continuous improvement. Implementation should be supported by the principles of procurement and it should use a risk-based approach, demonstrate immediate success through quick-wins and ideally SPP should be integrated into organizational or environmental management systems.
- 6) Monitoring results and outcomes: Measuring improved environmental, economic and social performance (UNEP n.d.).

The methodology follows a step-by-step approach, which recognizes that countries have different legal procurement frameworks, different needs, different ambitions and different tools at their disposal that should be considered in defining the country strategy (UNEP n.d.).

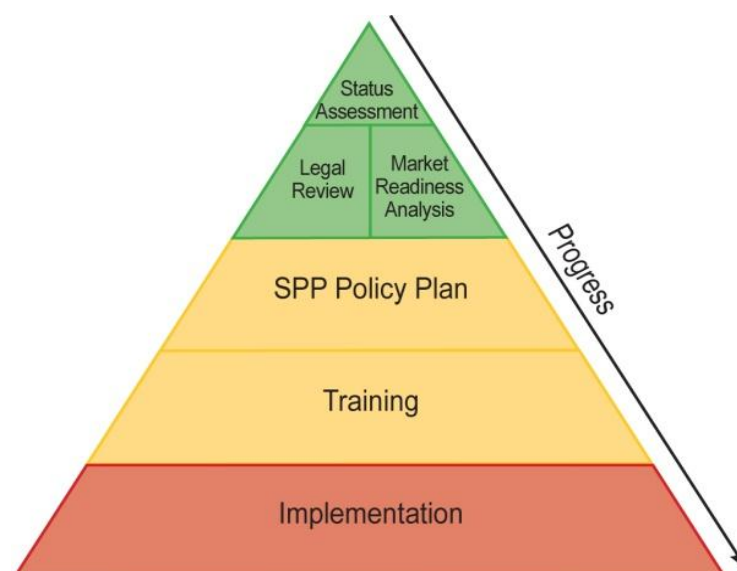


Fig. 6: Marrakech Task Force on Procurement Approach to SPP (UNEP n.d., 7)

The keys steps of the *Approach to SPP* are outlined below. Annexure 6 describes the objectives, recommended tools, and the main issues for each of the five steps in detail.

- 1) **Status Assessment:** The status assessment is a fast-track assessment based on an online questionnaire covering the three pillars of SPP to determine areas of success and areas where further work is needed. It can be used to check progress at a later stage.
- 2) **Legal Review & Market Readiness Analysis (LRA, MRA):** The legal review analysis assesses the national legal, regulatory, and institutional framework for public procurement and the legal possibilities to integrate SPP principles. The market readiness analysis assesses the availability of sustainable products and services, the responsiveness of the market, the national business sector response to potential SPP tenders and the capacity to meet current and future public procurement requirements for sustainable products and services. LRA and MRA are based on ten guiding questions and include a prioritization exercise.
- 3) **SPP Policy and Action Plan:** The national SPP policy plan is expected to establish a clear direction and a mandate for implementing SPP. Elements should include objectives, priorities, products to concentrate on, a commitment to communicate the policy to the relevant stakeholders and to monitor key objectives and outcomes.
- 4) **Training:** A training and guidance package has been developed to raise awareness of SPP, provide the capacity to deliver training, and train staff from procurement, finance, legal, persons responsible for procurement and suppliers.
- 5) **Implementation:** Implementation of SPP in day-to-day procurement takes into account sustainability aspects within the procurement process including whole life costing. It results in changes in products and services purchased as well as changes in behavior of those involved in procurement. It leads to better products and services, which have less negative impact on the environment, help to save costs in the long term and contribute to social justice.

UNEP is currently the only organization supporting countries in implementing this *Approach to SPP*. For further dissemination, UNEP has trained 14 senior SPP experts who are expected to conduct in-country training and to assist interested countries implement the approach. The *Approach to SPP* has also been incorporated in training courses of the ILO International Training Center and in the curriculum of the master program in *Public Procurement Management for Sustainable Development* offered in partnership with the University of Turin (UNEP & FOEN 2011).

The UNEP project management structure begins with the signing of a formal project agreement or funding agreement between UNEP and the pilot country. The agreement states the objectives, outputs, content, implementation plan, budget and the resources to be contributed by the pilot country. With the project governance structure established, the pilot country appoints a national focal point, usually the national public procurement authority. The national focal point serves as the main contact managing the implementation of the project. The national focal point is supervised by a high-ranked steering committee, which includes representatives from ministries, private sector associations, civil society, and universities. The steering committee oversees, legitimizes and institutionalizes the entire implementation process, and it also approves the outputs of the project (UNEP & FOEN 2011). The following figure illustrates UNEP's model management structure.



Fig. 7: Management structure MTF Approach to SPP (UNEP n.d., 15)

#### 4.2.2 Overview of Good Practices in developing countries

Good Practices in general procurement reform and in SPP implementation are summarized in the table below. General public procurement reform is based on the broader principles of aid effectiveness and the transformation process follows the typical management cycle of “Plan, Do, Check, Act”. In other words, it is assessment and strategic planning, implementation, monitoring and evaluation, and continuous improvement. The principles and the implementation process of SPP are more specific and more technical and it becomes evident that the *Approach to SPP* is not systematically linked to or not embedded in the overall procurement reform process. As a result, countries embarking on a broader public procurement reform usually leave out sustainability considerations. The few countries that have started SPP implementation are presently confronted with two different methodologies comprising the application of different processes and tools. The lack of synchronization and integration leads to the duplication of efforts and makes it difficult to create a coherent and effective transformation of the existing system into a more sustainable one.

Tab. 8: Findings 1b: Overview of Good Practices, Developing Countries

<b>A. Good Practices for general public procurement reform</b>
<b>Principles (Paris Declaration on Aid Effectiveness)</b>
Ownership: Partners set the agenda
Alignment: Donors align with partner's agenda and use partners' systems
Harmonization: Donors establish common arrangements, simplify procedures and share information
Managing for results
Mutual accountability
<b>Approach to Procurement Reform</b>
Assessment using the Methodology for Assessing Procurement Systems (MAPS)
Strategic Planning: Goals, solutions, plan
Implementation: Management arrangements, Managing change, Monitoring and Evaluation
<b>Management Approach: “Plan, Do, Check, Act” (Continuous improvement process)</b>
<b>B. Good Practices for designing and implementing national SPP programs</b>
<b>Principles</b>
Good procurement is sustainable procurement and considers all three pillars of sustainability
Leadership, organizations and management: share best practices and encourage others
Policy through procurement
Enabling delivery: clear responsibilities, communication with stakeholders
Implementation based on life cycle costing and continuous improvement
Monitoring results and outcomes
<b>Approach to SPP</b>
Status Assessment
Legal Review and Market Readiness Analysis
SPP Policy and Action Plan
Training
Implementation
<b>Management Approach: “Plan, Do, Check, Act” (Continuous improvement process)</b>



## **5 ANALYSIS OF COUNTRY EXPERIENCES**

The present chapter looks at the experiences of two countries that have embarked on a SPP piloting program under the umbrella of the UNEP SPP Capacity Building project. Brief country profiles demonstrate the countries' path of progress.

First, some general remarks are made regarding the preparation of the analysis (Chapter 5.1). Furthermore, the relevant country contexts are analyzed to determine the different starting points to be considered in SPP implementation (Chapter 5.2). This is followed by an analysis of activities and experiences at the country level (Chapters 5.3 and 5.4). Chapter 5.5 summarizes main trends and crosscutting issues.

### **5.1 Preparation of empirical analysis**

The following actions have been initiated to enrich this thesis through empirical evidence.

- 1) Selection of countries: The countries of Mauritius and Chile were selected for an in-depth analysis because both countries have been SPP pilot countries and their SPP implementation processes have been well documented and monitored.
- 2) Scope: To avoid duplication, the decision was made to focus the Mauritius profile on experiences in building a national framework for SPP and to center the chapter on Chile at the organizational level.
- 3) Desk research: Publicly accessible information was analyzed and findings compiled in country profiles.
- 4) Preparation of Interviews: Interviews were prepared to augment the country profiles and to inform other sections of this paper by tapping expert opinions. This is built on the assumption that forecasts from a structured group of experts are fairly accurate (MOFE 2010). The interviews were based on the mapping of stakeholders which is further elaborated in Chapter 6.4.2. A questionnaire was developed, which takes different roles and competencies of the respondents into account. The questionnaire has been designed to collect information on personal experiences with SPP in developing countries, perceptions on benefits, barriers, and prerequisites as well as information on ongoing or future initiatives (Annexure 7).
- 5) Interviews: Six structured interviews were carried out in person and by phone with seven people. These seven people represented two procurement regulatory bodies, one procuring entity, two donors or development partners, the private sector, and one institution engaged in SPP. The specific entities are listed in the table below. The list of interview partners is attached in Annexure 8. Confidentiality has been granted, unless specifically authorized to quote.

Tab. 9: Entities interviewed

Entity Name	Type of Entity
Procurement Policy Office, Mauritius	Procurement regulatory body
ChileCompra, Chile	Procurement regulatory body and procuring entity
World Bank, Washington D.C., USA	Multilateral Development Bank
UNEP, Paris, France	Development agency
Mauritius Chamber of Commerce, Mauritius	Private sector
The Embassy of the Netherlands, Washington, DC, USA	Embassy engaged in SPP

- 6) Perceptions: To gather perceptions that go beyond the inner circle of experts, the Internet platform of UNPCDC was used to initiate an online flash poll on SPP (UNPCDC 2012).
- 7) Briefing Note: To create awareness and a better understanding for the discussion to follow, a briefing note on SPP was prepared on behalf of UNDP and UNEP and posted on the website of the United Nations Procurement Capacity Development Center (Roos 2012).

## 5.2 Country context information

Procurement systems operate in a complex web of governance of public sector, society, local, national, regional and global markets. These factors have influence on the public procurement system, just as changes in a public procurement system will influence them (OECD 2011b). There are characteristics that form the country context and are relevant for SPP. These characteristics are the strengths of the society and the economy, the national sustainable development strategies, and the quality of the existing public procurement system including its rules, institutions, stakeholders and capacities.

### 5.2.1 Republic of Mauritius

#### *Strengths of the society and the economy*

The Republic of Mauritius is an island off the coast of Africa in the southwest Indian Ocean with a population of 1.3 million. The country is a stellar performer in the developing world thanks to good policies and strong institutions (OECD 2011a). Mauritius has been classified by the World Bank as an upper middle-income country and performs rather well in terms of competitiveness and transparency as illustrated in the table below.

Tab. 10: Selected development indicators, Mauritius  
(World Economic Forum 2010; World Bank 2010b; Transparency International 2011)

Selected Development Indicators, Mauritius	
Approx. population (2009)	1.3 million
GDP USD billions (2009)	8.8
GNI per capita (2010, Atlas method)	USD 7,740
WB Classification	Upper middle-income country
Global Competitiveness Index (Out of 139 countries)	Rank: 55
Transparency (CPI, 2011 out of 183 countries)	Rank: 46
CPI Score (out of 10)	5.1

### *National Sustainable Development Strategy*

Mauritius is a small island developing state which is ecologically fragile and particularly vulnerable to natural disasters and to impacts of climate change. Due to the importance of the environment for its economy, the Government of Mauritius has adopted international recommendations on sustainable development such as the *Agenda 21* and the *Johannesburg Plan of Implementation*. Further, in 2005 Mauritius created the concept of a *Mauritius Sustainable Island*. The *Mauritius Sustainable Island* is an overall national framework supporting the sustainable development of the country. Over time, this concept has widened to include the three dimensions of sustainable development. It focuses on the following themes.

- 1) Energy: Energy conservation and climate change
- 2) Environment: Preservation of biodiversity and natural resources, pollution and waste management
- 3) Employment: Promotion of a green economy including tourism, SCP, and technology
- 4) Education: Informed, trained and responsible citizens, including education for SD
- 5) Equity: Enhancement of social and ecological democracy including governance, poverty alleviation, and gender equality (PPO 2011b).

### *Quality of the Public Procurement System*

Mauritius' public procurement architecture has evolved over time from the UK inspired systems before independence to modern United Nations Commission on International Trade Law (UNCITRAL) based legislation. In consequence, the World Bank selected Mauritius as a candidate for its piloting program on the use of country procurement systems aimed at endorsing the country's procurement laws and procedures for procurement using World Bank funds. The present procurement system is a hybrid system. Public procurement has in principle been decentralized to all public entities but major contract awards have to be approved by the Mauritius Central Procurement Board. The Government is strongly committed to build on the progress achieved and to further strengthen the system's

performance in order to achieve better value for money and to increasingly empower public bodies by enhancing capacity (OECD 2011a). Table 11 highlights the main features of the country's established and well-functioning public procurement regime using the four pillars of the *MAPS* assessment methodology.

Tab. 11: A glance at the public procurement system in Mauritius (Compiled from OECD 2011a)

<b>A glance at the public procurement system in Mauritius</b>	
<b>MAPS Assessment (Pillars)</b>	<b>Mauritius</b>
<b>I. Legislative and Regulatory Framework</b>	The Public Procurement Act 2006 (PPA) and Public Procurement Regulations 2008 (PPR) are based on the UNCITRAL model law and the World Bank Procurement Guidelines and provide a comprehensive legal framework to enable a well-functioning public procurement system. National standard bidding documents are published.
<b>II. Institutional Framework and Management Capacity</b>	The institutional framework rests on the following pillars: <ul style="list-style-type: none"> <li>- The Procurement Policy Office (PPO) was established to promote and oversee the continuing development of the public procurement system.</li> <li>- Public authorities are responsible for procurement, but major contracts have to be vetted/awarded by a Central Procurement Board (CPB).</li> <li>- The Independent Review Panel (IRP) serves as an appeals body.</li> <li>- The University of Technology Mauritius offers short and long-term training programs for public officials and the private sector.</li> </ul>
<b>III. Procurement Operations and Market Practices</b>	The private sector is well organized and the Joint Economic Council acts as an apex body. The local market generates appropriate competition and beyond certain thresholds international competition is sought. Particular attention is given to dialogue with the private sector, notably SMEs. To professionalize the procurement function in the public sector, a career path has been developed which defines qualifications and duties for seven different grades of the Procurement and Supply Cadre, from assistant to management positions.
<b>IV. Integrity and Transparency of the Public Procurement System</b>	Multiple institutions are involved to ensure appropriate procurement oversight including the PPO, Internal Control Units and the Auditor General. The Independent Commission Against Corruption plays an important role in combating corruption and the Competition Commission has the power to investigate cases of bid rigging. A challenge and appeals system has been established. A website run by the PPO ensures access to procurement information such as tenders, contract awards, and decisions of the Independent Review Panel.
<b>Potential for improvement/areas under development</b>	Government is strongly committed to build on the progress achieved and to further strengthen the system's performance in order to achieve better value for money and to increasingly empower public bodies by enhancing their procurement capacity. Action plans have been developed in the context of the World Bank piloting program Use of country systems and separately for the implementation of Sustainable Public Procurement in Mauritius.

### 5.2.2 Chile

#### *Strengths of the society and the economy*

Chile is located between the Andes Mountains to the east and the Pacific Ocean to the west and is one of Latin America's most stable and prosperous nations (OECD 2011a). In May 2010, it became an OECD member country. Similar to Mauritius, Chile performs above average in terms of competitiveness and transparency.

Tab. 12: Selected development indicators, Chile  
(World Economic Forum 2010; World Bank 2010b; Transparency International 2011)

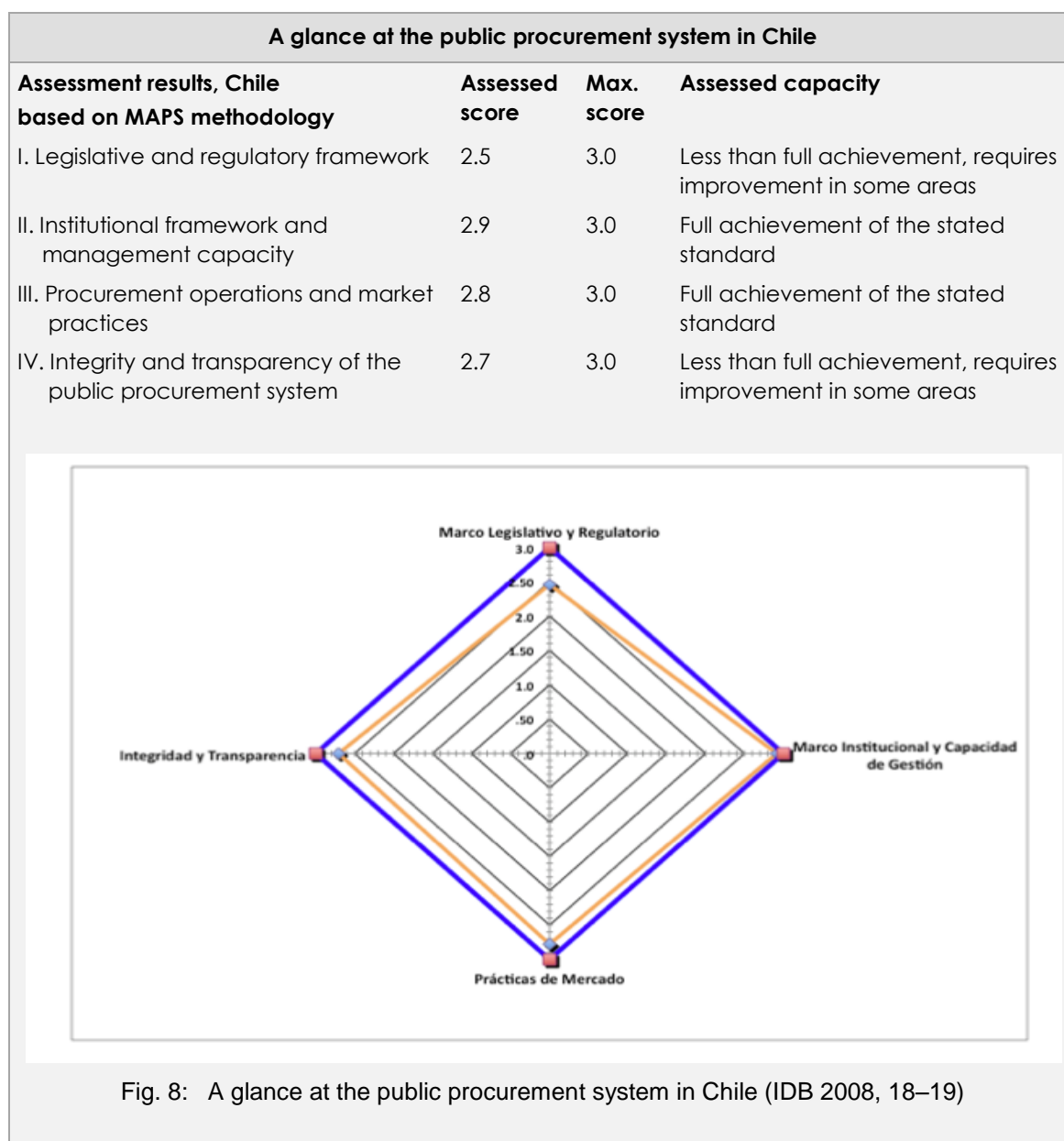
Selected Development Indicators, Chile	
Approx. population (2009)	17.0 millions
GDP USD billions (2009)	162
GNI per capita (2010, Atlas method)	USD 9,940
WB Classification	Upper middle-income country
Global Competitiveness Index (Out of 139 countries)	Rank: 30
Transparency (CPI, 2011, out of 183 countries)	Rank: 22
CPI Score (out of 10)	7.2

#### *National Sustainable Development Strategy*

Chile has succeeded in substantially reducing the poverty level due to the country's strong economic growth. However, unequal distribution of wealth is still a great concern. The Chilean government has taken steps to alter this situation. These steps include the adoption of the Indigenous Law which establishes the State's obligation to respect, protect and promote the development of indigenous people. Rapid economic growth has also put considerable pressure on some natural resources and Chile is situated in a region which is highly vulnerable to the effects of climate change. Current sustainable development initiatives focus on the need to further reduce poverty and inequality, to enhance education and health, to increase Chile's economic growth, and to strengthen its democratic institutions. One important factor within the democratic reform process is the ongoing modernization of the state with special emphasis on public administration. Its main objective is to achieve a more effective and transparent public administration with an emphasis on new information and communication technologies that also help to bring the government closer to the citizens (European Commission 2007b).

#### *Quality of the Public Procurement System*

Since 1997, Chile has steadily improved its national procurement system. The Country Procurement Assessment Report, prepared by the Inter-American Development Bank in 2008, compares the Chilean procurement system against international standards set by the OECD/DAC MAPS Methodology and acknowledges the high standard achieved.



The Law on Procurement, Law 19,866 of July 2003 and amendments, in addition to the supporting procurement regulations regulate the public supply of goods and services in Chile. As a result of the law, ChileCompra was established and became responsible for coordinating public procurement (Inter-American Development Bank 2008). Thanks to ChileCompra's Internet portal, public procurement in Chile is to a large extent centralized and digitized. About 850 public authorities are using the system by publishing information relating to annual procurement plans, public tenders, and award decisions. The portal also contains an online catalogue of products and services called *ChileCompraExpress*. This catalog is based on framework agreements established by ChileCompra (IISD 2007; IDB 2008). The 2009 amendment of the Public Procurement Law made it possible to consider sustainability criteria in the evaluation of the tenders. This law provided the foundation for the country's decision to embark on a SPP implementation program.

### **5.3 Strategic management approaches at the national level: The experiences of the Republic of Mauritius**

In 2009, Mauritius decided to become a pilot country using the *Approach to SPP*, introduced in Chapter 4.2.1, and a project organization was set up. The Procurement Policy Office in Mauritius took on the role of national focal point responsible for project implementing, and a steering committee composed of representatives of public authorities, private sector, standard institutions, and NGOs was formed to oversee and legitimize the implementation process and the outcomes of the project. The major outcomes of applying the five-step *Approach to SPP* are presented below.

#### **5.3.1 Status Assessment**

The Status Assessment was conducted in July 2009. The assessment found that Mauritius does not generally consider sustainable criteria in public procurement. The assessment also found that Mauritius' legal environment is conducive for SPP implementation. The legal environment has a sound public procurement system, most international conventions related to environment, labor conditions, human rights are ratified, evaluation of bids are based on price and non-price factors, good contract management practices, and suppliers are engaged (PPO n.d.).

#### **5.3.2 Legal Review and Market Readiness Analysis**

The Legal Review (LR) was started in September 2009. Some problems identified in the status assessment were not addressed in the first assessment due to a lack of clear description of the issues to be assessed in the Legal Review. A more thorough second legal study became necessary in 2011.

The Legal Review resulting in several existing environmental and social laws have been identified as being helpful in implementing SPP. These laws include The Environment Protection (Industrial Waste Audit) Regulations of 2008, Road Traffic (Control of Vehicle Emissions) Regulations of 2002, Environment Protection (Standards for hazardous wastes) Regulations 2001, the Building Act which promotes the concept of green building in Mauritius, the Food Regulations of 1999, the Employment Rights Act of 2008, the Occupational Safety and Health Act 2005, the Sex Discrimination Act of 2002, the Competition Act of 2007, the Prevention of Corruption Act of 2002, and the Energy Efficiency Act of 2011.

The Legal Review also noted that the current procurement legislation does not contain explicit provisions on SPP. However, it does not represent any major barrier for the implementation of SPP. For example, the law permits the consideration of social and environmental features in technical specifications, allows for the application of whole life costing and includes some provisions related to the promotion of local economies and SMEs.

A number of recommendations were made to fully implement SPP in Mauritius. It is suggested to include in the law a clear statement that public procurement should contribute to the implementation of economic, social and environmental policy objectives. It is also recommended to clearly address the consideration of environmental and social aspects in the different phases of the procurement process. These considerations include the incorporation of

additional qualification criteria for bidders, provisions for the use of eco-labels and the use of performance based or functional requirements, explicit mentioning of whole life costing, and the definition of special conditions for the performance of the contract (PPO 2011a).

The Market Readiness Analysis (MRA) was started in 2009. The first draft report lacked focus and a prioritization exercise had to be added to better target the MRA. The lack of appropriate data was identified as the main limitation for the prioritization exercise. Mauritius decided to mainly rely on data of major contracts provided by the Central Procurement Board. The improved MRA was completed in May 2010 (MOFE 2010). The following twenty product groups were prioritized based on influence, scope, and risk.

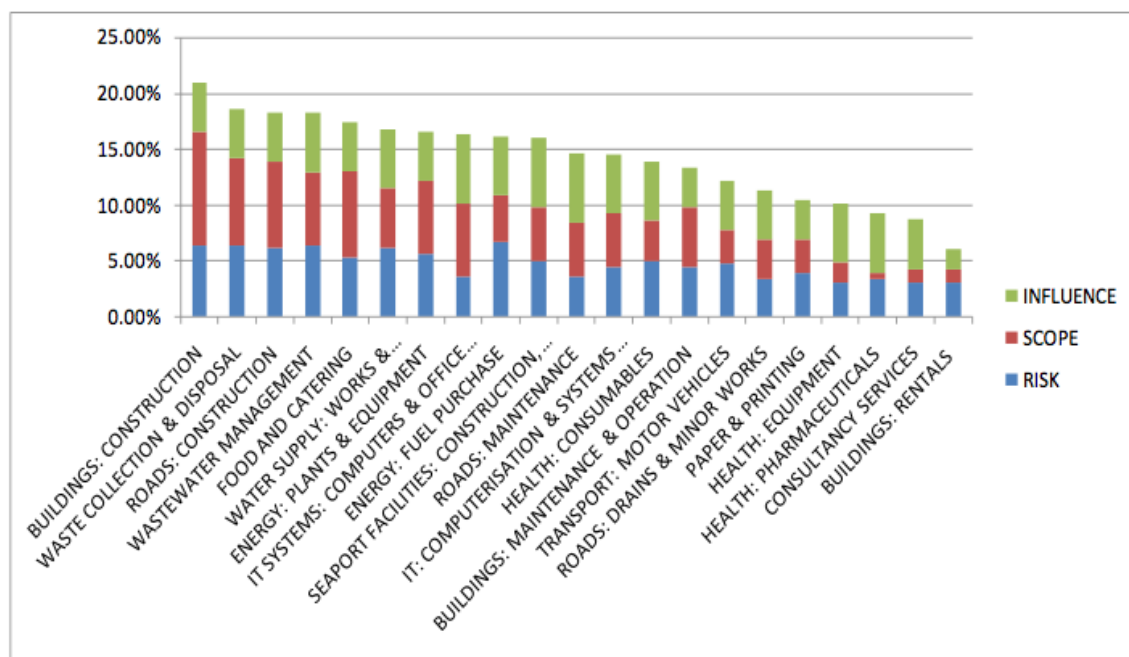


Fig. 9: National Priority Spend Areas, Mauritius (MOFE 2010, 16, Fig. 4.4)

A Market Readiness Analysis was performed to identify Mauritius' ability to engage in SPP tenders. The analysis studied the existing productive capacities for spend priorities and the potential responsiveness of the market and national business sectors for SPP. As a result, the analysis distinguished the following quick win, pioneer and challenge categories (MOFE 2010).



Tab. 13: Priority SPP Product Categories, Mauritius (MOFE 2010)

Priority SPP Product Categories, Mauritius		
Quick win	Pioneer	Challenge
Easily implemented, sustainable alternatives exist, covered by labels, demonstrate WLC advantage, and are easily supplied	High sustainability potential, large investments planned, and efficiency achieved will offset initial higher investment	Constraints exist, sustainable alternatives more problematic
IT Systems: computers & office machinery IT: computerization & systems maintenance Food and catering Paper and printing	Construction of buildings	Waste collection & disposal Roads: construction Wastewater management Water supply: works & maintenance Energy: plants & equipment

The Prioritization Study and the Market Readiness Analysis are described in more detail in Annexure 9.

### 5.3.3 SPP Policy and Action Plan

In April 2011, Mauritius carried out a survey to identify barriers and challenges which the SPP Policy and Action Plan should respond to. This was an additional process step not prescribed by the *Approach to SPP*. Strong barriers to SPP implementation were a lack of awareness and knowledge both at decision-makers and general public level. Decision-makers and the general public were concerned about the legality of SPP and the lack of political commitment. These concerns were due to the perceived absence of an appropriate policy and legislative framework. It was concluded that the Action Plan should avoid the development of unnecessary and burdensome legislation, unfair competition due to excessively restrictive provisions, the development of over-ambitious SPP criteria which are not in touch with market realities, and the application of SPP criteria for products insignificant to public authorities (PPO 2011b).

The SPP Policy and Action Plan should not only be concerned with individual instruments but also with preparing the ground for their success by addressing issues of leadership and commitment from senior managers and policy makers. The SPP Policy and Action Plan should also establish clear responsibilities for the implementation of SPP to ensure accountability. The following *SPP Policy Statement* was issued (PPO 2011b).

*“Sustainable Public Procurement Policy Statement:*

*The Government of Mauritius, through the Maurice Ile Durable vision, is committed to the development of the country that meets the needs of the present, without compromising the quality of life of future generations. In this context, the Government of Mauritius aims to be a leader in Sustainable Public Procurement among the Small Island Developing States and in the Region.*

*Public procurement spends in Mauritius amount to as much as 20% of the GDP. Government recognizes that procurement decisions by public bodies have inherent social, public health, environmental and economic impacts both locally and globally, both at present and in the future.*

*Government commits to integrating sustainable criteria in the procurement process, to ensure all goods, works and services purchased deliver value for money, minimize environmental damage and maximize social benefits.*

*In this way, Mauritius will benefit from improved environmental performance, including reduced CO2 emissions, cost savings including recognition of non-tangible benefits and costs, good governance, job creation, empowerment of vulnerable people, promotion of health and safety, poverty reduction, wealth creation and transfer of skills/technology.*

*We will also use SPP to stimulate appropriate competition, create markets for appropriate technology (i.e. not necessarily high-tech solutions, drive markets for innovative and sustainable solutions, encourage early engagement and dialogue with the market (within the boundaries of procurement rules) and enhance dialogue with civil society.” (PPO 2011b, pvii)*

The *SPP Action Plan 2011–2015* is aligned with the Mauritius Sustainable Island vision. It is grouped under five themes and contains the following objectives:

Tab. 14: Mauritius SPP Action Plan 2011-2015 (PPO 2011b)

<b>Mauritius SPP Action Plan 2011-2015: Themes and Objectives</b>	
<b>Themes</b>	<b>Objectives</b>
<b>People</b>	Leadership and accountability is embedded throughout all levels of the organization
	Build capacity to provide professional training and development to embed SD principles within the Public Sector procurement process
<b>Policy and Strategy and Communication</b>	Have a policy on SPP that reflects SD strategic priorities and disseminated to key stakeholders
	Develop a communications strategy for SPP
<b>Procurement Process</b>	Integrate SD strategic priorities within the public procurement process for key products and services
	Prioritize frequent and significant areas of spending and identify environmentally and socially preferable alternatives
	Embed Life Cycle Thinking in the Procurement Process
	Organize buyers-sellers meetings to disseminate innovative products and services to procurement staff
<b>Supplier Engagement</b>	Engage with key markets to secure capacity within the market place to deliver SD priorities
	Increase access to public sector procurement opportunities for SMEs through the public tender process or participation in supply chains
<b>Monitoring and Reporting</b>	Monitor the implementation of this Action Plan at national and organizational levels
	Set clear and measurable targets on SPP
	Conduct study on the impacts of SPP

A more comprehensive summary of the SPP Action Plan including measures, targets, actions and lead responsibility is provided in Annexure 10.

#### 5.3.4 Training

The Mauritius training concept envisages a train-the-trainer approach. The SPP approach was presented in 2009 to over 350 procurement practitioners. The purpose of the presentation was to create awareness and a better understanding of SPP within the procurement community. The principles of SPP have been integrated into an existing certification and qualification program for public officers offered by the University of Technology Mauritius (UNEP n.d.). The provisions of basic and in-depth training are among the key targets and actions in the SPP Action Plan.

#### 5.3.5 Implementation

Implementation of the SPP Action Plan is still in its early stages. The procurement of vehicles for the police department was a SPP pilot action but did not fully materialize. PPO attributed this to the fact that both procurers and suppliers were not familiar with the concept of SPP resulting in a resistance to change. Further, the police department feared that the bidding exercise may fail and the police might be short of vehicles. In addition, the suppliers were reluctant or unable to provide data on CO<sub>2</sub> emissions (PPO, n.d.). One of the lessons

learned in Mauritius is that awareness training and information posted on the PPO website are simply not enough to implement SPP. A much broader capacity building strategy is needed which includes extensive training on SPP for all stakeholders and the pace of implementation needs to be based on experience achieved, capacity of procurement practitioners and market response (PPO n.d.). Mauritius intends to recruit external consultants to help implementing the first sustainable procurement transactions and they will focus on quick wins for more routine products such as computers, paper, and vehicles.

The strengths, weaknesses, opportunities, and threats of the Mauritius' SPP implementation process are illustrated in the SWOT analysis attached in Annexure 11.

#### **5.4 Strategic management approaches at the organizational level: The experiences of Chile**

Public procurement in Chile strongly relies on its well-established electronic procurement system. ChileCompra applies the features of this system as well as the strategies and practices to utilize this electronic system to mainstream sustainable procurement practices. Achieving SPP through Chile's electronic procurement system is detailed as follows.

##### *5.4.1 Electronic procurement in Chile*

The public procurement volume in Chile amounts to approximately USD 8 billion per year. About 850 public entities and their 13,000 procurers place some 2 million contracts annually. The procurement processes are largely determined by a public procurement portal ([www.mercadopublico.cl](http://www.mercadopublico.cl)), which is an electronic bidding platform and includes the electronic catalogue *ChileCompraExpress* (ChileCompra 2012a).

ChileCompra performs a wide array of operational procurement functions when administering the online catalogue. The products and services contained in the catalogue are based on framework agreements, which set price, terms and specifications for these products based on public tendering procedures. The catalogue includes construction and maintenance services, medicine and pharmaceutical supplies, medical equipment, office equipment, cleaning supplies and services, paper products, furniture, appliances and electronics, construction and maintenance services, environmental services, electrical components and accessories, lighting, and other products and services. The use of the catalogue is mandatory for public bodies and in 2010, more than 407,000 orders representing a volume of USD 1.055 million were placed through *ChileCompraExpress*, making it the largest online store in the country (ChileCompra 2007; ChileCompra 2012a; IISD 2007).

##### *5.4.2 ChileCompra's strategic framework for SPP*

In line with its mission statement, ChileCompra's objectives embrace the promotion of procurement practices and processes that incorporate social and environmental criteria (ChileCompra 2012b). The overall policy context is provided by the national SPP policy and action plan, which was first drafted 2009 and later updated as a result of participation in the UNEP capacity building program. The national SPP policy and action plan now allows for the

three dimensions of sustainability, economic, environmental, and social, to be considered (ChileCompra 2011). A summary of the Chilean SPP Action Plan is provided in Annexure 12.

It was decided to limit the scope of the prioritization and market readiness analysis carried out during the SPP piloting program 2009–2011 to the products and services contained under framework agreements in the electronic catalogue. This scope limitation is due to the fact that *ChileCompraExpress* concentrates a large share of the total amount traded in the public procurement market (ChileCompra 2011). The preparedness of companies to respond to sustainability requirements was assessed in surveys and interviews and became a main factor in defining the priority product groups for SPP implementation. ChileCompra set the goal to procure 15% of its goods and services sustainably by 2012. Achievement of this goal will by far exceed the 5.2% share of sustainable products purchased via the portal as a whole (UNEP 2010b; ChileCompra 2011).

Tab. 15: E-Catalogue, Chile: Number of contracts with sustainability criteria (ChileCompra 2012a, 4–5)

E-Catalogue, Chile: Number of contracts with sustainability criteria			
2009	2010	2011	Goal 2012
5%	8.2%	11%	15%
Purchases made through the Chilean public procurement portal: 5.2% (2010)			

#### 5.4.3 The Sustainable Procurement Process

ChileCompra has initiated a number of actions to ensure broad access to the electronic marketplace and to integrate sustainability considerations in its procurement processes. These innovations not only change organizational practices but also, by impacting the broader national framework, they advance sustainable procurement practices in all procuring entities in Chile. Examples of this impact include the following.

There was greater access to the public procurement market for micro and small businesses. Micro and small businesses represent over 90% of all businesses registered in Chile. To ensure that these companies have equal access to a public procurement market increasingly dominated by electronic means, ChileCompra created 16 Entrepreneurial Centers throughout the country. These fully equipped centers provide free Internet access, training, support and services for companies to significantly improve their chances of doing business with public entities. Also, a scoring system was provided which allows for feedback between procuring entities and suppliers. By reducing information inequalities, the introduction of the electronic platform resulted in a level playing field for everyone with micro, small and medium enterprises representing about 50% of the trade on the public procurement platform. The President of the National Chamber of Commerce stated “with ChileCompra, suppliers gain access to a larger marketplace, something which was previously very difficult for people outside the Metropolitan Region, who were limited to selling only in their own geographic area” (ChileCompra 2007, 16).

In 2008, ChileCompra published a Directive on Energy Efficiency, which helps incorporate energy efficiency criteria into public tenders. Together with the National Energy Efficiency Program, an Energy Efficient Purchasing Manual was published, which contains information on existing energy efficiency classifications and labels and which showcases potential energy and cost savings related to using sustainable product alternatives such as fluorescent lamps, refrigerators and freezers, personal computers, and printers (ChileCompra 2008).

There were developments in sustainable procurement processes. New applications have been added to the e-procurement system to provide information on labels, certification, and CSR initiatives. The electronic catalogue also flags sustainable products and services allowing purchasers to take these into account in their procurement decisions. The electronic bidding platform allows for the consideration of sustainability criteria at different stages of the procurement process such as the definition of sustainable evaluation criteria and the inclusion of standard contract management clauses for social considerations (ChileCompra 2010; ChileCompra 2012a; UNEP 2010b).

#### *5.4.4 Ways of working, competencies, practices and techniques*

ChileCompra has been the driving force for SPP in Chile in its dual role as a regulatory body and a key government procuring entity. ChileCompra has taken the lead in engaging government agencies, private sector representatives and research organizations in preparing a first proposal for a SPP policy that laid the foundations for future work. ChileCompra, in cooperation with UNEP, has advanced the SPP agenda further and has lead by example as the national focal point for SPP.

The website <http://www.comprassustentables.cl/> is increasingly being used to consolidate information and encourage discussions on SPP policies and practices. The increased website use is based on the recognition of the importance of communication and knowledge sharing in promoting behavioral change. Recently, a contest was published aimed at sharing best practices in SPP. Fifteen case stories were submitted and analyzed to select a winner. The intention was to discuss these best practices with academics and public and private sector representatives at an international seminar for dissemination through the website (ChileCompra n.d.; Interview 2012a).

One of the key challenges is that public procurers are not prepared to fully implement the policy and to analyze products on a WLC basis. Public procurers do not have the capacity to consider not only the purchasing price but also costs for energy consumption, waste generation, recycling or disposal over the lifetime of a product or service. ChileCompra notes that a cross-cutting view coupled with effective training is needed to reach the countries SPP goals. Further ChileCompra notes that proper change management which considers the level of readiness of the industry will be needed to achieve the goal of 15% of sustainable purchases by 2012 and to promote a more sustainable public market (UNEP 2010b). ChileCompra expects to fill this capacity gap through the use of consultants who will provide specific technical knowledge. Another area of concern relates to the inclusion of SMEs. For SMEs, the cost related to changes of production processes to make them more sustainable as well as cost for the certification of products and production processes to receive eco-

labels or ISO certifications create an additional burden (Interview 2012a). This burden will make bidding on public procurement notices less attractive. A SWOT analysis reflecting the Chilean SPP implementation process is attached in Annexure 13.

## **5.5 Country experience conclusions**

The country examples of Mauritius and Chile illustrate that the *Approach to SPP* can be used at the national and entity level. It establishes an implementation structure that creates ownership, integrates stakeholder's views, and provides a solid step-by-step approach to SPP. Some tools could be recalibrated to provide more guidance in order to increase program implementation efficiency. Further, the prioritization study seems to be too tedious given the lack of pertinent data in developing countries. In general, the concept of capacity development deserves more attention.

The findings show that there is no one size fits all approach. The country context needs to be taken into consideration to develop customized solutions that ensure that SPP is embedded in a country's broader societal, economic and sustainability system. A well functioning traditional procurement regime, characterized by a robust legal framework, established institutions, advanced market operations, and transparency, is a tremendous asset for SPP implementation. The example of Chile has shown that a certain level of centralization, technically and/or institutionally, makes it easier to implement SPP. Dialogue with suppliers is key to ensure competition, trigger innovation, and empower and incentivize the participation of small and medium sized local companies. The table (Tab. 16) below summarizes the key findings of the two country studies.

Tab. 16: Findings Country Studies (Findings 2, 3, and 4)

<b>Country Experiences (Findings 2, 3, and 4)</b>
<b>Findings 2: Country Context</b>
Strength of the society and the economy, Population, GDP and GNI per capita, competitiveness, and transparency
National sustainable development strategies
Quality of national procurement system, Assessment based on MAPS tool
<b>Findings 3: Application of management tools at the national level (National SPP Framework)</b>
Establishment of a implementation structure including a national focal point and steering committee
Status Assessment
Legal Review and Market Readiness Analysis, including prioritization study
SPP Policy and Action Plan, including survey on barriers and challenges. Key themes: <ul style="list-style-type: none"> <li>- People including leadership, accountability and capacity</li> <li>- Policy and communication aligned with national SD strategy and communication with stakeholders</li> <li>- Procurement process which integrate sustainability criteria, embeds life cycle thinking and includes supplier dialogue</li> <li>- Supplier engagement including capacity building, delivery of sustainable products and SMEs</li> <li>- Monitoring and reporting including an action plan, targets on SPP and impact analysis</li> </ul>
Training and cooperation with universities
Implementation: Focus on quick wins, and SPP criteria to be in touch with market
<b>Findings 4: Application of management tools at the procuring entity level</b>
Establishment of an implementation structure including a focal point and steering committee
Strategic framework including a mission statement, objectives linked to national SPP strategy and targets e-catalogues
Public procurement portal including E-tendering and e-catalogues based on framework agreements
Prioritization study limited to products and services contained in the e-catalogue based on framework agreements
Surveys and interviews to assess market readiness
Support of suppliers including entrepreneurial centers, an assessment system, and supports SMEs.
Procurement process that provides information on labels, flags sustainable products and services in an e-catalogue



## **6 POTENTIAL BENEFITS AND BARRIERS OF SPP IN DEVELOPING COUNTRIES**

There are many benefits of SPP which are often mutually reinforced. For example, green technologies generate economic benefits such as job and wealth creation, social benefits such as employment and skill development and environmental benefits such as efficient use of resources. At the same time, scientific evidence on the impacts of SPP is rare and there are perceived or actual barriers that limit the uptake of SPP, especially in developing countries. This chapter analyzes the potential benefits of SPP and examines barriers to SPP implementation with a special focus on developing countries. This analysis is conducted through the review of impact studies.

### **6.1 Potential benefits**

#### *Environmental dimension*

Public authorities, due to their importance as customers, can have a positive influence on environmental challenges through SPP. They can contribute to meeting environmental challenges such as climate change, soil degradation, biodiversity loss, and access to fresh water. Public authorities can contribute by reducing the risk of negative environmental impacts on health, safety or well being of a nation or an ecosystem caused by public procurement. Public authorities can also generate savings in waste reduction as well as resource consumption and conservation. Considerations in the procurement process include material used to make products procured, production processes, use of renewable raw materials, energy and water consumption during use, greenhouse gas emissions and air pollutants, durability and product lifespan, opportunities for recycling or reusing the product, waste, packaging and transportation. In doing so, SPP can support a stated national environmental policy, ensure conformance with adopted international environmental conventions, and contribute to achieving international targets such as the reduction of greenhouse gas emissions laid out in the Kyoto protocol. There is also a high potential for environmental benefits at the local level. For example, procuring non-toxic cleaning products can create healthier conditions for school children and the use of low-emission buses for public transportation can improve local air quality (European Commission 2011c; United Nations 2008; The World Bank 2011b).

#### *Social dimension*

Similarly, SPP can contribute to enhancing compliance with national and international social and labor laws. Further SPP can enhance commitments to social development goals such as the basic ILO Conventions, which ban forced and child labor, establish the right to form trade unions and ensure non-discrimination. SPP can contribute to improving living conditions and reducing poverty in developing countries by promoting voluntary social standards such as Fair Trade. SPP can also stimulate social justice and social inclusion. South Africa, for example, has introduced system to promote the advancement of people historically disadvantaged by unfair discrimination on the basis of race, gender or disability. In Brazil, a

law introduced in 2007 established criteria aimed to increase participation of small businesses in procurement. Overall, social factors include recognizing equality and diversity, complying with core labor standards, ensuring fair working conditions, increasing employment and skills, and developing local communities (European Commission 2010; United Nations 2008; IISD 2007; UNEP 2012d).

### *Economic dimension*

The upfront purchase price of a product or service is only one element of the total cost of ownership. To ensure value for money over the longer term, establishing the lowest whole-life cost of a product can result in significant financial savings. A structured approach can be used to produce a spend profile of the product or services over its anticipated life span, including cost for purchase, use, maintenance and disposal. In some cases even upfront cost for sustainable products are lower due to sustainable production processes. The cost for societies as a whole caused by pollution or global warming can also be reduced by expanding this approach through the consideration of externalities (see Chapter 8) (Berry 2011; European Commission 2010; United Nations 2008).

SPP can also be a major driver for innovation and help stimulate environmentally and socially conscious markets, particularly in sectors where public purchasers represent a large share of the market. Sectors which are likely to have the most impact include construction, health services, public transport, or information technologies. For example, SPP can drive markets to shift to cleaner technologies resulting in the generation of income and improved competitiveness of suppliers nationally or globally. Purchasing information technologies that are accessible for persons with disabilities SPP can serve as a model for other consumers and can help create a level playing field and economies of scale. The promotion of small and medium-sized companies and supplier diversity can result in increased access to the market (Berry 2011; European Commission 2010; United Nations 2008).

### *Indirect benefits*

Public demand for more sustainable produced goods and services can also have desirable indirect effects, such as raising consumer awareness about the environmental and social implications associated with different types of purchases. This awareness leads to socially responsible consumerism which creates demand for sustainable consumption and production patterns. Governments can demonstrate responsible governance, mitigate risks and promote behavioral change by setting an example through the establishment of SPP programs. The implementation of a sustainable procurement policy is a very effective way to demonstrate an authority's commitment to sustainability as a whole. These policies can also help improve public image and legitimacy (United Nations 2008; ICLEI 2007).

Tab. 17: Potential benefits of Sustainable Public Procurement

<b>Potential benefits of Sustainable Public Procurement</b>	
<b>Potential environmental benefits</b>	
Contributing to meeting environmental challenges	Response to climate change, soil degradation, biodiversity loss, access to fresh water which includes reducing use, reusing, and recycling and ultimately reducing the amount of waste going to landfill
Contributing to achieving binding targets	Reduction of greenhouse gas emissions, energy efficiency, national environmental objectives
Local environment	Providing non-toxic cleaning products, creating healthier conditions for school children or using low-emission buses which improve local air quality
<b>Potential social benefits</b>	
Improved compliance with social and labor law	Compliance with provisions of the basic ILO Conventions which ban forced labor and child labor, establish the right to freedom of association and collective bargaining, and non-discrimination in terms of employment and occupation
Improved living conditions	Promotion of voluntary social standards such as Fair Trade which help reduce poverty
Improved social justice	Integration of people with disabilities or improved gender and ethnic equity
<b>Potential economic benefits</b>	
Financial savings	Reduced total cost for purchase, use, maintenance and disposal by using WLC Recognize upfront costs for sustainable products can be lower due to sustainable production processes Cost for societies caused by pollution, global warming, etc. can be reduced
Driving markets to more innovative solutions	Drive markets to shift more rapidly to cleaner technologies resulting in the generation of income, improved competitiveness of suppliers, and ultimately lower cost due to economies of scale Expand markets that support achievement of social objectives and serve as a model by offering standards and information
Increased access to markets	Promotion of small and medium-sized companies and supplier diversity
<b>Indirect benefits</b>	
Raising consumer awareness	Raise consumer awareness about the environment and social implications of procurement Promote sustainable consumption and production patterns
Demonstrating responsible governance	Respond to the growing public demand for governments to be environmentally and socially accountable in their actions, mitigate risks, and promote behavioral change
Improving public image and legitimacy	Combine sustainable growth with reduced environmental impact and improved living conditions The public sector responds to its moral and political responsibilities

## 6.2 Analysis of main incentives of SPP in developing countries

There is still a question of the relevance of SPP to decision makers and stakeholders in developing countries, despite all the benefits identified above. This question of relevance can be a setback to drive the SPP agenda forward. Two approaches have been pursued in this thesis to gather perceptions and shed some light into the main incentives for SPP in developing countries. First, key stakeholders were asked to indicate the level of relevance of potential benefits from highly relevant to relevant to less relevant to not relevant at all. Key stakeholders were also asked to name additional benefits which they viewed as significant. Secondly, the SPP flash poll conducted in cooperation with UNDP was analyzed specifically for developing countries. While both methods do not establish statistical evidence due to the small population and use of social media, they provide useful empirical information on the key incentives for promoting SPP in developing countries.

### *Expert opinions*

Based on the interviews, the most highly relevant incentives for promoting SPP in developing countries are the opportunities to demonstrate good governance, improve public image, leading by example, and to contribute to meeting environmental challenges and binding targets. A government representative of Mauritius stated: “If we want to change our citizens’ behavior, we have to start. If we buy sustainable products, we can ask others to follow our example” (Interview 2012d). The potential to drive markets to innovation, to generate financial savings over the lifetime of a product or service, and to achieve environmental benefits at the local level, are also rated high. By contrast, social issues are considered less relevant. Social impacts seem to be considered more indirect. The table below shows the average relevance score achieved based on six interviews conducted.

Tab. 18: Findings 5, Main incentives to integrate sustainability criteria (Interviews 2012 a–f)

<b>Findings 5: Main incentives to integrate sustainability criteria</b>		
<b>Potential benefit/incentive</b>	<b>Average score<sup>1</sup></b>	<b>Relevance<sup>2</sup></b>
Demonstrate responsible governance, improve public image, lead by example	3.83	high
Contribute to meeting environmental challenges and binding targets	3.83	high
Stimulate markets to offer more sustainable solutions/innovations	3.50	high
Financial savings over the lifetime of products/services	3.33	high
Environmental benefits at local level	3.00	high
Improved compliance with social and labor law	2.67	medium
Improved living conditions and social justice	2.50	low

<sup>1</sup> Based on the following scale: Highly relevant: 4, Relevant: 3, Less relevant: 2, Not relevant: 1

Average Score: Total accumulated score divided by number of interviews (6)

<sup>2</sup> High: Average score of 3 and above, Medium: Average score above 2.5 and up to 3: Low: Average score of 2.5 or below.

These benefits or incentives represent opportunities connected with SPP. For example, the concept of whole life costing is not generally embedded in public procurement practices since procurement officials usually lack the capacity to calculate WLC. Certain actions will be required to materialize these opportunities (see Chapter 8). Other ambitions highlighted in the interviews refer to supporting broader sustainability or government objectives. For example, creating awareness on sustainable consumption and production, job creation through support of local small and medium enterprises, access to foreign markets, or the creation of a level international playing field by promoting compliance with core social and labor standards (Interviews 2012 a–f) are all public sector goals.

#### *SPP Flash Poll*

The flash poll was an online survey that was jointly launched with UNPCDC in April 2012. Thirty-eight users, seventeen from industrialized countries and twenty-one from developing countries, shared their opinions on a number of questions posted. The responses received have been further broken down to analyze feedback provided by users from developing countries. The main results are as follows. Fifty-two percent of respondents from developing countries (68% overall) stated that in their organization SPP is perceived as embracing all three dimensions of sustainability, which indicates a need for further awareness building. Thirty percent of the respondents noted that policies, guidelines or formal rules and regulations on SPP exist in their organization. Potential financial savings and the possibility to demonstrate responsible governance and to lead by example outnumber other expected benefits (UNPCDC 2012).

Further details on the analysis of interviews and the flash poll are provided in Annexure 14.

### **6.3 Research on the impacts of Sustainable Public Procurement**

There are numerous studies measuring the impacts of green procurement. Most prominently, the RELIEF research project came to the conclusion that if all public authorities across the EU demanded green electricity, this would save the equivalent of 60 million tones of CO<sub>2</sub>, which is equivalent to 18% of the EU's greenhouse gas reduction commitment under the Kyoto Protocol (European Commission 2004). The RELIEF research project was co-funded by the EC research program to analyze and quantify the environmental relief potential of green public procurement.

Nevertheless, evidence on the impact of SPP is still rare. This lack of evidence is especially true in developing countries. UNEP recently conducted an analysis of the impacts of SPP to provide insight into the methodologies used and impacts measured in developing countries. For example, in Brazil, the State of Sao Paulo distributes a school kit every year to all students, which includes a notebook. In 2008, it was decided that the notebook should be made out of recycled paper. In 2011, the procurement of 3.8 million notebooks was launched through a call for tender. The estimated budget for this tender was approximately USD 9.5 million. The procurement of these recycled paper notebooks resulted in savings of more than 8 million liters of water, 1,766 tons of waste and 241 kg of organo-halogen compounds. The use of recycled notebooks in the State of Sao Paulo not only reduced the need for raw

material but also reduced landfill waste which creates ground and water pollution and contributes to the spread of various diseases among vulnerable populations. It also created additional income for waste pickers and led to financial benefits. The economies of scale of the purchase led to a reduction in price of the school kits by 3.88% (UNEP 2012a; UNEP & Governo do Estado de Sao Paulo n.d.).

Similar to the Sao Paulo recycle notebook purchase, the government of Hong Kong led another project to meet the challenge of climate change and to reduce carbon intensity. The Transport Department of Hong Kong Special Administrative Region engaged in a LED Traffic Light Retrofit project, whereby all conventional traffic signals at 1,800 junctions employing incandescent lamps bulbs would be replaced by LED modules. This was an overall value USD 9 million. Sustainability considerations were integrated into the calls for tender. For example, the technical specifications defined average and maximum power requirements for bright and dim conditions to maximize energy efficiency. A prequalification process was conducted which included an analysis of supplier qualification and the testing of sample equipment. As a result, higher initial purchase costs are offset by a reduction in recurrent purchase and maintenance cost over the life span of LED modules. An additional benefit of this purchase is that CO<sub>2</sub> emissions will be reduced by 5,500 tons annually. This procurement also had very positive impacts on the local market. Technological advances have produced reliable LED products at low cost. Furthermore, since the beginning of the pilot scheme, LED unit costs have progressively decreased by 58% which reduced the aggregated value of the contracts to USD 9 million, compared to the initial estimated project cost of USD 18 million (UNEP 2012a).

The impact studies show that trade-offs have to be made. Positive health impacts may materialize only in the long term and competition may be reduced initially due to a smaller market of qualified suppliers. These markets would need to be stimulated by sustained demand and a sizeable market. The impact analyses are presented in more detail in Annexure 15.

## **6.4 Barriers to SPP**

### *6.4.1 General barriers*

Despite evident benefits that the diffusion of SPP can provide, several potential obstacles or barriers limit the uptake of sustainable public procurement practices. These barriers have been analyzed in a number of studies mainly focusing on the European experience (European Commission 2007; AEA Group 2010; Walker & Brammer 2007; Kahlenborn et al. 2011; United Nations 2008) and can be clustered as follows.

#### *Economic*

SPP is often perceived as more costly which leads to pressure to buy the cheapest goods and services. Higher initial investments for sustainable products, tight budgets, and inflexible budget systems and accounting practices often pose an additional financial burden. There is also insufficient information on whole life cost of products and the relative cost of environmental friendly products and services.

### *Political*

There is often a low awareness of the benefits of sustainable products and services which causes a lack of political commitment. Conflicting priorities can result in a lack of alignment of SPP policies with national development objectives or procuring entities' organizational goals.

### *Legal framework*

Interpretation of public procurement legislation is not always straightforward and procurement officials do not necessarily infer that the most economically advantageous tender should be the one with the lowest whole life cost. Developing countries may need to modify their legislation to be able to incorporate sustainability criteria. Also, the legality of national legal provisions on SPP may be challenged under international, regional or bilateral trade agreements if considered discriminatory (McCrudden 2004; Mosters 2010; refer to Chapter 4.1.2).

### *Cognitive*

In general, there is a lack of competence in sustainability matters and in establishing sustainability criteria. There is a further lack of practical tools and information, and training. For many public procurers, including environmental and social issues in their purchasing decisions is a new concept. Many public procurement professionals are unfamiliar with SD principles such as whole life costing and calculating externalities (cost caused to the society) and they lack the legal knowledge on how to incorporate social and environmental criteria into tender specifications. A devolved or decentralized purchasing structure makes it even more difficult to manage SPP across the board in all product areas.

### *Regulatory policies*

There is discussion whether GPP, or SPP, is a cost-efficient policy tool and whether it affects competition. This is compared to the use of economic policy tools that permanently change framework conditions such as taxes, subsidies, fees or emission permits (Brännlund et al n.d.). Some critics argue that the consideration of environmental and social criteria is incompatible with the general principle of using only award criteria that are relevant to the procurement decision. In Germany for example, several business associations and the liberal party opposed the integration of environmental and social criteria into the public procurement regime based on a number of concerns. These concerns include the notion that SPP would reduce competition, result in higher public expenditure, could be subject to misuse and increased corruption, and it could increase the administrative burden in particular for small and medium enterprises (Isenheim 2010).

## *6.4.2 Barriers to SPP in developing countries*

There are no specific research results available on obstacles or barriers to implementing SPP in developing countries. To shed some light on this important issue, the barriers to SPP in developing countries are analyzed following an approach developed by the European research project RELIEF. The analysis includes the compilation of a list of potential barriers, identification of actors, development of a structured questionnaire, assessment of barriers through structured interviews, and analysis and strategy development (Barth et al. 2005).

*Compilation of a list of potential barriers*

A list of potential barriers was compiled by using the general barriers identified above and by incorporating some issues considered to play a role in developing countries such as the potential impact of donor guidelines, lack of capacity, market readiness, and the negative impact on small and medium-sized local companies. To allow for individual inputs, an open question was added.

Tab. 19: List of potential barriers to implementing SPP principles in developing countries

List of potential barriers to implementing SPP principles in developing countries	
- Legal framework does not allow or encourage SPP	- Lack of knowledge related to environmental and social policies
- Donor Guidelines do not allow or encourage SPP	- Lack of monitoring tools
- Lack of capacity	- Market is not prepared to deliver sustainable products and services
- Lack of guidance material and practical tools	- Negative impacts on small and medium sized local companies
- SPP is too complex	- Others: Please specify
- SPP is expected to increase the cost of public procurement	
- Inflexible budgetary mechanisms	

*Identification of actors*

In all transformation processes, a wide range of stakeholders are affected by or can affect the implementation of SPP with different levels of interest and influence in the process. Understanding stakeholder interests, perceptions, and concerns are pivotal to ensure cooperation and success (OECD 2005; Weisenfeld, 2010; 4<sup>th</sup> HLF 2011). The figure below presents a typical mapping of key stakeholders in procurement reform processes. It was used to identify the most important and influential stakeholders in implementing SPP in developing countries. Stakeholders include public procurement authorities, donors, procuring entities, private sector, politicians and policymakers.



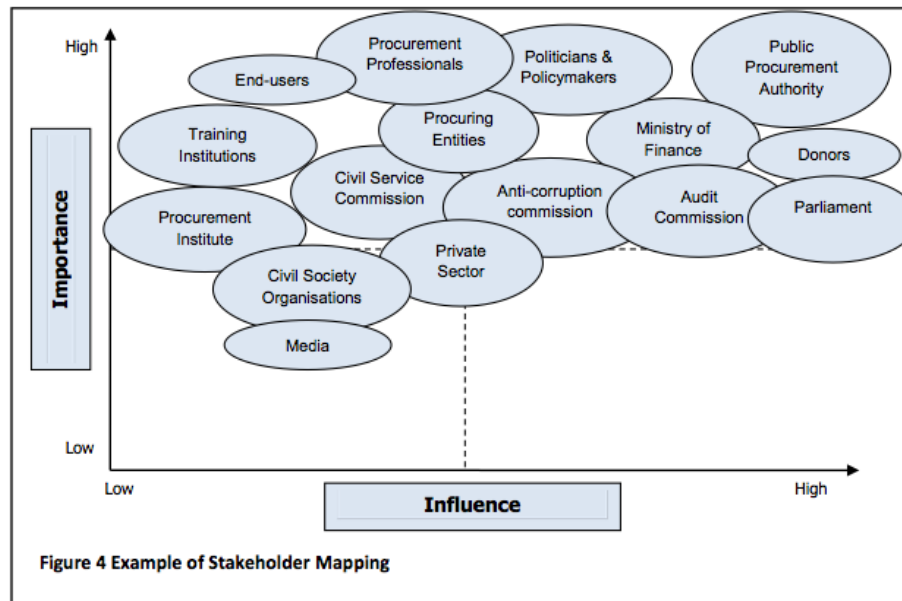


Fig. 10: Example of stakeholder mapping (4<sup>th</sup> High Level Forum on Aid Effectiveness, 14, Fig. 4)

### Questionnaire

The questionnaire (refer to Chapter 5.1) was used to structure the interviews on barriers to SPP in developing countries.

### Structured interviews

The interview partners were asked to rate the relevance of the listed potential barriers on a four-point scale.

### Analysis and strategy development – Portfolio of barriers

The table below shows the average relevance score based on the interviews conducted. The following barriers have been rated high: Lack of capacity; lack of guidance material; negative impacts on small and medium enterprises; and legal framework does not allow or encourage SPP.

Tab. 20: Main barriers to implementing SPP principles in developing countries (Interviews 2012 a–f)

Main barriers to implementing SPP principles in developing countries		
Potential barriers	Average score <sup>3</sup>	Relevance <sup>4</sup>
Lack of capacity	3.5	high
Lack of guidance material and practical tools	3.33	high
Negative impacts on small and medium sized local companies	3.33	high
Legal framework does not allow or encourage SPP	3.00	high
SPP is too complex	2.92	medium
SPP is expected to increase the cost for public procurement	2.92	medium
Donor guidelines do not allow or encourage SPP	2.83	medium
Lack of knowledge related to environmental and social policies	2.83	medium
Market is not prepared to deliver sustainable products and services	2.67	medium
Inflexible budgetary mechanisms	2.67	medium
Lack of monitoring tools	2.33	low

The interviews further substantiated some barriers. There is a concern that SPP may increase the risk of corruption due to its inherent complexity and subjectivity. With SPP, it is harder to verify compliance with stated requirements. SPP adds another level of complexity to the procurement system. SPP makes it more difficult for practitioners to keep up with new rules and procedures in modernized procurement systems, increasing the capacity challenge. Pursuing a multi-stakeholder approach is new to many actors, and the lack of collaboration may result in insufficient engagement and decreased coordination among stakeholders. The certification costs are high, and it primarily impacts small and medium-sized enterprises. Political election cycles may also derail the focus on SPP. Only a few donors have fully embraced SPP, and even fewer have begun capacity development programs supporting SPP (Interviews 2012 a–f). These findings are generally supported by the results of the SPP flash poll. For details, refer to Annexure 14.

Following the RELIEF methodology (Barth et al. 2005), three scenarios may be distinguished to define proper responses.

### *Existing barriers*

Potential barriers that have consistently been assessed as relevant or highly relevant are considered existing barriers. They indicate a broader problem and require a strategic response. The lack of capacity is the most relevant common barrier to SPP implementation in developing countries. The lack of guidance and tools, the capacities of small and medium-sized enterprises, and the legal framework, have been rated fairly high and are closely related issues.

<sup>3</sup> Based on the following scale: Highly relevant: 4, Relevant: 3, Less relevant: 2, Not relevant: 1

Average Score: Total accumulated score divided by number of interviews (6)

<sup>4</sup> High: Average score of 3 and above, Medium: Average score above 2.5 and up to 3: Low: Average score of 2.5 or less.

*Former barriers*

Best-practice sharing can mitigate potential barriers that have been assessed as less relevant or not relevant with some variation. The analysis indicates that monitoring tools are not perceived as a barrier to SPP.

*Differently perceived barriers*

Some potential barriers have been assessed as not relevant to highly relevant with a wide variation. These represent opportunities and risks. These barriers require further problem analysis at the country level. Such analysis includes the level of preparedness of the market, the flexibility of budget mechanisms, the knowledge regarding existing environmental and social policies, the relevance of aid and donor guidelines, and perceptions of costs and complexity of SPP.

Tab. 21: Findings 6: Portfolio of barriers to SPP in developing countries

<b>Findings 6: Portfolio of barriers to SPP in developing countries</b>		
<b>Category</b>	<b>Barriers to SPP</b>	<b>Response strategy</b>
Existing barriers	<ul style="list-style-type: none"> <li>- Lack of capacity</li> <li>- Lack of guidance and tools</li> <li>- Impact on SMEs</li> <li>- Legal framework</li> </ul>	Strategic response to problem solving
Former barriers	<ul style="list-style-type: none"> <li>- Monitoring tools for SPP</li> </ul>	Best practice sharing
Differently perceived barriers	<ul style="list-style-type: none"> <li>- Market preparedness</li> <li>- Budget mechanisms</li> <li>- Knowledge regarding policies</li> <li>- Relevance of donor guidelines</li> <li>- Perceived increased cost</li> <li>- Complexity of SPP</li> </ul>	Further problem analysis at country level

## 6.5 Conclusions on benefits and barriers of SPP

The potential benefits analysis and the emerging portfolio of barriers to SPP in developing countries both provide some valuable insight into the current perceptions and the interests of key stakeholders. This information will be considered when designing a mainstreaming strategy for SPP in developing countries. Opportunities, namely identified key potential benefits, must materialize in order to provide incentives for the implementation of SPP on a sustained basis. Secondly, the generic model for mainstreaming SPP must address the full range of responses including strategic responses, best-practice sharing and tools for further in-country analysis.

## 7 PREREQUISITES FOR SPP IN DEVELOPING COUNTRIES

An enabling environment is necessary for SPP to thrive. This thesis draws upon the findings of the previous sections to define the conditions for the inclusion of sustainability criteria in developing countries' public procurement systems.

### 7.1 Prerequisites and the enabling environment

There is still the question of what is required as a prerequisite for Sustainable Public Procurement in developing countries. This question is not only important for developing countries themselves but also for donors. In development cooperation, donors are also concerned with what will allow interventions to yield lasting efforts. The term “enabling environment” is often used to swing away from a narrow focus on project design and to look at the range of factors that support and encourage actors in developing countries to take actions to promote socio-economic improvement (Brinkerhoff, 2004). There are many definitions of enabling environment. One general definition is that “an enabling environment is a set of interrelated conditions, such as legal, bureaucratic, fiscal, informational, political, and cultural, that impact the capacity of development actors to engage in development processes in a sustained and effective manner” (Brinkerhoff 2004, 3, with reference to Thindwa 2001).

The *OECD-DAC Perspectives Note The Enabling Environment for Capacity Development* uses “environment” and “context” interchangeably and explains how context/the enabling environment, capacity and change are intimately linked. The Note states “the context matters for capacity development (CD). It sets the stage on which actors pursue their interests and agendas, both of which are affected by change processes. And CD is change, in most cases producing winners and losers and reconfiguring the balance of influence and power in and between individuals, organizations and groups of organizations.” (OECD 2011d, 4). This definition implies that the more an intended change is at odds with the context, the more power is needed to sustain it. Reform can still happen but capacity development practitioners need to know the odds. Practitioners need to know who they can count on, and they need to shape their efforts accordingly. The Perspective Note states, “this adds a dynamic focus on the change readiness of actors, shaped by the context, the vision and the change capacity of actors to the CD challenge” (OECD 2011d, 9).

### 7.2 Key enabling factors

According to Brinkerhoff, five factors define the enabling environment. These factors are economic, political, administrative, socio-cultural, and resources (Brinkerhoff 2004, 4). These five categories are used to outline the issues relevant for SPP.

*Economic factors*

The findings presented earlier indicate that a certain level of development favors the implementation of SPP. SPP is mainly implemented in high income countries and in developing countries belonging to the group of upper middle-income economies. No SPP initiative of substantial size could be identified in countries with a GNI per capita of USD 3,975 or lower (lower-middle-income or low-income country). Likewise, the countries analyzed, Mauritius and Chile, perform rather well in terms of broader development indicators. Mauritius and Chile score relatively well on global competitiveness and the level of corruption. A country embarking on SPP should not be in a state of emergency where basic needs should be satisfied first. More broadly, a prerequisite for SPP should be the existence of an economy that encourages free market and competition and is supportive of investments and innovation.

*Political factors*

Political will, high-level political commitment, and long-term government vision were mentioned most often as a prerequisite for SPP during the interviews conducted. Similarly, the countries profiled stressed that they can count on political commitment and that the government vision is expressed in national SPP policies and action plans. There needs to be preparedness and funding, especially in economic downturns, to pay the higher initial price to enjoy a lower total cost over the life of a product. A long-term government vision is equally important compared to election-cycle thinking. Election cycles create incentives to address the provision of goods and services within a specific political cycle. This is a shorter-term goal than shifting towards SPP. The benefits of SPP may only be attained after the incumbent's political term. A strong SPP policy and legal framework, including specific targets, can create a mandate for politicians to adhere to legislative demands and can offset the potential interference caused by election cycles (Interviews 2012a–f).

*Administrative factors*

A robust public procurement system, environmental protection and social laws are pivotal to implement SPP. In Mauritius, existing laws address the treatment of hazardous waste, occupational safety, and the prevention of corruption. A country interested in SPP should also have signed the core UN Conventions which ban forced and child labor, establish the right to form trade unions and ensure non-discrimination. A country should have a strong procurement regulatory framework in place, which ensures economy and efficiency, equal opportunities to compete, and a transparent procurement process. It should encourage the development of domestic industries (World Bank 2012a). The framework should include institutional checks and balances and a low level of corruption.

*Socio-cultural factors*

A country embarking on SPP should have a sustainable development strategy in place based on norms of inclusiveness, equity, and fairness. This strategy should also address environmental, social and economic challenges. The European Commission identifies the most important driving forces behind SPP as relevant policies and the increased awareness

of environmental problems (European Commission 2007a). The EU Sustainable Development Strategy and the 6<sup>th</sup> Environment Action Program define priorities and provide policy direction for all member states. Most member countries have developed national sustainable development strategies to implement the targets agreed at the European level. The experiences of Mauritius and Chile provide further evidence that a strong national sustainable development framework is pivotal for SPP. The program coordinator of UNEP's Capacity Building Project stated, "SPP can't work in isolation. It has to be embedded in broader sustainable development strategies and the policies have to be coherent" (Interview 2012e).

### *Resources*

The implementation of SPP requires policies and investments in technology, research, education and information. Adequate funding and institutional capacity is required. The experiences of Chile have shown that existing budgets impacted the scope of the market readiness analysis conducted. The analysis had to be limited to the products included in the e-catalogue. Additionally, there were limited funds to further development of product criteria and utilize whole life costing. Both of these initiatives required funding to contract consultants to provide specialized technical expertise. In Mauritius, the implementation of the ambitious SPP Action Plan will require funds, staff and know-how to develop institutional capacity at several layers of government, the private sector, and other stakeholders.

## **7.3 Capacity**

Interview partners mentioned that political willingness and high-level government commitment was the most important prerequisite for SPP. Interviewers also unanimously stressed that a country needs to have the capacity to implement SPP. People need to act as champions, certification institutions have to be in place, legal frameworks have to be established and tools provided, a multi-stakeholder approach has to be pursued, new policies and laws have to be enforced, sensitization and training campaigns need to be delivered and public pressure groups would help to build country capacity (Interviews 2012a–f).

Capacity is the "ability of people, organizations and society as a whole to manage their affairs successfully", and capacity development is "the process whereby people, organizations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time" (OECD 2006, 12). Capacity is built in organizations, in individuals and in the enabling environment. UNDP identifies four core issues of institutional arrangements, leadership, knowledge, and accountability which influence capacity development. UNDP also identifies the five functional capacities of stakeholder engagement, situation assessment and vision definition, policy and strategy formulation, budgeting, management and implementation, and evaluation which are central to the outcome (OECD 2006a; UNDP 2010). Based on Hradsky et al., there are six areas of particular importance in shaping SPP capacity and capacity development.

- 1) SPP implementation in a developing country needs to be based on a solid assessment of the country context including the country's sustainable development strategy.
- 2) Sidelining or overlooking informal institutions may foster resistance to SPP implementation and forego opportunities.
- 3) Stakeholder interests and power should be analyzed. Coalitions with stakeholders can neutralize or sideline opposition to change and can keep external pressure for SPP elevated.
- 4) SPP development requires coordination, collaboration and communication across multiple sector and organizational boundaries. In case incentives and capabilities for sector coordination are limited, there should be a strong drive for SPP from the top or close alignment between SPP and organizational priorities.
- 5) Incentives to organizational performance are shaped by the voice of non-state and state stakeholders including citizens, users, media, and audit organizations. SPP implementation should look for means to strengthen those voices, which could pressure the government to use sustainable public procurement.
- 6) Incentives to individual performance are shaped by the quality of broader systems in the public sector such as procurement. Ad-hoc and narrowly perceived SPP capacity building efforts will not work in environments where broader, multi-faceted reform processes which address country systems are required (Hradsky et al. 2011).

*Conditions for capacity development at the organizational level*

The most important success factors are strong and effective organizational leadership along with external powerful pressures for change. There is a risk that stakeholder groups could sabotage SPP efforts if they are not actively managed or if they do not buy into the SPP efforts. The OECD Good Practice Paper on Capacity Development summarizes the conditions favoring capacity development in organizations as follows.

Tab. 22: Conditions favoring capacity development in organizations (OECD 2006a, 18, Box 3)

**Box 3. Conditions favouring capacity development in organisations**

- Strong demand-side pressures for improvements are exerted from outside (from clients, political leaders, etc.).
- Top management provides visible leadership for change, promotes a clear sense of mission, encourages participation, establishes explicit expectations about performance, and rewards well-performing staff (recognition, pay, and promotions based on merit).
- Change management is approached in an integrated manner.
- A critical mass of staff members, including front-line staff, are ultimately involved.
- Organisational innovations are tried, tested and adapted.
- Quick wins that deepen commitment for change become visible early in the process.
- Top management and change agents manage the change process strategically and proactively, including both internal and external aspects of the process (communication, sequencing, timing, feedback loops, celebration of victories, and recognition of problems).

*Individual level*

Social influences and personal capabilities and competencies need to be considered at the individual level. An informal culture of an organization or loyalties can interfere with an official's ability to comply with legal or administrative norms (OECD 2006a). SPP implementation should consider concerns of capacity gaps and subjectivity that may rise in SPP processes (refer to Chapter 6), and the level of corruption in a country. These concerns are especially important considering the use of donor funding to finance SPP.

**7.4 Change Management**

Sustainability and capacity development are closely linked to change management. The transformation of a traditional procurement system to a sustainable one involves transforming attitudes, conditions, and resources at the three levels of the enabling environment, the organization and the individual. Failure to recognize change management models and approaches can be one of the biggest impediments to the successful implementation of a procurement transformation. Change typically fails because there is a lack of ownership and commitment, poor communication of the change initiative, lack of strategic alignment to the change initiative, no sense of urgency, obstacles to change, failure to create quick wins, lack of stakeholder engagement, lack of project management skills, lack of follow through, and budget limitations (OECD 2011b).

It is also important to understand the environment and to consider the organization's readiness to change. Resistance to change can block capacity development initiatives. In order for an organization to welcome change, the organization will need to manage the change. Change management requires good communication skills, flexibility, responsiveness, strategic direction and incentives to keep employees motivated and productive (Pearson 2011).

The awareness of change management timing differs strongly along hierarchical levels. Lower management levels and the work force should be informed and engaged throughout the change management process. Transformational leadership skills are important to ensure a top down and bottom up approach (Capgemini 2010). The following figure presents the ten pain points to ensure a successful change management process. The pain points are to analyze and understand the situation and the environment, ensure direction and alignment, develop structures and monitoring, ensure mobilization and commitment, design organization and processes, mitigate conflicts and barriers, demonstrate leadership, enhance culture, target human resource development, and identify and anchor success (Capgemini 2010).





Fig. 11: Successful change management (Capgemini 2010, 20, Fig. 15)

## 7.5 Conclusions on prerequisites for SPP

Experience has shown that technical fixes alone do not lead to sustainable improvements of public procurement systems. Contextual issues need to be considered when assessing, designing and implementing a successful SPP transformation process. There is a range of factors which support and encourage actors in developing countries to achieve the intended objectives. If intended changes are at odds with the context, reform can still happen but capacity development efforts have to be shaped accordingly. This puts a more dynamic focus on conditions and success factors to enable SPP. Change management models can be helpful to efficiently use resources and avoid failure of SPP programs. The following are success factors to SPP.

- 1) State of the economy and level of development
- 2) Existence of environmental protection and social laws
- 3) Sustainable development strategy
- 4) Quality of public procurement system
- 5) High-level political commitment for SPP and long-term government vision
- 6) Strong SPP policy and legal framework
- 7) Adequate funding and institutional capacity
- 8) Capacity development at the three levels of the enabling environment, the organization, and the individual
- 9) Application of change management approaches including attitudes, conditions, and resources.

## 8 CONCEPT FOR MAINSTREAMING SPP IN DEVELOPING COUNTRIES

A generic model for mainstreaming SPP in developing countries is developed in this chapter.

- 1) Potential root causes for existing or perceived barriers are analyzed to identify a range of possible actions (Chapter 8.1).
- 2) Concepts and tools are categorized and assessed to determine how well they address the sustainability challenges (Chapter 8.2).
- 3) A generic model for mainstreaming SPP at the national level is presented (Chapter 8.3).
- 4) A generic model for mainstreaming SPP at the organizational level is presented (Chapter 8.4).

The figure (Fig. 12) below illustrates the different tiers of sustainable public procurement. The generic model focuses on mainstreaming initiatives at the national and organizational or procuring entity level while giving due attention to issues related to the country context and capacities needed at the individual level.

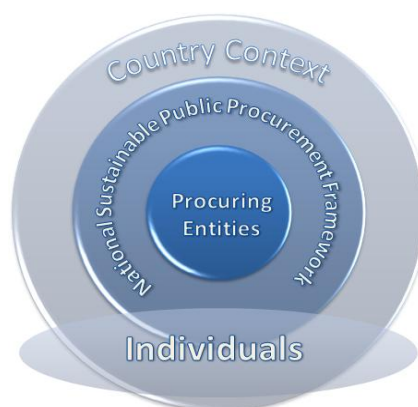


Fig. 12: Tiers of sustainable public procurement.

### 8.1 Ways and means to overcome barriers

It is pivotal to understand and remove conflicts and barriers to have a successful transition process. Barriers to SPP implementation, outlined in Chapter 6, can be removed through use of emerging Good Practices and implementation experiences from both industrialized and developing countries. The following elements of the UNDP capacity development framework are used to structure this analysis.

- 1) Possible root causes for barriers are identified to determine possible actions.
- 2) The core issues of institutional arrangements, leadership, knowledge, and accountability, identified by UNDP are used to categorize ways to overcome barriers.

- 3) The situations where specific functional and technical capacities are central to remove barriers are indicated. These include capacities to engage stakeholders, assess a situation and define a vision and mandate, formulate policies and strategies, budget, manage and implement, and evaluate (UNDP 2008a; UNDP 2008b; UNDP 2010).
- 4) Management approaches that support SPP such as systems, concepts and tools are identified to complete the analysis.

Table 23 summarizes the findings of this analysis.

Tab. 23: Findings 7: Areas requiring further action

<b>Findings 7: Areas requiring further action</b>						
<b>Barriers Possible root causes</b>	<b>Addressing core issues to overcome barriers</b>					<b>Management approaches (systems/concepts, tools)</b>
Core Issues/Functional capacities:	Institutional arrangement	Leadership	Knowledge	Accountability	Functional Capacity	
Examples:						
<b>Lack of capacity</b>						
No conceptual understanding of SPP			•			Informational tools, training
No SPP vision, policy, goals, direction	•	•			•	SPP strategy, action plans, pilots
No clear roles, responsibilities for SPP	•	•		•	•	Laws, regulations, directives
Unclear SPP processes	•	•	•	•		Regulations, process cycle, manuals
Decentralization	•	•	•	•	•	E-procurement, catalogue
No sustainable specifications	•		•			Minimum criteria, labels
Verification of compliance is difficult	•		•	•		Labels, declarations
No professional procurement cadre	•		•		•	Career path
Insufficient resources and funds		•			•	Budget planning, prioritization
No incentives for SPP	•	•		•	•	Rewards system
Lack of specialized technical expertise	•		•		•	External support, help desk
<b>Lack of guidance material and practical tools</b>						
No country specific guidance material	•				•	Laws, good practice guides
Guidance material is not disseminated	•	•				Websites, training
Information lacking to apply WLC		•	•			Websites, data for calculations
No internet connection		•			•	Budgeting
<b>Negative impacts on small and medium sized local companies</b>						
High certification cost	•		•		•	Alternative verification methods

High cost for changing production processes	•		•	•		Prioritization
<b>Legal framework does not allow/encourage SPP</b>						
Insecurities regarding legality of SPP		•	•		•	Legal reform, manuals
SPP not embedded in procedures	•					Regulations, bidding documents
No political will, lack of public pressure		•			•	Awareness raising
<b>Lack of monitoring tools for SPP</b>						
No target, no indicators, no measurement				•	•	Target setting, M&E
No reporting of results				•	•	Annual reports
<b>Market is not prepared to deliver sustainable products and services</b>						
Not familiar with Sustainable SCM			•			Private sector development
No awareness/support by private sector					•	Information, MRA, product criteria
<b>Inflexible budgetary mechanisms</b>						
Budget law separates investment/recurrent exp.	•				•	Revision of budget law
No whole life cost thinking			•	•		Regulations, training
<b>Lack of knowledge related to environmental and social policies</b>						
Low public awareness				•		Awareness raising
Unclear what policies mean for procurement	•		•		•	Assessment, prioritization
<b>Donor guidelines do not allow/encourage SPP</b>						
Donor community has not broadly embraced SPP in developing countries yet	•	•		•	•	Donor policies, donor guidelines, community of SPP practitioners
Concern that it may favor corruption				•		Procedures, audits, enforcement
<b>SPP is expected to increase the cost for public procurement</b>						
WLC not used	•		•		•	Laws, training, research
Lack of or distorted information			•			Prioritization, benefit communication
<b>SPP is too complex</b>						
Parallel assessments, uncoordinated actions					•	Integrated assessment, action plan
Multitude of new rules		•	•		•	Prioritization, processes, manuals
Actors not used to multi-stakeholder approach		•			•	High-ranked steering committee

To overcome barriers and tackle their root causes, the following core issues need to be addressed: institutional arrangements, leadership, knowledge, and accountability.

Institutional arrangements have to be in place to perform SPP related tasks. Tasks include the management of the SPP mainstreaming process and stakeholder dialogue. At the national level, this may include legal and regulatory reform, the adaptation of existing tools and guidance material to the country situation, and support to public entities and suppliers in implementing SPP practices. Support arrangements may include a SPP helpdesk, streamlined certification procedures, the facilitation of cross-agency and donor cooperation, and the development of SPP training modules in cooperation with training institutions. Similar management arrangements have to be in place at the procuring entity level.

There needs to be strong leadership to understand and promote the concept of SPP. Leadership should establish SPP targets and manage results, provide resources and infrastructure, provide incentives, support overcoming bottlenecks, initiate innovation such as e-procurement, lead the dialogue with donors and development partners, facilitate multi-agency cooperation, create conditions for new ways of doing things, and encourage behavior changes and continuous learning.

Knowledge management is important to raise awareness on sustainable development and SPP to the general public. Knowledge management may include dissemination of information on SPP policy and action plans, and the provision of ad-hoc SPP training for procurement practitioners, finance officers and the private sector. Knowledge management may also include access to external resources such as consultants and technical experts, the establishment of a credible training framework, and development of guidance material for practical use such as defining what inputs are needed to calculate whole life cost. The facilitation of other knowledge tools such as networking, best practice sharing, and websites is also important.

Accountability ensures clear mandates and processes. Accountability also ensures verification of sustainability requirements, value for money procurement, ethical rules to fight corruption, a system of rewards and sanctions, results measurement, reporting and rule enforcement.

Actions to remove or reduce barriers may need to address several issues depending on the actual situation and the root causes identified. The *Practical Guide to Transforming Procurement Systems* recommends to start with an assessment. The *Guide* was developed by the *Task Force on Procurement*. It is not specifically for SPP implementation but for procurement reform in general. The assessment will help clarify the objectives, identify the current situation and identify stakeholders for future engagement. The generic transformation process includes sound strategic planning, an implementation phase and monitoring and evaluation.

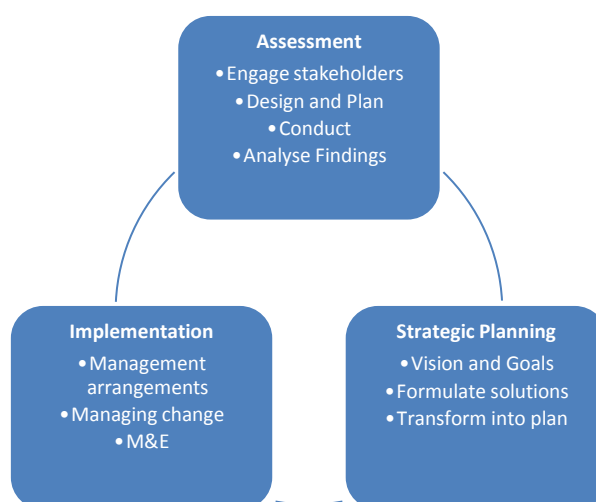


Fig. 13: Procurement transformation process (OECD 2011b, 9, Fig. 2)

## 8.2 Assessment of suitability of tools and approaches, and prioritization

Chapter 8.1 demonstrates the numerous ways to address impediments to SPP implementation in developing countries through the use of various existing tools. It is important to recall the key ecological, social, economic, and integration challenges involved in integrating the concept of sustainability into procurement practices (Schaltegger & Petersen 2008; BMU et al. 2007). An understanding of the challenges allows for an assessment of which concepts and tools are most suitable to mainstream the concept and the implementation of SPP in developing countries. The following translates the key challenges into the public procurement context.

### *Ecological challenge*

The aim is to improve the eco-effectiveness of public procurement. Eco-effectiveness in procurement is to find the best way to minimize negative environmental impacts caused by public procurement. Eco-effectiveness is measured in physical terms of input and output indicators. Input indicators include water or energy consumption and output indicators include emissions and toxic waste.

### *Social challenge*

The social challenge is to reduce negative social impacts or to increase positive social impacts caused by public procurement. Socio-effectiveness of public procurement activities can be measured by comparing the value added through the procurement of goods, works, or services with the social impact achieved.

### *Economic challenge*

The aim of the economic challenge is to manage environmental and social issues in a cost-efficient way. The economic dimension is measured in terms of economic efficiency or return on investment, eco-efficiency, and socio-efficiency.

### *Integration challenge*

The integration challenge is the most difficult challenge to overcome. It aims at integrating the environmental, social, and economic dimension. The integration of these three dimensions at the same time will often require trade-offs in practice. Furthermore, the integration challenge aims to embed environmental and social issues into existing public procurement systems, which have traditionally been dominated by economic and regulatory considerations such as value for money and fairness. This is a critical distinction because it adds to the list of the usual public procurement considerations.

#### *8.2.1 Matrix for assessing the suitability of systems/concepts and tools*

The systems, concepts and tools are assessed below to identify which management approaches are best suited to meet the sustainability challenges defined and to mainstream SPP in developing countries. The term tool is used for management approaches aimed at a specific goal. In contrast, systems or concepts usually consist of a set of tools applied in a coordinated way to achieve a certain objective.

The analysis is based on an assessment methodology developed by the German Ministry for the Environment in cooperation with the University of Lüneburg. This methodology assesses if an approach explicitly supports management to meet sustainability challenges. It uses two criteria. The first criterion is the suitability of the concept or the tool to meet environmental, social, economic, or integration challenges. The second criterion is the current level of application. The assessment of these criteria helps management:

- 1) identify well-established management approaches which will continue to be valuable in future
- 2) analyze the potential of concepts and tools which are currently less used,
- 3) uncover areas where appropriate management approaches are missing, and
- 4) develop new approaches or improve existing ones to fulfill new requirements (BMU et al. 2007).

The table (Tab. 24) below presents a total of 37 management approaches for mainstreaming SPP in developing countries. The approaches listed have been aggregated based on the findings presented in Chapter 8.1. Two points are awarded, if the approach fully addresses the defined challenge and one point is awarded for partial achievement. Approaches widely used are marked with an "A" which stands for frequently applied. The assessment has been informed by Good Practices and country experiences evaluated in earlier chapters.

Tab. 24: Assessment of systems/concepts and tools for mainstreaming SPP in developing countries

Assessment of systems/concepts and tools for mainstreaming SPP in developing countries					
Systems, Concepts, Tools		Sustainability Challenges			
		Ecological Challenge	Social Challenge	Economic Challenge	Integration Challenge
		Eco-Effectiveness	Socio-Effectiveness	Eco-/Socio-Efficiency	Integration
Systems, concepts	Approach to SPP	••	••	•	
	Capacity Development	••A	••A	••A	••A
	Career path	•	•	•	•
	Public Procurement Systems	••	•	••A	••
	Rewards Systems	•	•	•	
	Supply Chain Management (SCM)	•	•	•	•
	Balanced Scorecard	•	•	•	•
	Sustainable Management Systems	•	•	•	
Tools	Barrier analysis	•	•	•	••
	Benchmarking (MAPS)		•	••A	••A
	Best practices	••A	•	••	•
	Budget planning and exec.	•	•	•	•
	Community of practice	••	•	•	••
	Dialogue	••	•	••	••
	E-procurement, e-catalogue	••	•	••	•
	External support	••	•	•	•
	Impact analysis	••	•	••	••
	Indicators, targets	••	•	•	••
	Informational tools	••	••	••	••
	Labels	••A	•A	•	•
	Legal instruments	•	•	••A	••
	Life cycle assessments	•	•	•	
	Pilot programs	••A	•	•	••
	Prioritization	••		•	••
	Procurement process	••	•	••	••
	Reporting	•	•	•	•
	Risk analysis	••	•	•	•
	SPP action plan	••A	••	••A	••
	SPP audits	•	•	•	•
	SPP policy	••A	••	••	••
	Stakeholder analysis	•A	•A	•A	••A
	Standard bidding documents	•	•	••A	••
	Training	••	•	••A	••
	Whole life costing	•	•	••	••



### 8.2.2 Prioritization of concepts and tools

The interpretation of the above results leads to the following conclusions.

#### *Systems/concepts*

Existing public procurement systems are the foundation for SPP. The analysis has shown that it is feasible to integrate sustainable policy objectives into national procurement systems. The *Approach to SPP*, which includes a number of specific tools targeted at SPP implementation, has proven its potential to guide developing countries on their path towards SPP. The *Approach to SPP*, however, lacks integration at two levels. First, it is not integrated in the broader public procurement reform process and secondly, SPP is not firmly embedded in daily public procurement practices yet. Capacity development is a well-established concept in developing countries which can be pursued to achieve this integration at the national and organizational level. Overall, the implementation of SPP is mainly an integration challenge.

There are several related systems that are fundamental for the success of SPP implementation. However, activities would go beyond the scope of a SPP program and therefore those issues, if arising, should be addressed in broader public or private sector reform programs. Cross cutting issues are to establish a career path for procurement officers, the development of a rewards system for the public service, and fostering sustainable supply chain management to make production and logistics processes more sustainable.

Other concepts analyzed may currently overburden public entities in developing countries and are not given priority in this model development. For example, the sustainable balanced scorecard, a concept assisting in sustainable strategy implementation, is a top end management approach which may be premature. The introduction of an environmental or sustainable management system would be even more complex. Furthermore, research has shown that the existence of a management system does not result in a better uptake of SPP. Institutions implementing sustainable management systems focus mostly on direct environmental aspects and oversee possible synergies with SPP (Testa et al. 2011).

#### *Tools*

Further to the assessment and benchmarking tools, there are strategic and regulatory tools. SPP policies, action plans, legal instruments, targets and indicators belong to the standard set of policy making in industrialized countries. The potential to use these tools in developing countries should be tapped. Donor strategies could enhance dialogue on SPP, create a community of practice, and support SPP reform initiatives in developing countries.

Additional tools support implementation and communication. Tools most suited to anchor sustainability in public procurement practices include approaches that focus on interventions throughout the procurement cycle and help establish new daily practices such as pilot programs, standard bidding documents, whole life costing, and training. The introduction of an e-procurement system also promises sustainable results. However, due to the complexity of such a project, it can only be briefly discussed in this paper. Guidelines, best practice sharing, and the dissemination of impact analyses are also well-suited informational tools.

The table (Tab. 25) below summarizes priorities for concept development.

Tab. 25: Priorities for concept development

Priorities for concept development		
Concepts/tools	Function	Priorities
Well-established concepts	Foundation	Integrate the concept of SPP into the existing public procurement system and focus on capacity development.
Less known concepts with high potential	SPP innovation	Integrate processes and tools included in the <i>Approach to SPP</i> into processes applied in broader public procurement reform and include barrier analysis.
New areas for action	Legitimacy and assistance	Identify what donors could do.
New tools, improved tools	Response to new requirements	<ul style="list-style-type: none"> <li>- Prepare a Briefing Note on SPP to raise awareness.</li> <li>- Develop an integrated benchmarking tool.</li> <li>- Define the Sustainable Public Procurement Process.</li> </ul>

### 8.3 Model for mainstreaming SPP at the national level

The generic model presented below is guided by the vision to mainstream SPP in developing countries. The full integration of SPP into reforms of national public procurement systems will avoid parallel structures and processes. The model builds on achievements and continuous improvements of SPP pioneers when structuring the long-term plan. Knowledge dissemination of practical experiences, Good Practices, and results achieved advance the concept of SPP. Stakeholder buy-in of the model will be achieved if the agenda includes the context of commonly accepted principles and concepts such as change management, capacity development, and aid effectiveness. The generic model addresses the key issues which require strategic decisions based on the country context. Particular attention is given to donors and development partners who can significantly support the further enhancement and promotion of SPP in developing countries.

Table 26 shows the conceptual framework to mainstream SPP in developing countries. The generic model is highlighted in green. The model is embedded in principles of aid effectiveness (blue), change management (pink), and capacity development (brown). Mainstreaming SPP at the national level is further elaborated below. The second component, dealing with mainstreaming of SPP at the organizational level is presented in the next chapter.

Tab. 26: Conceptual framework for mainstreaming SPP in developing countries

Aid Effectiveness Principles:	Change Management Principles:	Capacity Development Principles:	Mainstreaming SPP at the national level	Stakeholder engagement	Ownership, Alignment, Harmonization, Mutual Accountability, Managing for Results
	Awareness	Assessments	Create awareness of the benefits of SPP		
			Share experiences of ongoing SPP programs		
			Develop and agree on SPP benchmarks and common assessment tools		
			Look at the country context to ensure the right conditions and approach		
			Conduct in-depth assessment to inform the design of the national SPP program		
	Behavioral change	Strategy development	Set goals and develop a strategic plan		
	Make a difference and effect change	Implementation	Effect the intended change: SPP implementation		
			Monitor and evaluate implementation and the impacts of SPP		
			Establish a partnership of effective development cooperation for SPP		

The following sections detail the rationale and recommended management approaches for each of the presented objectives in the generic model to mainstream SPP at the national level.

### 8.3.1 Create awareness of the benefits of SPP

The objective in creating awareness is to provide information and initiate further dialogue to build the case for SPP and the various benefits it entails in order to create awareness and a sense of urgency.

There is a growing awareness of environmental and social problems in developing countries. As a result, more countries have developed a sustainable development strategy. While sustainable development initiatives are on the rise, awareness of the potential benefits of SPP is generally low. Many public authorities in developing countries are not even familiar with the concept of SPP as described in chapter 6.2. Similarly, donors and development partners have only started to think about SPP as a strategic policy tool in development cooperation.

In practical terms, the message should be straightforward. SPP is an effective tool to promote sustainable development. It reduces the impact public procurement has on the environment, it improves the social well being of people, and it saves scarce public funds by using the whole life costing approach. Governments can demonstrate responsible governance through example. The potential benefits are outlined in chapter 6.1 through 6.3. Countries and development partners already involved in SPP, or interested civil society organizations, could spearhead these information and awareness raising activities.

The *Briefing Note on SPP* is a practical example of an action taken to create awareness of SPP. The *Briefing Note on SPP* was prepared in the context of this thesis to bridge the existing information asymmetries. The *Briefing Note* was posted on the website of the UN Procurement Capacity Development Center in February 2012 to create awareness and to stimulate discussions among policy makers and procurement practitioners by highlighting the following aspects (*The Briefing Note on SPP* is attached in Annexure 16).

- Strategic role of sustainable public procurement
- Linking sustainable development and public procurement to define SPP
- The economic, environmental, and social dimension of SPP
- The benefits of SPP
- Overview of sustainable procurement initiatives
- Approaches to SPP in developing countries
- The Sustainable Public Procurement Process
- Challenges and opportunities
- References and further information

### 8.3.2 Share experiences of ongoing SPP programs

Experiences of ongoing SPP programs should be collected and disseminated to provide further insight into the appropriateness of the methodology used and results achieved to share knowledge and continuously learn.

Seven countries have been piloting the *Approach to SPP* and based on lessons learned, some steps and tools of the approach have been recalibrated and more guidance and good practice examples have been added in the implementation guidelines. Implementation of the country programs is still in progress with some countries working on SPP policies and strategic plans and others being in the middle of implementing multi-year action plans. None of the countries have systematically evaluated their program yet. Country experiences should be shared to inform the further development of approaches and tools.

A practical example is to compile and broadly share success stories, Good Practices, and lessons learned related to the *Approach to SPP*. Knowledge dissemination can be supported by translations of these materials into many commonly used languages. A central, Internet based knowledge sharing platform could provide one-stop information and be hosted by development partners or regional procurement networks. It is important that partner countries follow through with their action plans, intended impacts are achieved, the reasons for transformation failure are understood, and the solutions to improve the effectiveness of SPP programs are presented.

### 8.3.3 Develop and agree on SPP benchmarks and common assessment tools

The third consideration is to develop and agree on SPP benchmarks to fully integrate sustainability considerations in public procurement systems of developing countries and to align SPP implementation with broader public procurement reforms.

The *Methodology for Assessing Procurement Systems (MAPS)* is the common benchmarking tool developing countries and donors have agreed to use to assess the quality and effectiveness of national procurement systems. More than 60 developing countries have used the *MAPS* diagnostics to formulate capacity development strategies and to improve the current systems. Based on the findings, donors decide on assistance for national procurement reform programs and on the use of the country systems in donor-funded operations. As outlined in chapter 4.2.2, there is currently a disconnect between procurement reform in general and SPP reform in particular. Benchmarks, processes and tools are not aligned between mainstream procurement reform and sustainable procurement reform.

A practical solution to close this gap is to develop a sustainable *MAPS* benchmarking tool (*S-MAPS*). *S-MAPS* could be introduced to the international procurement community as an opportunity to promote the strategic role of procurement as appropriate in a specific country context. *S-MAPS* would integrate some tools included in the *Approach to SPP* and make reference to more specialized studies needed such as prioritization or market readiness analysis. *S-MAPS* could become the new standard benchmarking tool and set the stage for SPP.

A framework for such a new benchmarking tool (*S-MAPS*) has been developed in this master thesis.

- 1) The current *MAPS* baseline indicator system has been upgraded to include twelve newly developed sustainability sub-indicators.
- 2) Assessment criteria have been developed for all sustainability sub-indicators.

As an example, table 27 illustrates the assessment criteria for sub-indicator 5 (s):

Tab. 27: Assessment criteria for sub-indicator 5 (s), *S-MAPS*

Assessment Criteria Sub-indicator 5 (s): Institutional development capacity for SPP	Score
The country has systems in place to support and monitor the performance of SPP which meet all the following requirements: (a) The country has a system for collecting data for national procurement statistics which allow for procurement spend analysis, risk assessments, and prioritization. (b) The country has a system for defining core sustainable product criteria. (c) The country has a system for determining future cost and externalities to allow for reliable whole life costing calculations based on net present value. (d) The country has a sustainable strategy and training capacities to develop the capacities of government and private sector participants to effectively implement SPP.	
The system meets the conditions of (a) and (b) plus one of the remaining conditions.	<b>2</b>
The system meets the conditions of (a) and (b)	<b>1</b>
The system fails to substantially comply with any three of the conditions (a) through (d).	<b>0</b>

The complete proposed *S-MAPS* benchmarking system is presented in Annexure 17.

#### 8.3.4 Look at the country context to ensure the right conditions and approach

Conditions should be tested to verify that a country that intends to embark on SPP is “ready” to ensure a successful deployment of SPP and a customized scoping of the in-depth assessment.

The introduction of SPP, which requires significant change and capacity at multiple layers, should not be at odds with the country context. More power is needed to overcome and sustain change if the SPP transition is highly comprehensive or contrary to the country context. First and foremost, political will, high-level government commitment and a long-term government vision are the enabling conditions for SPP. Other factors include the state of the economy, the existence of environmental protection and social laws and the general quality and performance of the national procurement system. Most importantly, SPP should be embedded in broader sustainable development strategies and appropriate funds are required to shape and implement capacity development strategies. More information on success factors can be found in Chapter 7.

There are several tools available to assess the country context. The challenge is that most of those tools have been developed by donors or development organizations for their own purposes. As a result the tools need to be adapted to fit the developing country context and the specific need (OECD 2011b). A pragmatic approach should be pursued until ready-to-use tools are developed. One option could be to conduct a pre-assessment which looks at economic and development indicators, formal and informal institutions, stakeholder interests and politics, and the existing national sustainable development strategy and framework. If the conditions are found to be right, the in-depth assessment could be scoped and assessment methodology and tools could be adapted to the country context. The *Checklist* attached in Annexure 18 presents some ideas on how to approach a pre-assessment exercise.

#### 8.3.5 Conduct in-depth assessment to inform the design of the national SPP program

An in-depth assessment to inform the strategic planning process for SPP objectives and activities that contribute to achieving the defined goals should be conducted.

Transforming a procurement system is a cyclical process. The process starts with an assessment to clarify objectives, identify the current situation and to identify and engage stakeholders in the process. The findings of the assessment inform the strategic planning process, including design of the initiatives and activities that contribute to achieving the defined goals. Implementation has to be organized to ensure timely and effective implementation of the action plan, including monitoring and evaluation (refer to Chapter 8.1).

Once developed, the assessment should be based on *S-MAPS* including additional tools as defined in the scoping exercise, such as capacity needs assessment and a market readiness study. The assessment has to be appropriately planned and conducted. The findings need to be analyzed and validated by stakeholders. The *Practical Guide to Transforming Procurement Systems* provides helpful advice on how to approach and implement assessments (OECD 2011b).

### *8.3.6 Set goals and develop a strategic plan*

The development of a strategic plan including prioritized goals helps to clarify the vision, formulate solution options and transform the strategy into an implementation plan. The strategy should include a stakeholder engagement plan.

The strategic plan is a continuation of the assessment exercise and includes a clear vision and strategic goals, solutions to risks, barriers or other issues identified during the assessment, and an implementation plan. Stakeholder engagement is one of the most important factors for success of the strategic plan and appropriate attention should be given to the communication of the plan to key stakeholders (OECD 2011b).

The SPP action plan should be aligned with the country's sustainable development strategy and should address five key themes. These themes include human resources, strategy, procurement process, supplier engagement and monitoring and reporting. The human resources theme includes leadership, accountability, capacity development, and training. The strategy theme includes SPP policy, legal reform, communication strategy and the use of e-tools. The procurement process theme includes the prioritization of products and services based on the country's sustainable development strategies, whole life costing and guidelines. The supplier engagement theme includes market engagement, access to SPP market and supplier capacity development. The monitoring and reporting theme includes the construction of a results framework with monitoring and evaluation, clear measurable targets for SPP, analysis of impacts of SPP, and a reporting system. Timelines, responsibilities, and cost should be included. The Mauritius SPP Action Plans 2011–2015 provides a good example for a comprehensive SPP action plan and SPP policy statement (refer to Chapter 5.3.3 and Annexure 10).

The process of reviewing options should start with a thorough review of assessment results and it should focus not only on weaknesses but also on what works well in the given country context. The following considerations highlight some typical decisions during the strategic planning process. The variability of these considerations shows that there is no one size fits all approach to SPP implementation.

#### *Which institution should be responsible for managing the introduction of SPP?*

In some countries, an existing procurement regulatory agency may be best suited to manage and oversee the nationwide deployment of SPP. By contrast, a Public Procurement Board may take the lead in countries where procurement is more centralized. In other countries, it may make sense to establish a Sustainable Procurement Center to stem the task. In all cases, clear mandates are required and cross-agency and multi stakeholder cooperation needs to be organized to coordinate actions, human resources, and funding. Institutional arrangements may need to go beyond the inner circle of procurement institutions. For example, certification institutions or product testing facilities may need to be established to facilitate sustainable supply chain management. In other cases, oversight institutions responsible for the enforcement of existing environmental or labor law may need to be strengthened to ensure the effectiveness and enforceability of certain contract clauses.

*Prioritizing a quick start or a comprehensive approach?*

To make SPP implementation less dependent on individual champions, it is generally advisable to pursue a comprehensive approach that will lead to sustained change. However, experience has shown that designs are often overly ambitious with too many activities scheduled into too short a period of time. Further, existing constraints are often not adequately taken into account (OECD 2011b; ICLEI 2007). A realistic plan based on the country context should be designed. For example, some constraints may include insufficient statistical data or public influence. Given these constraints, a procurement spend analysis can help identify priority product groups and products based on risk, scope to do more, and public influence (refer to Annexure 9). Further, government action to spearhead the SPP movement could be influenced through the establishment of partnerships among top spending agencies that have a propensity for environmental or social issues. Implementation support could focus on a smaller number of pioneering entities that would be better equipped to develop solutions that work in practice. Quick wins could be shown early in the process and good communication of best practices could encourage others to follow the lead over the medium and long-term.

*Define common product criteria for priority products and services or rely on eco- or social labels?*

The European Union relies on common sustainable product criteria and product sheets for priority products to facilitate drafting the technical specifications and the award criteria (Chapter 3.2). Some countries, such as Germany, prefer to use eco- or social labels such as *Blue Angel*, *Energy Star* or *Fairtrade* to ensure the procurement of sustainable products is compliant with environmental requirements and/or core labor standards. Similarly, Chile has built an e-catalogue system based on framework contracts for frequently procured products and services in which certified products are flagged (Chapter 3.1 and 5.4). Country specific criteria should be taken into consideration to find the best solution. The country context may vary in the size of the local market, existence of certification institutions, impact on SMEs, available technical capacity, resources required to build and sustain a common product scheme.

*How can whole life costing be introduced?*

Whole life costing establishes the total cost of ownership over the anticipated life span of products. The proper use of this tool is important to mainstream SPP. SPP sometimes requires higher initial cost for sustainable products, but there may be long-term savings in operating and disposal costs. Calculating the total net present value (NPV) requires an assumption about future costs such as energy or fuel prices. Carbon cost savings or other cost imposed on the environment or society need to be calculated, and a discount rate has to be determined to compensate for the depreciation of future returns on an investment (Berry 2011). The government should centrally determine, for calculation purposes, the depreciation rates and unit rates for items such as future energy prices and cost savings per metric ton of carbon emissions reduced. This centralization ensures consistency and objectivity in the procurement process. Specific provisions in procurement and/or budget laws may be required to ensure that future cost predictions can be taken into account in the award



process. Further, expert knowledge has to be established to ensure that future cost predictions are as accurate as possible.

#### *8.3.7 Effect the intended change: SPP implementation*

The SPP implementation phase should be organized to ensure timely implementation of the SPP plan. The implementation plan should be adjusted to react to changing situations and to remove unanticipated resistance and barriers.

Implementation of SPP programs span over a long-term period and appropriate management arrangements need to be established. If the required competencies do not exist, they have to be acquired. Relevant competencies relate to leadership, project management, risk management, change management, communications and monitoring and evaluation. Even if the strategy is well planned, unanticipated resistance and barriers may arise and need to be resolved (OECD 2011b).

Ideally, the management of the SPP transformation strategy should be embedded in existing organizational structures. Large scale SPP programs may require a central body such as a steering committee, task force, or sounding board to create ownership and commitment at appropriate government levels and with other stakeholders. This ensures ongoing links with other related initiatives and reforms such as private sector development, sustainable production, or budget reform. These central bodies also ensure ongoing dialogue and coordination with the private sector, civil society, donors and other development partners.

In most countries, the national procurement law, regulations, standard bidding documents, and standard contract clauses will need to be amended to incorporate a clear policy statement for SPP and to specifically insert provisions that ensure that sustainability issues can be considered throughout the procurement process. Accordingly, SPP manuals or practical guides should be developed. Further, training programs should be conducted in cooperation with training institutions. Most importantly, public officers and suppliers need to learn new techniques to support SPP. Training public officers and suppliers will also help gain their buy-in for SPP initiatives. In countries where public procurement is decentralized guidelines, training programs and stakeholder buy-in can be a substantial task (refer to Chapter 8.1).

Consideration to remove barriers and to adjust the implementation plan to changing situations is important. Incentives, quick wins early in the implementation process, good communication with stakeholders, and networking with peers in other organizations or countries can help manage the change process. Often, coalitions of individuals in different positions provide a strong basis for change leadership. These change agents should be supported throughout the SPP implementation process (OECD 2011b).

#### *8.3.8 Monitor and evaluate implementation and study the impacts of SPP*

It is also important to monitor whether SPP is implemented as planned and evaluate what works and what does not work and why. The monitoring and evaluation process allows a public entity to study the impacts of SPP and communicate the results.

Monitoring and evaluation provides information that can be used to validate the strategy, make mid-term corrections and improve the design of the SPP program. Being able to demonstrate progress and results is important to justify ongoing funding.

The M&E framework designed in the strategy phase needs to be made operational and information systems should be established. The monitoring and evaluation framework can be reinforced during the implementation phase to include indicators, baselines, risk and targets. Impact studies should be carried out which can provide a good source of data. Success stories can feed into the communications strategy (OECD 2011b). For more details on the key steps to implement measurement and some examples of outcome and output indicators, refer to Annexure 19.

### *8.3.9 Establish a partnership for effective development co-operation for SPP*

The establishment of a new partnership for the effective implementation of sustainable public procurement in developing countries should be based on shared principles, common goals, and commitments.

Development cooperation plays an important and catalytic role in achieving sustainable development results. The *Paris Declaration* and the *Accra Agenda for Action* highlight the importance of national procurement systems in providing incentives to individual performance and in increasing aid effectiveness. Joint commitments of donors and developing countries have resulted in substantial public procurement reforms in numerous developing countries, based on common tools, capacity development, and best practice sharing (Chapter 4.1.1). The 4<sup>th</sup> *High Level Forum on Aid Effectiveness* which took place in November 2011 in Busan, Korea, reaffirms earlier commitments and calls for a new global development partnership “that embraces diversity and recognizes the distinct roles that all stakeholders in cooperation can play to support development” (4<sup>th</sup> HLF 2011, 2). While the use and strengthening of developing country systems remains a central objective to achieve sustainable development results, the strategic role of public procurement is not specifically addressed in the final declaration (4<sup>th</sup> HLF 2011).

The mandate of the *Working Party on Aid Effectiveness* will be phased out in June 2012 and new agreements on the working arrangements for the *Global Partnership* will have to be made. This means that the mandate of today’s international community of procurement practice, the *Task Force on Procurement*, will also expire. Concerted international actions are needed to advocate the strategic role of public procurement and to effectively mainstream SPP in developing countries. A re-established international partnership of procurement policy makers and practitioners would also be of extreme value. Ideally, the new mandate would specifically include raising awareness on the benefits of sustainable public procurement, removing barriers for SPP, sharing best practices, conducting joint research on the impacts of SPP to demonstrate the value of the concept in terms of achieving sustainable development results, and developing and adopting common benchmarking standards and tools for sustainable public procurement such as the proposed *S-MAPS*. Such a global initiative would support ongoing national SPP programs and help

develop jointly funded sustainable procurement reform programs. A performance-based approach would increase the focus on development results and enhance accountability.

### *Opportunities*

There are a number of opportunities to promote SPP in developing countries. The upcoming *United Nations Conference on Sustainable Development, Rio+20*, to be held June 20–22, 2012 in Rio de Janeiro will highlight the deficiency of efforts made so far to achieve sustainable development goals. This could lead to new international commitments and a number of other ongoing initiatives that provide windows of opportunities for further mainstreaming SPP in developing countries.

Another opportunity can be found in the World Bank's review of their procurement policies and procedures, which was recently launched. The subject of SPP is expected to be an item of discussion in upcoming consultations with a variety of stakeholders worldwide (World Bank 2010c; World Bank 2012a; World Bank 2012b). It will be interesting to see how different constituencies see how the SPP agenda fits into the Bank's framework. Chapter 4.1.2 outlines how the intended changes reflect a shift in perception from public procurement as a set of bureaucratic rules to using public procurement as a strategic tool. It remains to be seen if the *World Bank Procurement Guidelines*, which currently include only few specific SPP related provisions, will be revised to include an explicit statement in favor of SPP. The role of the Bank could be to make SPP part of public procurement reform programs and part of the Bank's dialogue with its clients. The Bank can further mainstream approaches that can facilitate SPP, such as providing guidance and assistance for creating technical specifications and evaluation criteria based on whole life costing. The position of the World Bank will have a strong impact on the policies of regional development banks, which traditionally coordinate their procurement policies with the World Bank.

The European Commission has proposed amendments to the *EU procurement directives*, which, if accepted by its member states, could be in force by June 2014. The proposal includes measures to improve the ability of procuring entities to achieve wider strategic goals such as SPP. Although not of direct relevance, the further uptake of SPP in European countries would certainly have a positive impact on the availability of sustainable products worldwide and would send a strong signal advocating for SPP (European Commission 2011d; European Commission n.d.).

In a side event to Rio+, UNEP will launch a *Sustainable Public Procurement Initiative (SPPI)*, which builds on the work of the *Marrakech Task Force on Sustainable Public Procurement*. The goal is to promote the worldwide implementation of SPP through increased cooperation between key stakeholders and a better understanding of the potential benefits and impacts of SPP. The objectives of the SPPI are to build the case for SPP and improve the knowledge on SPP and its effectiveness as a tool to promote greener economies and sustainable development. SPPI also aims to support and accelerate the implementation of SPP through increased collaboration and coordination between SPP stakeholders. SPPI will also advocate and build awareness of activities to promote SPP at the international, national, regional and local levels (UNEP 2012c). It would be desirable if the initiative would also engage in broader

integration measures to further transition SPP from its niche to the mainstream of public procurement reform.

Last but not least, UNCITRAL has revised its *Model Law on Public Procurement* in July 2011. The *Model Law* contains procedures and principles aimed to achieve value for money and to avoid abuse in the procurement process. Many developing countries have used the *Model Law* as a basis for law reform. The new version allows the enacting state to pursue its domestic policy objectives, such as promoting economic development through the support of SMEs, to the extent that the government's international commitments allow. It also promotes modern commercial techniques, such as e-procurement and framework agreements to maximize value for money in procurement. The new version of the *Model Law* may assist states in formulating a modern procurement law (UNCITRAL 2011).

### 8.3.10 *Model summary*

Table 28 summarizes the rationale and recommended management approaches for each of the presented objectives in the generic model to mainstream SPP at the national level. Reference is made to the key findings presented in previous chapters and to additional information included in annexures.

Tab. 28: National Level: Objectives, Rationale, Management Approaches

<b>National level: Objectives, Rationale, Management Approaches</b>			
<b>Objectives</b>	<b>Rationale</b>	<b>Management Approaches</b>	<b>Reference to Findings</b>
<b>Create awareness of the benefits of SPP</b>	Information deficit	Bridging information asymmetries Dialogue to create sense of urgency Make the case for SPP	Potential benefits analysis (6.1 – 6.3) and main incentives (Findings #5b) <i>SPP Briefing Note: Annex 16</i>
<b>Share experiences of ongoing SPP programs</b>	Use experiences of ongoing SPP programs and pilots	Success stories Internet based knowledge sharing platform Learning from failures	Emerging Good Practices (4.2) Country experiences (5.2 – 5.5)
<b>Develop and agree on SPP benchmarks and common assessment tools</b>	No SPP benchmarks SPP not integrated	S-MAPS development Links to specialized SPP tools	State of Play in developing countries (4) <i>S-MAPS: Annex 17</i>
<b>Look at the country context to ensure the right conditions and approach</b>	Enabling conditions Success factors	Pre-Assessment “Scoping” to adapt in-depth assessment to country context Stakeholder engagement throughout the entire process	Country Context (5.2; Findings #2) Prerequisites (7) <i>Checklist: Annex 18</i>
<b>Conduct in-depth assessment to inform the design of the national SPP program</b>	Understand current situation Inform strategy development	S-MAPS and specialized SPP tools (prioritization, market readiness analysis, barrier analysis) as appropriate	Good Practices (4.2; Findings #3) Country experiences (5.3 and 5.4) Prioritization and MRA: Annex 9 <i>S-MAPS: Annex 17</i>

<b>Set goals and develop a strategic plan</b>	Strategy "Plan"	Vision, goals Strategic options Implementation Plan Communication	Areas requiring action (Findings #7) Ways to overcome barriers (8.1) Suitability of tools (8.2)
<b>Effect the intended change: SPP implementation</b>	Change Management "Do"	Management arrangements Competencies Legal reform, manuals, etc. Change agents	Portfolio of barriers (6.4.2; Findings # 6a, 6b) Change Management (7.4)
<b>Monitor and evaluate the impacts of SPP</b>	Managing for results "Check and Act"	M&E framework Information systems Make corrections	Measurement: Annex 19
<b>Establish a partnership of effective development cooperation for SPP</b>	Development cooperation	Mandate <i>Task Force on Procurement</i>	Opportunities to mainstream SPP (8.3.9)

#### 8.4 Model for mainstreaming SPP at the organizational level

Most developing countries operate with a decentralized or delegated approach to procurement. This means that procurement is conducted in organizations, i.e. ministries, local government organizations such as municipalities or districts, or in state-owned enterprises. The capability requirements and procedures to conduct procurement in such a procuring entity will be different depending on a country's national procurement system and on the sector or category of procurement. For example, complex civil work procurement using international competitive bidding is different from the procurement of routine stationery or the procurement of consultancy services.

The laws, national policies and strategies of a national SPP system provide the framework for a transparent and consistent introduction of SPP into procurement practices. However, to bring about change in the traditional procurement mindset, sustainability considerations need to be integrated in a procuring entity's strategy, management processes and practice. The generic model offers a flexible approach for mainstreaming SPP at the organizational level. The model takes the country context, the national SPP framework, and the objectives, goals and strategies of the individual procuring entity into account.

Table 29 presents the comprehensive model *Mainstreaming SPP in developing countries*. The model comprises SPP implementation at the national and organizational level (green). The model is embedded in the principles of aid effectiveness (blue), change management (pink), and capacity development (brown). Objectives at the organizational level, i.e. the procuring entity level, closely relate to objectives and actions for mainstreaming SPP at the national level (presented in Chapter 8.3).

Tab. 29: Model Mainstreaming SPP in Developing Countries

Aid Effectiveness Principles:	Change Management Principles:	Capacity Development Principles:	Mainstreaming SPP at the national level	Mainstreaming SPP at the organizational level	Stakeholder engagement	Ownership, Alignment, Harmonization, Mutual Accountability, Managing for Results
	Awareness  Under- standing	Assess- ments	Objectives:	Objectives:		
			Create awareness of the benefits of SPP	Understand the national SPP framework		
			Share experiences of ongoing SPP programs			
			Develop and agree on SPP benchmarks and common assessment tools			
			Look at the country context to ensure that the conditions and the approach are right	Assess implications and relevance of SPP for the procuring entity		
			Conduct an in-depth assessment to inform the design of the national SPP program	Conduct an in-depth assessment to inform the design of the procuring entity's SPP program		
	Behavioral change	Strategy develop- ment	Set goals and develop a strategic plan	Define the procuring entity's procurement policy and strategy		
	Make a difference and effect change	Imple- mentation	Effect the intended change: SPP implementation	Implement the procuring entity's SPP strategy		
			Monitor and evaluate implementation and the impacts of SPP	Monitor and evaluate the procuring entity's SPP implementation and the impacts of SPP		
			Establish a partnership of effective development cooperation for SPP	Establish a partnership of effective development cooperation for SPP at the procuring entity level		

The following sections detail the rationale and recommended management approaches for each of the presented objectives in the generic model to mainstream SPP at the organizational, i.e. procuring entity level.

#### 8.4.1 Understand the national SPP framework

The objective is to understand the national SPP policy, strategy, and legislation to ensure the effective implementation of public policies.

Procuring entities need to be familiar with and understand the national SPP policy, strategy, and legislation. This is to ensure that they comply with national requirements and are empowered to take decisions related to their own procurement organization. Knowledge related issues include understanding the rationale for SPP, the benefits, and the challenges related to the specific country situation. Procuring entities should also have a general

understanding of the benchmarks and tools applied at the national level to better understand processes and capacity implications.

In practical terms, information and awareness building sessions should be organized jointly with the national SPP coordinator. All management levels and relevant functions such as procurement, budgeting, accounting, and audit should be included to ensure engagement of internal stakeholders. Internet resources and guidance material provided can be used.

#### *8.4.2 Assess implications and relevance of SPP for the procuring entity*

The objective is to assess the implications of the national SPP strategy in terms of risks and opportunities. The purpose for this assessment is to evaluate which role SPP plays for the procuring entity.

The national SPP strategy may include mandatory legal provisions for the procuring entity in addition to voluntary arrangements. As a consequence, procuring entities can either take on progressive or defensive strategies in implementing the national SPP policy. Partnerships between the national level and procuring entities are essential. Successful implementation of the national SPP strategy depends on early success stories and champions who take the lead and develop Good Practices. The procuring entity should assess if the conditions favor SPP capacity development in the particular organization (refer to Chapter 7.3, Box 3) and if the conditions are good, the in-depth assessment should be scoped and assessment methodology and tools should be adapted as necessary.

In practical terms, the need for an organization to deliver social, economic and environmental value is driven by legislation, stakeholder expectations, corporate image and risk, efficiency gains, competitive strategy and marketing (Berry 2011). In case procuring entities are not proactive, the national SPP program could identify and engage a few well suited pioneer procuring entities. To ensure success, such a top-down approach eventually needs to be coupled with a bottom up commitment. A SWOT analysis could be helpful at this stage.

#### *8.4.3 Conduct in-depth assessment to inform the design of the procuring entity's SPP strategy*

The objective is to conduct an in-depth assessment of the procuring entity to inform the strategic planning process for SPP objectives and activities that contribute to achieving the defined goals.

The procurement transformation process starts with an assessment to clarify objectives, identify the current situation and to identify and engage stakeholders in the process. The findings of the assessment inform the strategic planning process. An assessment at the organizational level will typically have a more operational focus than one at the national level. It should result in a clear picture of the organization's objectives, goals and strategies. Furthermore, it should include a procurement spend analysis. The spend analysis provides information on product priorities, key suppliers, relevance of small and medium enterprises and geographical location of suppliers.

In practical terms, the tool kit for the *Approach to SPP* includes several assessment tools that can also be useful at the procuring entity level. The Status Assessment helps identify the current situation. The Prioritization Exercise helps decide which products and services should be part of an eventual SPP policy. This serves as a prior step to the Market Readiness Analysis (Chapter 4 and 5, Annexure 9). The assessment can be further enhanced by an analysis of potential barriers (refer to Chapter 5.3.3 and 6.4).

#### 8.4.4 Define the procuring entity's procurement policy and strategy

The objective is to clarify the vision and the goals of the SPP strategy, formulate solution options and transform this into an implementation plan. The strategy and policy should be communicated effectively with stakeholders.

Successful integration of sustainability and procurement should consider the following four levels that present a set of management interventions. The procurement policy of an organization sets the overall framework for procurement. The policy level includes normative judgments which bind the value for money concept. SPP should be anchored at the policy level. The procurement strategy sets directions for organizations on procurement to achieve a targeted position. Procurement strategies should be closely integrated with other corporate strategies to support an overall strategic mission. The next two levels cover procurement management in a more narrow sense as well as the operational level of procurement management. These two levels are further elaborated in Chapter 8.4.5 below. This concept is based on Harland's *Four levels of Supply Management*, outlined in Annexure 20 (Seuring 2010; Koplin 2006).

Tab. 30: Characteristics of a good sustainable procurement policy and strategy (Berry 2011)

Characteristics of a good sustainable procurement policy and strategy
<ul style="list-style-type: none"> <li>▪ A good sustainable procurement policy and strategy should:</li> <li>▪ be aligned with the organizational drivers for SD;</li> <li>▪ be informed by an initial high-level sustainable procurement risk and opportunity assessment to identify and prioritize appropriate issues and opportunities relevant to the organization;</li> <li>▪ capture all three pillars of sustainability (economic, social, environmental)</li> <li>▪ identify the key sustainable procurement targets, objectives and measures (key performance indicators)</li> <li>▪ be endorsed or led by senior management; and</li> <li>▪ be communicated to all staff, key suppliers, and other stakeholders at the most appropriate time.</li> </ul>

#### 8.4.5 Implement the procuring entity's SPP strategy

The objective is to manage the procuring entity's SPP program and apply SPP in daily procurement practices.

Sustainability considerations need to be integrated in procurement entities' management processes and practice for SPP to work. Procurement management supports and monitors procurement activities through planning and controls (Seuring 2010). This may involve activities that ensure that sources for sustainable products and services are available.



Procurement management might also include a supplier engagement plan to develop the capacity of suppliers to meet SPP requirements (Berry 2011). Roles and responsibilities have to be clarified, guidelines be developed, networking and best practice sharing encouraged (refer to Chapter 8.3.7).

The substantive action takes place at the operational level of procurement. At this level, decisions are made regarding which products and services are purchased from which suppliers (Seuring 2011). Public procurers, as well as suppliers, service providers, and finance staff, have to become familiar with new concepts such as whole life costing and impact analysis. This requires not only training but also a shift in perspective, which needs to be encouraged by leadership and incentive systems.

In practical terms, the use of e-procurement or framework contracts can lead to change. This was demonstrated in the *ChileCompra* case. Most importantly, a sustainable procurement process needs to be in place to incorporate sustainability aspects at various stages. The process is described in more detail below.

#### *The sustainable procurement process*

The greatest influence on achieving sustainable procurement objectives can be exerted at the start of the procurement process. During the preparatory stage of procurement, the basic principles governing the entire procurement process are established: what to buy and how to buy (NL Agency 2011). The figure below demonstrates the potential for sustainability gains.

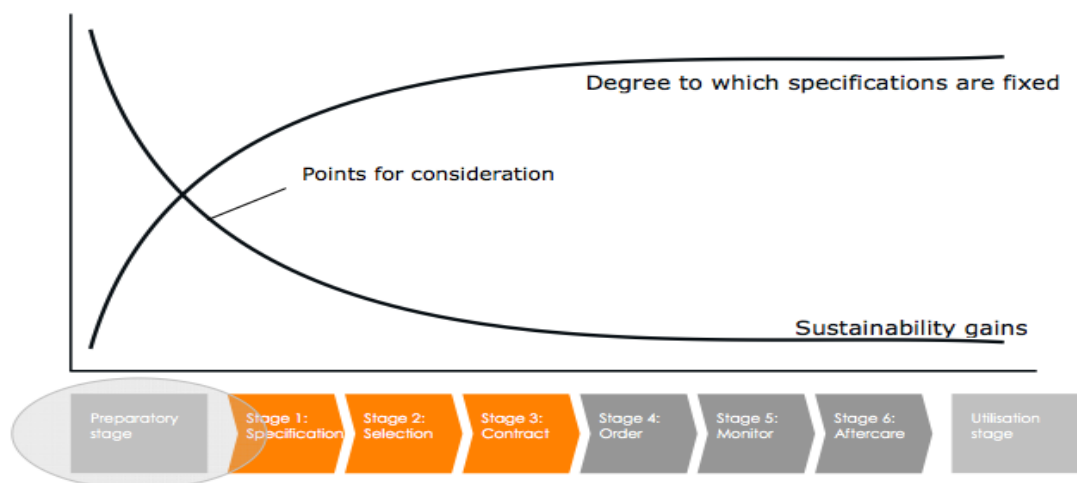


Fig. 14: Preparing for the procurement process (NL-Agency 2011, 8, Fig. 2)

Sustainability strategies should to be applied to identify potential sustainable procurement options. Sustainability strategies include sufficiency, consistency and efficiency (Schaltegger & Petersen 2010). The sufficiency strategy means that the need should be identified to avoid unnecessary purchases. The consistency strategy relates to the level of innovation to deliver sustainable solutions. Market research should be conducted to determine if new technologies, new products, new innovative suppliers or advances in sustainable business

practices could meet the operational requirements. The efficiency strategy refers to maximizing process efficiency. A good way to use an efficiency strategy is to establish a procurement cooperative to bring similar purchasers together or use framework agreements to leverage environmental, social, technical and market knowledge. The efficiency strategy might also support increased supplier diversity. For example, contracts can be divided into smaller lots to make public procurement more accessible for small and medium enterprises.

#### *Main stages of the public procurement process*

The public procurement process itself can be grouped into four main stages. The first stage is to define the requirements of the contract. The next three stages are to select suppliers and service providers, evaluate tenders and award the contract, and contract implementation including performance and relationship management.

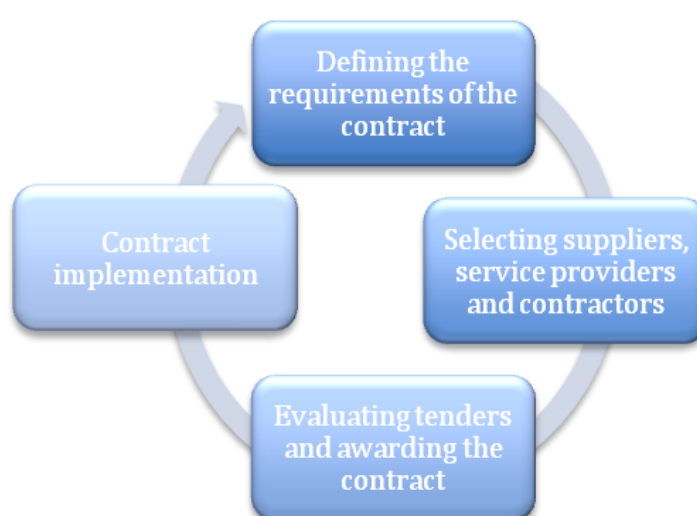


Fig. 15: The procurement process (UNDP & UNEP 2011, 4)

#### *Opportunities to incorporate sustainability aspects at different stages of the process*

The use of sustainability criteria requires judgment on behalf of the buyer. Each procurement need has different sustainability impacts, and each country or organization has different sustainability priorities, goals and legal frameworks. There is no standard blueprint for a sustainable public procurement process. The following is a compilation of opportunities that have emerged in Europe (European Commission 2010; European Commission 2011b; Berry 2011; Deutscher Städtetag et al 2009). This generic sustainable procurement process should be adapted to the national legislative and regulatory SPP framework of each developing country where SPP is implemented.

#### *Defining the requirements of the contract*

The main environmental impacts need to be identified when defining the requirements of the contract. Supply, service and works contracts generally entail different considerations as outlined in the table (Tab. 31) below.

Tab. 31: Identification of environmental and social impacts (examples) (European Commission 2010; European Commission 2011c)

Identification of environmental and social impacts (examples)		
Possible environmental impacts of supply and works contracts:	Possible environmental impacts of service contracts:	Possible social concern:
Material used to make the product	Technical expertise and qualifications of staff to carry out the contract in environmentally friendly way	Social standards linked to the actual supplies, for example accessibility standards for persons with disabilities
Production processes		
Use of renewable raw materials		
Energy and water consumption during use	Products/materials use in carrying out the service	Reservation of contracts for sheltered workshops (usually only possible under certain conditions)
Greenhouse gas emissions and air pollutants		
Durability/lifespan	Management procedures put in place to minimize the environmental impact of the service	Measures to avoid accidents at work and conditions for safe storage of dangerous products to safeguard health and safety of workers
Opportunities for recycling/ reusing the product at the end of the life		
Packaging and transportation	Energy and water consumed, and waste generated in carrying out the service	
Respect of land use and traffic		

In practice, environmental considerations often focus on the reduction of greenhouse gas emissions and air pollutants, improved energy and water efficiency, the use of renewable resources, reduced waste, and reduced toxic and hazardous substances. There should be a perspective change when drafting technical specifications. This perspective should move away from tight product specifications to the output/outcome-based definition of requirements. This means that the desired outcomes should be identified and the suppliers should decide the best way to meet the need. Other innovative options to promote sustainability at the specification stage include the use of variants (they define minimum requirements but also allow more environmentally friendly solutions), the use of common product criteria sets (which can be inserted directly into tender documents and should include information about verification methods), or the use of eco-labels for helpful suggestions on how to draw specifications and as a means of proof of compliance with the technical specifications (European Commission 2011c). Social considerations such as gender, ethnic equity and respect for core labor standards may also be included but often the best place in tender documents to do this are the contract performance clauses (see below).

#### *Selecting suppliers, service providers, and contractors*

Contracting authorities may take into account specific environmental and social experience and competencies in addition to other selection criteria when selecting a company. Exclusion criteria may apply to companies that have breached environmental laws or failed to pay social contributions. This is especially true if the breach constitutes professional misconduct according to the national legislation such as clandestine employment or violation of national rules on health/safety at work (European Commission 2010; European Commission 2011c).

*Evaluation tenders and awarding the contract*

The evaluation of tenders and the award of the contract need to follow certain rules to ensure transparency and fairness. The evaluation criteria should link to the subject-matter of the contract and should also comply with the criteria stated in the contract notice and tender documents. From a sustainable procurement perspective it is important that the procurement law allows for the selection of the most economically advantageous tender. This implies that other award criteria can be taken into account beyond the purchase price to ensure best value for money. Possible techniques include matrix comparisons, relative weightings and bonus/malus systems. The lifespan of the product needs to be considered and a discount rate to future costs should be applied to determine the net present value. Understanding NPV will allow purchasing entities to assess the whole life cost of a product. The cost of externalities, such as green house gas emissions, could be included if expressed in monetary terms (refer to Chapter 8.3.6).

*Contract implementation*

Contract performance clauses are generally the most appropriate stage in the procurement process to include social considerations. This is especially true for considerations related to employment and labor conditions such as the obligation to recruit unemployed persons or persons with disabilities, to set up training programs, or to comply with fundamental human rights guaranteed by the ILO core conventions (European Commission 2010). Contract performance clauses can also be used to include environmental considerations. Environmental considerations may include efficient product delivery at off-peak traffic times to reduce transport impact, reuse/recycling of packaging, reports on greenhouse gas emissions caused in delivering the products, minimization of waste and efficient use of resources such as electricity and water on a construction site, or the application of a specific environmental management measures for construction works such as EMAS or ISO 14001 (European Commission 2011c, 47).

A performance management system could set the terms to assess performance for future action. Key performance indicators can translate objectives into measurable targets and stipulate the acceptable performance level. Monitoring arrangements would provide financial disincentives for poor performance and incentives for exceeding baseline targets. Furthermore, continuous improvement is the cornerstone of good procurement practice. The sustainability agenda is continually evolving. For this reason, it is important to refresh sustainability knowledge continuously and build this new knowledge into requirements and practices.

Annexure 21 *The Sustainable Procurement Process* provides a list of opportunities to make the procurement process more sustainable. The generic process needs to be adapted to the country situation.

*8.4.6 Monitor and evaluate the entity's SPP implementation and the impacts of SPP*

It is important for the individual procuring entity to monitor whether SPP is implemented as planned and what works and what does not work and why. The monitoring and evaluation process allows a public entity to report on results achieved and to measure the impacts of SPP.

Monitoring and evaluation provides information that can be used to validate the entity's strategy, make mid-term corrections and improve the design of the SPP program. Furthermore, it can provide valuable feed back to reinforce supplier improvement programs and to strengthen the national SPP program.

Measurement is typically applied to procurement practices and to operational outcomes. Practice measures are management performance indicators. These indicators provide information on the organization's capability and efforts to manage sustainability in procurement operations. A performance indicator might measure the percentage of staff trained or number of contracts with sustainability criteria included. Operational indicators focus on the actual outcome of sustainability initiatives such as reduction in waste, reduction in carbon emissions, water usage, and changes in recycled content or number of apprenticeship placements offered. To provide a balanced overview of sustainable procurement performance, a suite of measures should be applied which includes consideration of social, economic and environmental aspects. While the use of economic and environmental measures has grown over the past 10–15 years, the use of social measures is less mature even in industrialized countries. Many organizations look at social indicators simply as risk mitigation (Berry 2011). In some cases, proxies are used such as percentage of suppliers involved in voluntary industry initiatives or percentage of value-addition or contribution to a community (Wilkinson & Kirkup 2009).

Measurement of public procurement performance in developing countries is still in its infancy. In some countries, such as Ghana, a set of standardized compliance and performance indicators is used to measure performance at the procuring entity level (OECD 2011a). The growth of e-government procurement may open new avenues for analysis in developing countries. Most importantly, sustainable procurement measures should be informed by the organization's stated sustainability objectives.

Tools such as the *Flexible Framework*, developed by UK's *Sustainable Procurement Task Force*, can help public sector organizations measure sustainable procurement progress over time. The *Flexible Framework* considers the five key themes of people, policy/strategy & communications, procurement process, engaging suppliers, and measurement & results. It distinguishes the five stages of procurement performance as foundation, embed, practice, enhance, and lead level. The *Flexible Framework* is attached in Annexure 22.

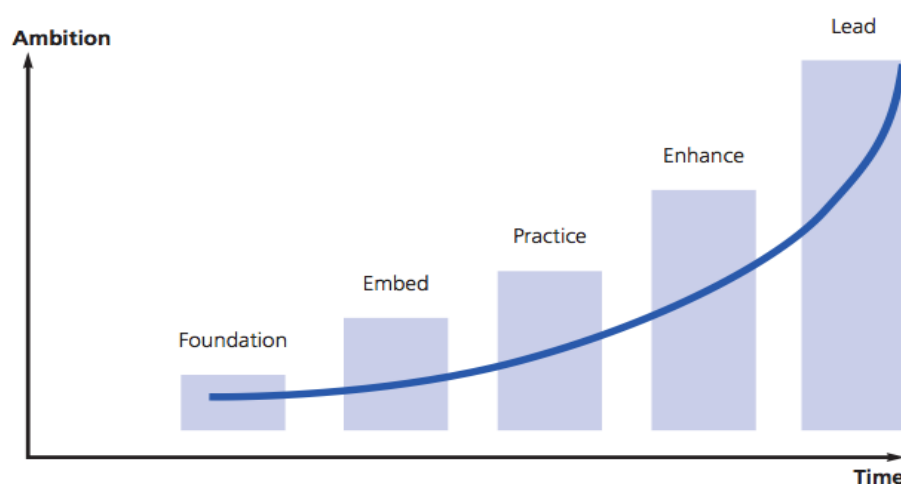


Fig. 16: Stages of progression through use of the Flexible Framework (DEFRA 2006, 67, Fig. 10)

#### 8.4.7 Establish a partnership of effective development cooperation for SPP at the entity level

Another objective is to establish a new partnership for the effective implementation of sustainable public procurement in developing countries. This partnership should be based on shared principles, common goals, and commitments.

Development cooperation plays a catalytic role in achieving sustainable development results and strengthening national procurement systems. Capacity development should address the environment, the organization, and the individual levels. Donors willing to support a partner country's SPP program should consider piloting SPP initiatives at the sector or individual procuring entity level. Donors can further mainstream approaches that facilitate SPP, such as guidance to create technical specifications and evaluation criteria based on whole life costing. Sharing implementation experience at the procuring entity level, establishing a monitoring and evaluation system, and jointly assessing the impact of sustainable procurement may also help reduce donor concerns about the feasibility of SPP in developing countries.

#### 8.4.8 Model: Summary of objectives, management approaches and tools

Table 32 summarizes the rationale and recommended management approaches for each of the presented objectives in the generic model to mainstream SPP at the procuring entity level. Reference is made to the key findings presented in previous chapters and to additional information included in annexures.

Tab. 32: Organizational Level: Objectives, Rationale, and Management Approaches

Organizational Level: Objectives, Rationale, Management Approaches			
Objectives	Rationale	Management Approaches	Reference to Findings
Understand the national SPP framework	Information deficit Compliance	Bridging information asymmetries National SPP policy and strategy Legal framework	Potential benefits analysis (6.1 – 6.3) and main incentives (Findings #5b) Mainstreaming SPP at the national level (8.3)
Assess implications and relevance of SPP for the procuring entity	Risks and opportunities Success factors	Pre-Assessment "Scoping" to adapt in-depth assessment to procuring entity	Prerequisites (7), in particular 7.3 Box 3
Conduct in-depth assessment to inform the design of the procuring entity's SPP strategy	Understand current situation Inform strategy development	Stakeholder identification and engagement throughout the entire process Organizational goals, strategies Procurement spend analysis and specialized SPP tools (prioritization, market readiness analysis, barrier analysis)	Good Practices (4.2; Findings #3) Country experiences (5.3 and 5.4) Prioritization and MRA: Annexure 9
Define the entity's procurement policy and strategy	Strategy "Plan"	Procurement policy Procurement strategy Targets	Areas requiring action (Findings #7) Ways to overcome barriers (8.1) Suitability of tools (8.2)
Implement the entity's SPP strategy	Change Management "Do"	Procurement management  Procurement operations: - Preparatory stage - The sustainable procurement process	<i>The Sustainable Public Procurement Process:</i> Annexure 21
Monitor and evaluate the entity's SPP implementation and impacts of SPP	Managing for results "Check and Act"	Measurement Reporting Impact analysis Supplier improvement Feed back to national level M&E	<i>The Flexible Framework:</i> Annexure 22
Establish a partnership of effective development cooperation for SPP implementation at the entity level	Development cooperation	Capacity Development Provide guidance Tool development Joint monitoring and Evaluation Removal of barriers to SPP	Opportunities to mainstream SPP (8.3.9)

The generic model Mainstreaming SPP in Developing Countries, the rationale and recommended management approaches for each of the presented objectives to mainstream SPP at the national and the organizational level is summarized in Annexure 23.

## 9 OVERALL CONCLUSIONS AND FUTURE WORK

Public procurement plays a significant role in economies of developing countries. It is increasingly seen as a powerful policy tool to bring about major environmental and social benefits. This master thesis has explored opportunities and challenges to mainstream sustainable public procurement in developing countries. A number of key themes have emerged.

### *The future role of SPP in industrialized countries*

Several major international, regional, and national initiatives have shaped the global SPP debate. Many industrialized nations have implemented SPP programs. These programs have often started with a more narrow focus on “green” procurement. The scope has increasingly expanded to address all three dimensions of sustainability, i.e. the economic, environmental and social perspective. As the analysis has shown, several European countries have developed Good Practices and broadly shared lessons learned. These experiences can be very useful for developing countries that embark on SPP. The European case also proved that the transformation of a national procurement system takes time. Progress can only be achieved gradually. Recent studies have shown that the organizational uptake of SPP corresponds very closely with the intensity of national policies. Moreover, smaller public authorities face higher barriers in implementing SPP initiatives than larger entities. Larger companies can build on a deeper organizational structure. Globally, further advancements are needed in many areas to consolidate the implementation of SPP. Among those areas are the systematic inclusion of all dimensions of sustainability, solid monitoring and reporting mechanisms, and more refined impact studies to help make the case for SPP. The way industrialized countries appreciate SPP even in times of economic downturn will have an enormous impact on mainstreaming initiatives in developing countries.

### *Lack of integration of SPP in general procurement reforms in developing countries*

The study has shown that SPP initiatives in developing countries are still in their infancy. The *Approach to SPP*, which was developed by the *Marrakech Task Force on Sustainable Public Procurement*, has been replicated by several developing countries in cooperation with UNEP. As of today, the *Approach to SPP* has emerged as the only systematic approach assisting developing countries in implementing SPP. It consists of a number of useful tools to prioritize actions. Some of the tools would benefit from further adaptation to the specific situation in developing countries. This is particularly true with regard to the pertinent lack of statistical data. Furthermore, the *Approach to SPP* is not systematically linked to, and not embedded in broader public procurement reform processes or other public sector reform programs in the developing world. As a result, nations that embark on general public procurement reform usually leave out sustainability considerations. The few countries that have started SPP implementation are presently confronted with two different methodologies resulting in parallel processes and a multiplication of efforts and action plans. This lack of



integration makes it difficult to create a coherent and effective transformation of existing public procurement systems into more sustainable ones.

### *The country context matters*

The analysis of country cases and of interviews conducted with key stakeholders in SPP reform has shown that the specific country context, to a large extent, determines the success of SPP implementation. An enabling environment is needed for SPP to thrive. Critical factors are the strength of the economy and the society, the existence of national sustainable development strategies, the quality of the existing public procurement system, and most importantly high level and long-term political commitment. The country cases have also shown that there is no one size fits all. Chile has demonstrated that a centralized procurement system supported by framework agreements and an electronic procurement platform makes it easier to implement SPP. The Mauritius case has illustrated the importance of not only addressing the national level but also the organizational and individual level to effectively embed SPP in daily practices. Capacity development and proper change management is key to the successful implementation of SPP.

### *Awareness and interests of stakeholders*

The analysis of potential benefits, incentives, and barriers to SPP has led to a number of conclusions. First, the potential benefits of SPP are manifold. However, there is still a considerable lack of awareness on what SPP stands for and on how SPP could contribute to achieving economic, environmental, and social goals. To advance the SPP agenda, expected incentives have to materialize. One example refers to potential financial savings over the lifetime of products and services. This observation leads to the second conclusion. Conflicts and barriers need to be removed or mitigated to drive the SPP agenda. As the portfolio analysis has shown, lack of capacity is the single most important obstacle to SPP. This issue cannot be understated given the fact that many developing countries are still struggling with more basic legal and regulatory reforms. Due to the pertinent lack of knowledge on SPP in developing countries, external assistance will be needed to strengthen local capacities, customize existing tools, and develop innovative approaches to engage small and medium enterprises. A strong SPP framework that takes account of stakeholder interests is needed to anchor success. Good governance, responsible companies, civil society organizations, and citizens can help drive the agenda.

### *Development cooperation is key to mainstream SPP*

Country ownership is an important principle of aid effectiveness. Furthermore, development partners need to endorse and fully support the concept of SPP to make change happen. Partner countries and donors need to agree on common standards and benchmarking tools. The proposed *S-MAPS* tool could be a good starting point for discussions. The international donor community also needs to engage in SPP reforms at the country and organizational level to foster joint learning and establish good practice examples.

Various conferences, such as the upcoming *Rio+20 conference*, will discuss how ongoing procurement review and reform initiatives could lead to increased cooperation among partner countries and the donor community. Global leaders in sustainability should stimulate the discussion on how public procurement could better contribute to achieving broader development objectives.

#### *Model for mainstreaming SPP in developing countries*

This master thesis has presented a generic model for mainstreaming SPP in developing countries. The model is anchored in a conceptual framework based on the principles of capacity development, change management, and aid effectiveness. The model focuses on two management levels, the national level and the organizational or procuring entity level. The objectives, the rationale and the recommended management actions take account of the conclusions of this master thesis. A lot of work is still needed to integrate sustainability considerations in daily public procurement practices in developing countries. Some SPP initiatives however have begun and are showing encouraging results. Now, initiatives have to be launched at the global level to strengthen sustainable public procurement capacities. These initiatives should thrive for international consensus and joint benchmarks. At the same time, they should broadly support country-tailored reform programs to mainstream SPP in developing countries.



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Interview (2012e): Summary of Interview with United Nations Environment Programme (UNEP), 14.5.2012.

Interview (2012f): Summary of Interview with The World Bank, 15.5.2012.

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**Annexure 1) Major SPP programs at the international level**

(Sources: IISD 2007; UNEP &amp; FOEN; IGPN 2011a; ICLEI; NAGPI 2011)

Initiative	Organization leading the program	Scope	GP/ SPP	Focus activities						Public/ private sector
				Tools	Guidance material	Cap. Build.	Research	Promote SPP	Law	
<b>The Marrakech Task Force on Sustainable Procurement (MTFP)</b> Voluntary initiative that aims to support SPP by developing tools and capacity building in developed and developing countries. Builds into the 10year Framework on Sustainable Production and Consumption of the United Nations Environment Program (UNEP). Members of the Task Force include governments and international organizations representing Argentina, Mexico, Ghana, the Philippines, China, the Czech Republic, the UK, Norway, the USA, the State of Sao Paolo, the EC Services, UNEP, UNDESA, ILO, ICLEI and IISD. Mandate expired in May 2011.										
	Government of Switzerland (Federal Office of the Environment, FOEN)	Industrialized countries, developing countries	SPP	x	x	x		x		public
<b>The International Green Purchasing Network (IGPN)</b> IGPN promotes green purchasing by providing a platform for networking, exchange of information and collaboration for international organizations, local authorities and NGOs active in green procurement. The IPGN Secretariat is based in Tokyo. Green purchasing networks of several Asian countries are members.										
	International Network for public sector and private sector organizations working on green procurement.	Worldwide/Asia	GP	x	x	x	x			public and private sector
<b>The Local Governments for Sustainability (ICLEI)</b> ICLEI operates two major programs on sustainable procurement: The <i>Buy it Green-Network (BIG-Net)</i> coordinates European sustainable procurement initiatives and promotes cooperation amongst local authorities in Europe. The Procura+ Campaign helps public authorities across Europe implement SPP and promoting their achievements.										
	Association of local, national and regional local governments that have made a commitment to sustainable development	Worldwide/Europe: Local governments	GP, SPP	x	x	x	x	xx		public sector
<b>North American Green Purchasing Initiative (NAGPI)</b> The initiative maintains a list of ongoing green purchasing activities; creates a unified voice to engage manufacturers, purchasers, politicians, the media and the general public; develops and maintains a database of supporting tools and policies; and conducts research on sustainable purchasing.										
	NAPGI is established at the Commission for Environment Cooperation in Canada.	North America	GP	x			x	x		Public, private sector
<b>European Union Green Purchasing Programme</b> The EU has adopted a range of legal and policy instruments to enable the consideration of environmental and social criteria in public procurement in EU Member States										
	European Commission	Europe	GPP (SPP)	x	x			x	x	Public sector

## Annexure 2) Product groups, EU GPP Scheme

In 2008, the European Commission defined common GPP product criteria - comprising minimum (core criteria) and more demanding (comprehensive criteria) - and by setting an indicative target for the member states to achieve a 50 % level of compliance with endorsed common core EU GPP criteria for ten priority product/service groups by 2010 (AEA (2010; European Commission, 2012b).

The priority sectors for implementing GPP were selected through a multi-criteria analysis including scope for environment improvement; public expenditure; potential impact on suppliers; potential for setting an example to private or corporate consumers; political sensitivity; existence of relevant and easy-to-use criteria; market availability and economic efficiency.

Each GPP product group comprises a Background Technical Report and the Product Sheet. For example, the product group “transport” includes passenger cars, public transportation vehicles and services and waste collection trucks and services. In all cases, subject matter, environmental specification, selection and award criteria and contract clauses need to be formulated in full compliance with EU legislation. *Core criteria* address key environmental impacts, which can be used with minimum additional verification effort or cost increases. *Comprehensive criteria* are for those who wish to purchase the best environmental products available on the market and which may require additional verification effort or a slight increase in cost compared to other products with the same functionality (AEA (2010).

The GPP criteria are regularly reviewed and updated on the GPP homepage [http://ec.europa.eu/environment/gpp/eu\\_gpp\\_criteria\\_en.htm](http://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm).

The table below provides an overview of the currently defined 19 product groups and products included within the EU GPP scheme.

EU GPP Product Groups	
1. Copying and graphic paper	11. Windows, glazed doors and skylights
2. Cleaning products and services	12. Thermal insulation
3. Office IT equipment	13. Hard floor-coverings
4. Construction	14. Wall panels
5. Transport	15. Combine heat and power
6. Furniture	16. Road construction and traffic signs
7. Electricity	17. Street lighting and traffic signals
8. Food and catering services	18. Mobile phones
9. Textiles	19. Indoor lighting
10. Gardening products and services	

Sources: AEA Group 2010; European Commission 2012b.

## Annexure 3) Assessing the success of SPP programs in EU member states

### 1. Methodology for assessing the success of SPP programs

In order to gain a better understanding of the status of the most developed SPP/GPP Schemes in the EU, an identification and review of ten national schemes were carried out in 2010 by AEA group, Oxfordshire, UK, on behalf of the European Commission, DG Environment. To determine and compare the success of each national *scheme* and the process of the *criteria* setting process, a multi criteria analyses was developed.

While a **scheme** is defined as “the overall aim and scope, framework documents and targets that exist to encourage and guide establishment and adoption of sustainability criteria for products, services and works, without being directly linked to a specific product, service or works”, **GPP criteria** are “the specific documents that relate to a particular product group and may include background information documents, guidance documents and the criteria themselves.”(AEA Group 2010).

The following characteristics were identified as being key to the success of individual programs:

Key Characteristics	
Scheme	Criteria
Aim	Time
Stakeholder Involvement	Evidence Base
Communication	Stakeholder Involvement
Monitoring of Scheme	Communication
Training	Level of Uptake
	Compliance/Verification
	Ambition
	Scope of Criteria

### 2. Comparison of national schemes

The national programs were assessed using the scheme key characteristics below based on a three-point scale: excellent, good, medium.

Figure 1 Scheme key characteristics




	Aim	Stakeholder Involvement	Communication	Monitoring of Scheme	Training
<b>Excellent</b> 	<p>Clearly identified audience</p> <p>Wide reaching aim targeting national, regional and local government, authorities, with the potential for it to be extended to other interested parties</p> <p>Aim is clearly articulated in overall policy statement/manual</p> <p>High level political support</p>	<p>High levels of stakeholder involvement</p> <p>Relevant stakeholders are identified and their input actively sought</p> <p>Feedback from stakeholders is used to develop the scheme</p>	<p>Actions to raise awareness of the scheme, information sources and events are actively undertaken</p> <p>Communications are aimed at all relevant stakeholders e.g. suppliers and procurers</p> <p>All relevant information made available through a variety of routes (web, leaflet, press releases, seminars etc.), including events, scheme information etc</p> <p>Achievements are publicised</p>	<p>Scheme is well monitored; levels of use of the different criteria are known, as are the levels at different government levels</p> <p>Other elements of the scheme are monitored e.g. use of helpline services, web portals, success of communication methods, training and events</p> <p>Feedback actively sought on the scheme from stakeholders</p>	<p>Training provided for procurers, suppliers and other stakeholders as part of the process of the scheme</p> <p>Help line available</p> <p>Targeted refresher training provided</p> <p>Best practice is shared</p>
<b>Good</b> 	<p>Clearly identified audience, but audience is limited in scope, for example to one level of government</p>	<p>Stakeholder involvement is limited, consultation on some aspects but not others</p>	<p>Key information is available; but</p> <p>Limited methods of communication used i.e. one</p> <p>Little action is undertaken to raise the awareness of available information</p> <p>Communication limited to certain stakeholders e.g. procurers but not suppliers</p>	<p>Only limited aspects of the scheme are monitored e.g. criteria use</p> <p>Feedback not actively sought from stakeholders</p> <p>Monitoring scheme is under development currently</p>	<p>Limited training offered e.g. adhoc, limited to certain aspects of the scheme</p> <p>Only available to certain stakeholders e.g. procurers but not suppliers</p>
<b>Medium</b> 	<p>Target audience is unclear and small</p> <p>Narrow aims</p>	<p>No involvement or consultation of stakeholders</p>	<p>Few authorities and departments are aware that the scheme exists</p> <p>Little information made publicly available</p>	<p>No monitoring of scheme and no development of a monitoring system underway or planned. So little idea of level of success being achieved</p>	<p>No training provided</p>

Figure 1: Scheme key characteristics

Source: AEA Group 2010, 11–15, Fig. 1.

### Summary of results:

The study concluded that all countries reviewed have a stated *aim* for their scheme. Germany heavily relies on the Blue Angel Eco-label rather than developing a separate national scheme. The level of *stakeholder involvement* is strong in most cases. In terms of *overall communication*, a wide variety of methods are used to communicate developments and raise awareness of the scheme, including web based information, conferences, etc. *Monitoring* the overall success and uptake of GPP/SPP is an area still developing. At the time of assessment only Sweden and the Netherlands had monitoring systems in place and mechanisms to feed results back into the scheme. A wide range of *training* is offered including face-to-face training, online courses, dedicated help lines and conferences, the latter also being open for suppliers (AEA Group 2010).

### 3. Comparison of the criteria setting process

The national processes of criteria setting were assessed using the criteria key characteristics shown in Figure 2 below based on a three-point scale: excellent, good, medium.

#### Key findings:

All countries reviewed *aim* to achieve criteria development in less than a year, and in terms of evidence, using LCA data where available together with current eco-labels is best practice. *Stakeholders* (interested parties from the procurement side, the supplier side, NGOs and trade associations) are generally involved through working groups or consultations, demonstrating a shift of focus away from procurers in isolation and a greater consideration of supplier networks. *Communication* is performed to a higher degree than communication relating to the scheme. *Uptake* was reported in different ways, some monitoring the proportion of procurement that contains environmental criteria, some monitoring procurement that specifically contains nationally stated criteria. All countries provide guidance with the criteria directing procurers to examples of *compliance verification* such as ecolabels, testing or supplier declarations. Some countries provide for flexible *ambition levels* (core/comprehensive criteria). In a number of countries, the use of sustainability criteria is politically mandatory including the Netherlands and the UK, where there is a requirement for environmental considerations to be taken into account, and in Germany mandatory requirements exist for wood and wood products. The exploration of the *scope of criteria* revealed that all countries consider the range of environmental impacts that might result from a product group and a growing number is considering expanding the area to include social criteria. The Netherlands, Austria and Norway are developing their own social criteria while other countries may incorporate social criteria if contained within the relevant eco-label (Belgium, Denmark) or in the future (Germany). France includes national social criteria in general, while the UK has introduced social criteria for timber (AEA Group 2010).

Figure 2 Criteria key characteristics




	Time	Evidence Base	Stakeholder Involvement	Communication	Level of Uptake	Compliance/ Verification	Ambition	Scope of criteria
<b>Excellent</b> 	Criteria are developed quickly and can be introduced easily	<p>A range of sources are consulted, including LCA, ecolabel and at least one piece of primary research generated for the purpose, e.g. market analysis</p> <p>Criteria are clear about where the evidence base comes from and what it is</p> <p>Evidence is taken from most recent research</p>	<p>High levels of stakeholder involvement</p> <p>Events and information provided for suppliers and procurers of specific products when new criteria are developed</p> <p>Feedback from stakeholders is incorporated into the criteria</p>	<p>Demonstrable use of a number of communication vehicles to raise awareness of existing and new criteria.</p> <p>A lot of relevant information made available through a variety of routes (web, leaflet, etc.)</p>	<p>High levels of uptake indicated e.g. 50% or greater</p> <p>Clear indication of what the figures provided relate to e.g. contract values / number of contracts</p> <p>Figure verifiable / referenced in other documentation i.e. not just the questionnaire</p>	<p>Clear indication provided on how compliance can be verified and examples provided of what would be expected</p>	<p>Certain criteria are mandatory at some level of public procurement.</p> <p>Ecolabels used/ indication provided that criteria represent top quartile of market for product group</p> <p>Different levels of criteria are set</p>	<p>Scope of criteria includes many aspects when considering all levels of criteria together: energy use, pollution, sustainable sourcing, fair trade, working conditions, resource depletion, etc</p>
<b>Good</b> 	<p>Criteria development takes between 1 and 2 years</p> <p>Development process is open to delays</p>	<p>LCA only used where already available/ ecolabels cited as LCA source</p> <p>Sources are not explicitly referenced</p>	<p>Stakeholder involvement is limited, consultation on some aspects but not others</p>	<p>Communication only targeted at existing contact list, i.e. communications are not used to raise awareness amongst new groups</p> <p>One form of communication medium relied upon</p>	<p>Varying levels of uptake e.g. 30% or greater</p> <p>Indication of what the figures provided relate to e.g. contract values / number of contracts</p>	<p>Clarity varies depending on product group</p>	<p>Only one level of criteria set</p> <p>No mandatory requirement to use criteria within public procurement</p>	<p>Criteria cover two or three aspects only, e.g. energy and water use, but ignore other areas of importance</p>
<b>Medium</b> 	<p>Introduction of criteria takes many years</p>	<p>Evidence for criteria decision is unclear, no references are given</p> <p>Narrow range of sources used, or single source</p>	<p>No involvement or consultation of stakeholders</p>	<p>Little information made publicly available</p>	<p>Low levels of uptake e.g. less than 30% or no indication of uptake</p> <p>Unclear indication of what the figures relate to</p> <p>Figure estimated or not referenced or provided in other documentation</p>	<p>May be difficult to prove criteria have been complied with, lack of verifiable criteria</p>	<p>Criteria do not demonstrate any ambition, e.g. business as usual</p>	<p>Criteria focus on one aspect only</p>

Figure 2: Criteria key characteristics

Source: AEA Group 2010, 11–15, Fig. 2.

#### 4. Social Criteria Inclusion

The table below summarizes the degree to which social criteria are used in the ten countries assessed as of 2010.

**Table 6 Review of Social Criteria Inclusion**

Country	Degree to which social criteria used
<b>Austria</b>	No social criteria yet. Will be developed in 2010/11
<b>Belgium</b>	Included for some products, based on social norms and presence in ecolabels
<b>Denmark</b>	Includes social issues where these are included within associated eco-labels
<b>Finland</b>	No social criteria
<b>France</b>	Included for some relevant product groups (e.g. equal opportunities, proportion of disabled workers)
<b>Germany</b>	Social criteria may be included in the near future.
<b>Netherlands</b>	Social criteria have been developed and are to be included as contract performance clauses from end of 2010. Criteria is based on social norms and common criteria is specified
<b>Norway</b>	Under development
<b>Sweden</b>	No social criteria, but do have guidance documents for social and ethical procurement
<b>United Kingdom</b>	Social criteria specified for timber product group, as this product group has development/use impacts on developing countries

Source: AEA Group 2010, 81, Tab. 6.

## Annexure 4) Benchmarking Best Practices – EU GPP, UK, Germany, The Netherlands

The following chart provides detailed information on ongoing SPP initiatives in the United Kingdom, Germany, and the Netherlands. The ranking is based on a 3-point scale (Excel. = Excellent, good, medium)

EU/Member States	EU GPP		United Kingdom (UK)		Germany		The Netherlands (NL)	
Scheme								
	Ranking		Ranking		Ranking		Ranking	
Aim	Excel.	Clear objectives (Protection of environment, stimulation of innovation); Broad target audience (national, regional, local) 50 % of all tendering procedures should be green by 2010 in MS <sup>5</sup>	Good	Key motivation is to reduce the impact of Government operations and to make UK a leader in sustainable procurement.	Excel.	Aim expressed in National Sustainable Development Strategy. Each procuring entity defines its aim on the basis of national eco laws. Mandatory targets to use LCC and criteria for wood. UBA <sup>6</sup> aims to cover top 20-30% of products	Excel.	Clear, specific targets set for different target audiences: 100 % target for SPP within central government (2010), municipal authorities aiming for 75 % (2010) and 100 % in 2015.
Stakeholder involvement	Good	External and internal stakeholders agree on work plan, comment on background studies/ draft criteria at several stages	Excel.	Targets and criteria development include stakeholder involvement and consultation.	Good	Government initiatives include stakeholder involvement. Formalized process for criteria development for the Blue Angel Eco-label.	Excel.	Consultations with stakeholders throughout process. No extensive market research was carried out before developing the scheme.
Communi- cation methods to raise awareness of the scheme	Excel.	Newsletters, publications, events, presentations, website, meetings, helpdesk	Excel.	Website, stakeholder events, procurement professionals' networks, newsletters	Good	Web based.	Excel.	Newsletters, seminars, direct communications, training material, information shared with advisory companies and consultants.
Monitoring	Excel.	Annual updating of National Action Plans, Monitoring of	Excel.	Government environmental impacts in general are	Medium	No national monitoring has been undertaken.	Excel.	Monitoring takes place every 2 years (related to

<sup>5</sup> Member States of the European Union

<sup>6</sup> Umweltbundesamt (The Federal Environment Agency)



		Implementation in 2011, Methodology for measuring GPP in Europe with results for 7 MS		already monitored and use of the "buying solutions" criteria is built into procurement requirements against which progress can be assessed annually. Methodology to measure the take-up of sustainable procurement is under development.		Monitoring of the impact of the new Act Against Restraints on Competition is intended.		targets and to criteria as defined within the program). The House of Commons receives half yearly progress reports on SPP. Recent study on the effect of scheme on environment and market.
Training	Good	Distance and face-to-face training for 40 national GPP policy and procurement experts in 19 MS; national conferences in 19 MS attended by 2,000 delegates (2009-2010)	Good	Training and guidance available from a variety of sources. OGC Service Desk. Recent dissemination and training given to local government.	Excel.	Training provided for non-national level schemes. Political commitment for close cooperation and exchange of good practice between federal and regional governments. 20 training sessions provided nationally.	Excel.	Training provided to public procurers via local public procurement organization. Good support for procurers and some support for suppliers.
<b>Criteria</b>								
Time to develop criteria	Good	1-2 years	Excel.	6-12 months for a new product. 3-6 months for a revision.	Excel.	3 months – 1 year for Blue Angel eco-label. GPP criteria are generally based on Blue Angel Eco-label.	Excel.	Previous system took, on average 10 months to develop criteria, but legal assessment often caused a delay or new work had to be done. In the new process, that sort of delay is not anticipated.
Evidence Base	Excel.	Criteria based on existing eco-label criteria, LCAs, standards, legislation, information from industry/civil society/MS	Excel.	Expert consultants are commissioned to form an evidence base from sources such as LCA data. Criteria based on national priorities in relation to greenhouse gas emissions, energy efficiency, waste and water usage.	Excel.	LCA data used from the Blue Angel eco-label process and other eco-label schemes together with market research. UBA website lists references, but not within tender recommendations document.	Good	Based on nationally defined priorities and common sense, making use of existing LCA studies if available, expert opinions and stakeholder experiences. Eco-labels and LCA only used where already available.

Stakeholder involvement	Excel.	Criteria developed and decisions taken via cooperation with MS and stakeholders (NGO, SMEs, business representatives); regular working group meetings of GPP experts; criteria development process discussed.	Excel.	High level of stakeholder engagement at various levels including supply chains and public procurers. Additional 4 week public consultation period open to all. Criteria revision takes into account advice from suppliers.	Good	All government initiatives include stakeholder involvement. Informal consultation in the criteria development process.	Excel.	Public meeting held to discuss process for criteria development and composition of workgroup. Workgroup meetings result in a draft criteria document which is communicated to all stakeholders.
Communication	Excel.	Criteria available in all EU languages through website, GPP toolkit; new criteria communicated through information networks, procurement platforms, newsletters, events	Excel.	Website containing criteria documents, stakeholder events, procurement professionals' networks, newsletters, email alerts to central government procurers and industry stakeholders	Excel.	Websites, newsletter, PR activities	Excel.	Public meetings, website, emails. Very transparent process.
Level of Uptake	Good	EU proposes 50 % level of GPP uptake in MS. The 2009 study demonstrated that 7 EU MS had 45 % total value and 55 % total number of contracts as green in 2006/07 EC also uses GPP in some of its own tendering procedures.	Excel.	EU level assessment: 75 % by value, 59 % by number of contracts can be considered green. Government statistics shows most Departments are participating at central levels. No regional or local information.	Good	EU level assessment: 30 % by value, 46 % by number can be considered green.	Excel.	EU level assessment: 27 % by value, 50 % by number can be considered green. National 2008 figures:  Central government: Over 50 % of the purchasing volume was sustainable, in number of contracts 65 %.
Compliance and Verification	Excel.	Verification and compliance of GPP criteria are achieved through standards (e.g. ISO), EMAS, third party verification, products holding a relevant Type 1 eco-label and producer signed declaration. Guidance is given against each criterion. Any other equivalent means of proof has to be accepted.	Good	Verification guidance for some product groups (timber, construction, energy-using products) while the EU GPP Criteria is referenced for others.	Excel.	Both systems (GPP and eco-labels) use manufacturer's declarations, independent and accredited test laboratories. Guidance documents on eco-labels, tender documents and verification.	Excel.	Minimum requirements refer to elements of an eco-label, a %target or a European norm.  Functional criteria are sometimes applied, using LCA-calculation instruments and energy labels. All criteria include suggestions for means of proof and suggestions for verification.

Ambition		Good	GPP criteria for 18 product/service groups. Core and comprehensive criteria available. Voluntary GPP criteria with 50 % target. New approaches aiming for harmonization of different instruments (GPP, EU eco-label, Eco-Design, Energy Label)	Excel.	Use of minimum criteria is mandatory, while voluntary best practice has criteria for products in the top 10-15 % of the market.	Good	GPP product criteria aim to cover the top 20-30 % of products on the market. GPP criteria have 1 level of criteria requirement.	Excel.	Criteria consist of mandatory minimum requirement and voluntary award criteria which intend to stimulate frontrunners and innovation.  Top 25 % of market targeted by award criteria.
Scope of Criteria	of	Excel.	Focus on environmental impacts, for example: reduction of CO <sub>2</sub> emissions and other pollutants, energy efficiency, use of renewable energy sources, waste and water management, hazardous substances, sustainable use of natural resources and renewable raw materials, etc. No social criteria.	Excel.	Product groups have been chosen for their environmental/financial impact, scope for environmental improvement and political or example setting function.  Some social criteria are included in relation to timber and timber utilizing products.	Excel.	Wide coverage. Most criteria come from UBA and are based on Blue Angel eco-label.  Social aspects may be considered for future criteria.  Obligatory use of LCC at central level.	Excel.	Limited number of criteria per group through prioritization.  Social criteria have been agreed upon at government level but not rolled out to procurers yet – due to happen by the end of 2010.

Source: AEA Group 2010.

## Annexure 5) Legal frameworks on SPP

Legal framework	Relevance for developing countries	Issues/Drivers for SPP	Provisions on Sustainable Public Procurement
<b>A) Multilateral Agreement:</b>			
<b>Agreement on Government Procurement (GPA):</b> GPA is the only plurilateral agreement to the World Trade Organization (WTO) that addresses the issue of government procurement.	41 of the 150 WTO Member States are party to the GPA. With the exception of Armenia and China, no developing countries are party to the GPA. However, the majority of the 22 countries, which are currently "observers" or negotiate accession, are developing countries.	The two basic aims of the GPA include promoting transparency in procurement and ensuring the application of the principle of non-discrimination by way of national treatment and most-favored nation principles (Article III (1) of the GPA).	The GPA does not specifically address SPP, but it enables environmental and social standards that form a part of sustainable procurement to be implemented within the policies of the member states. Overall, "it would seem that there are no impediments for parties to the GPA to adopt sustainable procurement standards and practices within their procurement frameworks, as long as they are conditioned by the fact that they are non-discriminatory in their application and impact. Furthermore, the members have to ensure that sustainable procurement practices are adopted in a transparent manner."
<b>B) Regional and bilateral trade agreements</b>			
Ex: North Atlantic Free Trade Agreement (NAFTA), the Association of South-East Asian Nations (ASEAN), etc.	Binding for parties to the trade agreements.	Regional and bilateral trade agreements have become an important area for the development of international legal mechanisms to regulate procurement.	There is no strategic legal framework that is focused on sustainable procurement either. Usually they are silent on the issue of sustainable procurement.
<b>C) National legal frameworks (examples)</b>			
Mexico	Law on Public Procurement and Works	a) 2007-2012 National Development Plan; b) Purchasing of energy-efficient products.	No special provisions on SPP nationally. Recent changes to the law include requirement to purchase certified furniture (confirming legal origin) and paper should at least have 50 % recycled content.
Brazil	Regulatory framework for SPP (2010); Federal Law (2010); General Law for Call for Tenders and Procurement (2010)	a) International environmental commitments; b) Greenpeace initiative "Amazon friendly cities"	Procurement Law states the need to respect environmental sustainability as a general principle of public procurement. Law requires proof of legality of the source of wood. Amendment of 2010 declares promotion of SPP by all public entities mandatory.
China	Law on Public Purchasing	a) Policy to promote green public purchasing; b) "Green Olympics 2008"; c) Many initiatives at the level of provincial governments.	9 <sup>th</sup> recital of the Law on Public Purchasing stipulates that public procurement should promote social development, protection of the environment and support for underdeveloped and minority districts. Green product inventory.
South Africa	State Tender Board Act; Preferential Procurement Policy Framework Act;	a) Black Empowerment Act, 2003. b) Energy efficiency c) Sustainable consumption	Promotion of domestic industries, SME's, enterprises owned by previously disadvantaged groups. Promotion of domestic renewable energy and clean energy.

Sources: IISD 2007; WTO n.d.; United Nations 2008; UNEP 2012a, Mosters 2010.

## Annexure 6) The Approach to SPP - Steps, Tools, Main issues

The table below illustrates the *Approach to SPP*, which is based on the MTFP Methodology and used by UNEP. The table describes objectives, recommended tools and the main issues of concern for each of the five steps:

Objective	Tool	Main questions/issues
<b>Step 1: Status Assessment</b>		
Assess current level of SPP  Identify areas of success and areas where future work is needed	Online self-assessment tool ICLEI (Getting started) <a href="http://www.iclei-europe.org/mtf">www.iclei-europe.org/mtf</a>	How is procurement implemented in country? How is procurement implemented in organization? Does organization engage stakeholders? Which agreements are applied in procurement practices?
<b>Step 2: Legal Review and Market Readiness Analysis</b>		
Identify policy priorities to understand major risks and opportunities associated with public procurement  Based on spend analysis, assess risks, influence and scope to ensure that procurers focus is on the sustainability issues of most importance and are likely to deliver the most benefit	Prioritization methodology:  Initial assessment of policy priorities followed by full prioritization exercise	1. Initial list of policy priorities: social, environmental, economic (Ex: Economic development, support for local markets, climate change mitigation)  2. Prioritization methodology (based on UK Sustainable Procurement Task Force prioritization methodology): a) Identifying sustainable impacts List of parameters includes: <ul style="list-style-type: none"> <li>- Expenditure (spend analysis)</li> <li>- Environment risk</li> <li>- Socio-economic risk</li> <li>- Existing activity</li> <li>- Scope for improvement</li> <li>- Influence on market</li> <li>- Reputational risk</li> </ul>
Assessment of current legal and regulatory framework to identify necessary legal/regulatory actions for SPP	10 guiding questions.	1. Main characteristics of current environmental legislation 2. Main characteristics of current procurement legislation 3. Criteria for sustainable/green procurement 4. Key challenges or changes necessary to implement SPP 5. Main obstacles/impediments in national law 6. Opportunities provided by law 7. Proposed topics to be incorporated in law 8. Proposed standard clauses for Standard Bidding Documents 9. Final Proposal 10. Conclusions

<p>Assess existing productive capacities for sustainable products and services in the country</p> <p>Assess potential responsiveness of the market and the national business sector to SPP tenders</p> <p>Assess capacity to meet current and future public procurement requirements for sustainable products and services</p>	10 guiding questions	<p>Focused on targeted sustainable products and services:</p> <ol style="list-style-type: none"> <li>1. Availability and market share</li> <li>2. Availability on local market</li> <li>3. Number of SMEs/large enterprises involved in fabrication or import</li> <li>4. Prospects for in-country supply (short, medium, long-term)</li> <li>5. Availability on international market</li> <li>6. Prospects for and implications of importation</li> <li>7. Existing instruments and tools to certify and verify sustainability (labels, basic information, testing laboratories/ institutions)</li> <li>8. Existing programs, policies, instruments, results to promote sustainable production in target sectors</li> <li>9. Environmental management systems in place or other sustainable development credentials</li> <li>10. Prospects for development of in-country market to deliver to an international market</li> </ol>
<b>Step 3: SPP Policy and Action Plan</b>		
<p>Define a SPP Policy and Action Plan that helps the government deliver its policies and strategies for sustainable development</p>	Table of Content	<p><u>Policy statement:</u> Short, high level statement of intent</p> <p>General statement recognizing the importance of SPP</p> <p>Commitment to continuous improvement</p> <p>Clear indication of when and by whom document was issued</p> <p>Revision history showing updates every 2 years or less</p> <p>Commitment from a leader with accountability for sustainability.</p> <p>Reference to compliance with existing legal requirements</p> <p>Sustainability impacts (water conservation, carbon management, sustainable supply chain, etc.)</p> <p>Measurable objectives for each identified sustainability impact</p> <p>Commitment to communicate the SPP policy to stakeholders</p> <p>Commitment to monitor key objectives</p> <p>Commitment to have results independently validated</p> <p>Commitment to include sustainability measures in annual report</p> <p>Commitment to have annual report independently validated and published</p> <p><u>Strategy/Action Plan:</u> Specific targets, responsibilities</p>

<b>Step 4: Training</b>		
Ensure that staff is aware of what SPP involves and has the capability to deliver it along good procurement practice	<p>In-country training by UNEP licensed experts</p> <p>Standard set of training material</p>	<p>The following issues need to be considered:</p> <p>Training material to be reviewed in light of relevant situation</p> <p>Face-to-face workshops, written guides or e-learning?</p> <p>Provision of refresher training</p> <p>Audience should include staff from procurement, finance, legal, contract management, project management, senior management, suppliers, etc.</p> <p>Training to cover principles, risk assessment, integration of SPP in procurement process, monitoring, involvement of key stakeholders, engaging suppliers, sharing of best practices, communication skills</p>
<b>Step 5: Implementation</b>		
<p>Behavioral and operational changes to</p> <p>taking sustainability aspects into account in day-to-day practices.</p> <p>Better products and services, which have less negative impact on the environment, help to save costs in the long term and contribute to social justice.</p>	<p>Procurement Process Cycle Management</p> <p>(Implementation Guidelines (draft) addressing the entire procurement process)</p>	<ol style="list-style-type: none"> <li>1. Agreeing on SPP Priorities and beginning SPP</li> <li>2. Identifying need</li> <li>3. Assessing risk</li> <li>4. Defining the specifications and inviting bids</li> <li>5. Use of eco-labels and social labels</li> <li>6. Evaluating and selecting suppliers</li> <li>7. Evaluating bids from suppliers and award of contract</li> <li>8. Auditing and improving supplier performance</li> <li>9. Managing the contracts</li> </ol>

UNEP is currently in the process of revising its Implementation Guidelines.

Sources: UNEP 2011a; UNEP 2012d.

## Annexure 7) Questionnaire for structured interviews

### Sustainable Public Procurement (SPP) – Mainstreaming sustainability criteria in public procurement in developing countries

#### **1. Person interviewed**

Name:

Position:

Organization:

Date:

#### **2. What is your role in implementing/mainstreaming SPP in developing countries:**

#### **3. In your organization, how is SPP most commonly perceived?**

- Green or environmentally friendly procurement?
- Socially responsible procurement?
- Economically responsible procurement?

#### **4. How are SPP principles integrated in your country procurement systems? (Question refers to developing countries only)**

- National policies on SPP
- Procurement legislation includes rules/regulations governing SPP
- Procurement guidelines include clauses on SPP
- Guidelines assisting with SPP

More specific information:

#### **5. Main incentives to integrate sustainability criteria in procurement in developing countries**

Please indicate how relevant the potential benefits listed below have been in promoting sustainable public procurement:

4=highly relevant; 3 = relevant; 2 = less relevant; 1 = not relevant at all

- Financial savings over the lifetime of products/services
- Stimulating markets to offer more sustainable solutions/innovations
- Contributing to meeting environmental challenges and binding targets
- Environmental benefits at local level
- Improved compliance with social and labor law
- Improved living conditions and social justice
- Demonstrate responsible governance, improve public image, lead by example
- Others: Please specify



**6. Barriers to implementing SPP principles in developing countries**

Please indicate the relevance of the potential barriers listed below in implementing SPP:

4=highly relevant; 3 = relevant; 2 = less relevant; 1 = not relevant at all

- Legal framework does not allow/encourage SPP
- Donor Guidelines do not allow/encourage SPP
- Lack of capacity
- Lack of guidance material and practical tools
- SPP is too complex
- SPP is expected to increase the cost for public procurement
- Inflexible budgetary mechanisms
- Lack of knowledge related to environmental and social policies
- Lack of monitoring tools
- Market is not prepared to deliver sustainable products and services
- Negative impacts on small and medium sized local companies
- Others: Please specify

**7. What are the main prerequisites for SPP implementation?****8. Ongoing/Future initiatives**

a) Are there any ongoing or future initiatives in your organization to promote/mainstream sustainability considerations in public procurement? Please specify.

b) In your opinion, should sustainability considerations become an integral part of public procurement reform programs, i.e. approaches and tools be integrated in procurement assessments and capacity development plans?

**Comments/Confidentiality:** Please feel free to make any comments, for example regarding confidentiality.

<b><u>Additional questions for representatives from countries that have piloted the Marrakesh Task Force/UNEP Approach to SPP: Annex.</u></b>

**Thank you very much for participating in this interview!**

**The answers will be used in anonymized form only in a master thesis to be presented by Rita Roos, Leuphana University of Lüneburg, Germany. A summary of the interview will be prepared and shared with the person interviewed for comments/review. The summary of the interview will not be published.**

**SPP Implementation, Republic of Mauritius *only for representatives from Mauritius*****1. What are the main lessons learned in using the Marrakesh Task Force/UNEP Approach to SPP?**

**a) Process**

**b) Tools**

**2. What is the current status of SPP implementation in Mauritius?**

For example:

- Capacity development strategy developed? Please specify content.
- Training program on SPP designed and started? Please specify content.
- Have procuring entities defined their own strategies, targets, action plans? Are there any pioneers?
- Number and value of procurement cases with sustainability criteria?
- Practical cases (examples)?
- Monitoring reports?
- Other issues?

**3. What will be the biggest challenges in implementing SPP in Mauritius?****4. What could donors/development partners do to promote SPP in developing countries?**

<b><u>5. Any particular observations/concerns on behalf of private sector representatives?</u></b>

**SPP Implementation, Chile***only for representatives from Chile***1. What are the main lessons learned in using the Marrakesh Task Force/UNEP Approach to SPP?****a) Process****b) Tools****2. What is the current status of SPP implementation in Chile?**

For example:

- Most recent statistics:
  - a) No of contracts/value of the public market [www.mercadopublico.cl](http://www.mercadopublico.cl) (total)
  - b) Share of ChileCompraExpress (in terms of number and value)
  - c) Share sustainable products and services (number and value in % of total)
  - d) Share sustainable products and services (number and value in % of ChileCompra Express)
- Is there any specific SPP Action Plan for ChileCompra as a procuring entity (framework agreements)?
- Training program on SPP designed and started? Please specify content.
- Have other procuring entities defined own strategies, targets, action plans? Are there any pioneers besides ChileCompra?
- What are the most important tools being used (Please specify):
  - a) Standard SPP criteria/specifications?
  - b) Whole life costing methodology?
  - c) Contract management clauses? (Please provide examples)
  - d) Others: ?
- What are the results of the recently published contest, which was aimed at sharing best practice examples?
- Monitoring reports?
- Other issues?

**3. What will be the biggest challenges in implementing SPP in Chile?**

**4. What could donors/development partners do to promote SPP in developing countries?**

**5. Any particular observations/concerns on behalf of private sector representatives?**

**Annexure 8) List of interview partners**

<b>Name</b>	<b>Institution</b>	<b>Stakeholder category</b>	<b>Designation</b>	<b>Date</b>
Mr. Marcelo Donolo	The World Bank, Washington D.C.	Multi-lateral development bank (donor)	Procurement Specialist, Operations Policy and Country Services	May 15, 2012
Mrs. Faeza Ibrahimisah	The Mauritius Chamber of Commerce and Industry, Port Louis, Mauritius	Private sector	Manager Communications and Promotion Division	May 21, 2012
Mrs. Macha Kemperman	Embassy of the Kingdom of the Netherlands, Washington, DC	Embassy/ Foreign policy	Advisor and World Bank/IDB Liaison	May 3, 2012
Mr. Sacheedanand Tahalooa	Mauritius Procurement Policy Office (PPO), Port Louis, Mauritius	Public Procurement Authority	Adviser	May 14, 2012
Mr. Farid Yaker	United Nations Environment Programme (UNEP)	Development Agency (donor)	Program Officer, Division of Technology, Industry and Economics	May 14, 2012
Mr. Pablo Prüssing Fuchslocher and Mr. Claudio Loyola	ChileCompra	Procuring entity; Public Procurement Authority	Mr. Prüssing Fuchslocher: Lawyer and Responsible for International Relations; Mr. Loyola: Chief Public Markets	May 24, 2012

## Annexure 9) Prioritization and Market Readiness Analysis, Mauritius

The Prioritization and Market Readiness Analysis in Mauritius included the following steps:

Process steps of Prioritization and Market Readiness Analysis, Mauritius		
Preliminary Analysis		Clarification of TORs; collection of data; preliminary data analysis; review of literature; discussions with stakeholders; and draft (inception) report.
Prioritization Study		Based on the methodology developed by UK's Sustainable Procurement Task Force (SPTF), identification of the largest, quickest and easiest sustainable procurement opportunities available to public bodies.
Market Analysis	Readiness	<p>a) Gathering of expert opinions (market leaders, policy makers, NGOs) based on the principle that forecasts from a structured group of experts can be fairly accurate, and</p> <p>b) Survey of businesses and potential suppliers (36) with the objective to learn more about the range of sustainable goods and services available on the market.</p>

Process Steps of Prioritization and Market Readiness Analysis, Mauritius (PPO 2011b)

### 1. Preliminary Prioritization

In the preliminary prioritization exercise, areas commanding more than 0.5 % of the market share have been retained. 21 priority spend areas are identified.

	SPEND AREAS	PROCUREMENT EXPENDITURE	MARKET SHARE
1	WASTEWATER MANAGEMENT	3,880,247,375.05	22.11%
2	BUILDINGS: CONSTRUCTION	2,255,901,946.58	12.85%
3	ENERGY: FUEL PURCHASE	1,944,568,914.10	11.08%
4	FOOD AND CATERING	1,681,878,728.00	9.58%
5	IT: COMPUTERISATION & SYSTEMS MAINTENANCE	1,011,071,522.66	5.76%
6	WASTE COLLECTION & DISPOSAL	955,271,740.00	5.44%
7	SEAPORT FACILITIES: CONSTRUCTION, MAINTENANCE & OPERATION	947,497,155.25	5.40%
8	CONSULTANCY SERVICES	614,474,876.30	3.50%
9	HEALTH: CONSUMABLES	539,831,120.00	3.08%
10	BUILDINGS: MAINTENANCE & OPERATION	535,124,029.00	3.05%
11	WATER SUPPLY: WORKS & MAINTENANCE	534,212,559.42	3.04%
12	ROADS: CONSTRUCTION	494,140,787.57	2.82%
13	ROADS: MAINTENANCE	391,097,239.65	2.23%
14	ENERGY: PLANTS & EQUIPMENT	334,451,554.00	1.91%
15	ROADS: DRAINS & MINOR WORKS	244,521,997.20	1.39%
16	BUILDINGS: RENTALS	172,237,229.00	0.98%
17	HEALTH: EQUIPMENT	153,931,954.00	0.88%
18	TRANSPORT: MOTOR VEHICLES	146,067,570.20	0.83%
19	HEALTH: PHARMACEUTICALS	130,428,320.00	0.74%
20	IT SYSTEMS: COMPUTERS & OFFICE MACHINERY	110,167,290.25	0.63%
21	PAPER & PRINTING	163,300.00	0.001%



## 2. Secondary Prioritization

This step of the process involves an assessment of the risk, scope and influence associated with procurement of works, goods, and services. Risk is assessed in terms of expenditure, environmental impact, socio-economic impact, existing activity, scope to do more, and reputational risk. To analyze environmental and socio-economic risks, the same broad sustainable development indicators were used as those used by the SPTF (emissions to air and water, waste to landfill, resource use, local environment, health, education and employment, and communities and other social) as these are fairly universal. There is no accepted set of sustainability indicators in Mauritius as yet. However, the assessment was moderated by the use of National Environmental Policy's broad objectives and priority actions screening techniques applied by International finance institutions (World Bank and African Development Bank), and feedback from the preliminary survey. Several indicators, like developing world supply chains, for example, were replaced by more relevant local ones such as youth and women empowerment. In fact, in Mauritius, it is felt that more focus is needed on women empowerment to fully achieve the objectives of the Millennium Development Goals. As the country moves away from a sugar producing and textile manufacturing economy into a more knowledge and service-based economy, one of the major challenges will be to address poverty among vulnerable sections of society, in particularly women. Youth and women-headed households constitute 70% of the unemployed, hence governments efforts directed towards poverty reduction and gender equality.

The scoring obtained under Risk Assessment is given in the Risk Matrix while the following two tables illustrate the Scope to do more and the Public Sector Influence.

### Risk Matrix

Sector	Approved Procurement Expenditure (MRU)	Market Share (%)	Score based on Market Value /5	Environmental Impact /5	Social Impact /5	Level of existing activity /3	Scope to do more /3	Reputational Risk/3	Total Score /24	Score as % of Total
WASTEWATER MANAGEMENT	3,880,247,375.05	22.11%	5	5	5	2	3	3	23	6.42%
BUILDINGS: CONSTRUCTION	2,255,901,946.58	12.85%	5	5	5	2	3	3	23	6.42%
ENERGY: FUEL PURCHASE	1,944,568,914.10	11.08%	5	5	5	3	3	3	24	6.70%
FOOD AND CATERING	1,681,878,728.00	9.58%	5	3	4	3	2	2	19	5.31%
IT: COMPUTERISATION & SYSTEMS MAINTENANCE	1,011,071,522.66	5.76%	4	4	3	2	2	1	16	4.47%
WASTE COLLECTION & DISPOSAL	955,271,740.00	5.44%	4	5	5	3	3	3	23	6.42%
SEAPORT FACILITIES: CONSTRUCTION, MAINTENANCE & OPERATION	947,497,155.25	5.40%	4	5	2	2	2	3	18	5.03%
CONSULTANCY SERVICES	614,474,876.30	3.50%	4	2	1	2	1	1	11	3.07%
HEALTH: CONSUMABLES	539,831,120.00	3.08%	3	4	4	3	2	2	18	5.03%
BUILDINGS: MAINTENANCE & OPERATION	535,124,029.00	3.05%	3	4	3	2	3	1	16	4.47%
WATER SUPPLY: WORKS & MAINTENANCE	534,212,559.42	3.04%	3	5	5	3	3	3	22	6.15%
ROADS: CONSTRUCTION	494,140,787.57	2.82%	3	5	5	3	3	3	22	6.15%
ROADS: MAINTENANCE	391,097,239.65	2.23%	2	2	3	3	2	1	13	3.63%
ENERGY: PLANTS & EQUIPMENT	334,451,554.00	1.91%	2	5	5	2	3	3	20	5.59%
ROADS: DRAINS & MINOR WORKS	244,521,997.20	1.39%	2	2	2	3	2	1	12	3.35%
BUILDINGS: RENTALS	172,237,229.00	0.98%	2	2	1	3	2	1	11	3.07%
HEALTH: EQUIPMENT	153,931,954.00	0.88%	1	2	2	3	2	1	11	3.07%
TRANSPORT: MOTOR VEHICLES	146,067,570.20	0.83%	1	5	3	2	3	3	17	4.75%
HEALTH: PHARMACEUTICALS	130,428,320.00	0.74%	1	3	3	3	1	1	12	3.35%
IT SYSTEMS: COMPUTERS & OFFICE MACHINERY	110,167,290.25	0.63%	1	3	2	2	3	2	13	3.63%
PAPER & PRINTING	163,300.00	0.001%	1	3	2	2	3	3	14	3.91%
<b>Total:</b>									<b>358</b>	<b>100.00%</b>

SCOPE TO DO MORE																		
Sector	Emissions to air and water, waste to landfill				Resource use				Environmental quality		Health	Education and Employment	Communities and other social				SCOPE RANK	
	Climate Change	Other air emissions	Emissions to water	Waste to landfill	Hazardous substances	Materials	Energy	Other natural resources	Water	Biodiversity			Local environment	Employment	Community Youth & Women Empowerment	Diversity		Other Socio-economic
WASTEWATER MANAGEMENT	N	N	N	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	11	6.55%
BUILDINGS- CONSTRUCTION	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	17	10.12%
ENERGY- FUEL PURCHASE	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	N	N	N	N	N	7	4.17%
FOOD AND CATERING	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	13	7.74%
IT- COMPUTERISATION & SYSTEMS MAINTENANCE	N	N	N	Y	Y	Y	Y	N	N	N	N	Y	Y	N	Y	N	8	4.26%
WASTE COLLECTION & DISPOSAL	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	13	7.74%
SEAPORT FACILITIES- CONSTRUCTION, MAINTENANCE & OPERATION	Y	N	Y	N	Y	N	Y	N	N	N	N	Y	N	N	N	Y	8	4.26%
CONSULTANCY SERVICES	N	N	N	N	N	N	N	N	N	N	N	N	Y	N	Y	N	2	1.19%
HEALTH- CONSUMABLES	N	Y	N	Y	Y	N	N	N	N	N	N	Y	Y	N	N	N	6	3.57%
BUILDINGS- MAINTENANCE & OPERATION	Y	N	Y	Y	Y	N	Y	N	Y	N	N	Y	N	N	Y	Y	9	5.34%
WATER SUPPLY- WORKS & MAINTENANCE	Y	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N	9	5.34%
ROADS- CONSTRUCTION	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	13	7.74%
ROADS- MAINTENANCE	Y	Y	Y	N	N	Y	Y	N	N	N	N	Y	Y	Y	Y	N	8	4.26%
ENERGY- PLANTS & EQUIPMENT	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	Y	Y	Y	Y	N	11	6.55%
ROADS- DRAINS & MINOR WORKS	N	N	Y	N	N	Y	Y	N	N	N	Y	Y	Y	Y	Y	N	6	3.57%
BUILDINGS- RENTALS	Y	N	N	N	N	N	Y	N	N	N	N	N	N	N	N	N	2	1.19%
HEALTH- EQUIPMENT	N	N	N	Y	Y	N	N	N	N	N	N	Y	N	N	N	N	3	1.79%
TRANSPORT- MOTOR VEHICLES	Y	Y	N	N	N	N	Y	N	N	N	Y	N	N	N	N	N	5	2.98%
HEALTH- PHARMACEUTICALS	N	N	N	Y	N	N	N	N	N	N	N	N	N	N	N	N	1	0.40%
IT SYSTEMS- COMPUTERS & OFFICE MACHINERY	Y	Y	N	Y	Y	Y	Y	N	N	N	N	Y	Y	Y	Y	Y	11	6.55%
PAPER & PRINTING	Y	N	Y	Y	N	Y	Y	N	N	N	N	Y	N	N	N	N	5	2.98%
																TOTALS	1458	100.00%

## PUBLIC SECTOR INFLUENCE

Sector	Saturated Market?	Market Share?	Supplier Turnover?	Public Relations		Improving Suppliers		Compliance?	INFLUENCE SCORE	
				Clients?	Society?	Policy?	Legislation?			
WASTEWATER MANAGEMENT	NO	YES	YES	YES	NO	YES	YES	YES	6	5.31 %
BUILDINGS: CONSTRUCTION	NO	YES	YES	YES	NO	YES	YES	NO	5	4.42 %
ENERGY: FUEL PURCHASE	YES	YES	YES	YES	NO	YES	YES	NO	6	5.31 %
FOOD AND CATERING	NO	NO	NO	YES	YES	YES	YES	YES	5	4.42 %
IT: COMPUTERISATION & SYSTEMS MAINTENANCE	NO	NO	YES	YES	YES	YES	YES	YES	6	5.31 %
WASTE COLLECTION & DISPOSAL	NO	YES	YES	YES	NO	YES	YES	NO	5	4.42 %
SEAPORT FACILITIES: CONSTRUCTION, MAINTENANCE & OPERATION	NO	YES	YES	YES	YES	YES	YES	YES	7	6.19 %
CONSULTANCY SERVICES	NO	NO	YES	YES	NO	YES	YES	YES	5	4.42 %
HEALTH: CONSUMABLES	NO	YES	YES	YES	NO	YES	YES	YES	6	5.31 %
BUILDINGS: MAINTENANCE & OPERATION	NO	NO	NO	YES	NO	YES	YES	YES	4	3.54 %
WATER SUPPLY: WORKS & MAINTENANCE	NO	YES	YES	YES	NO	YES	YES	YES	6	5.31 %
ROADS: CONSTRUCTION	NO	YES	YES	YES	NO	YES	YES	NO	5	4.42 %
ROADS: MAINTENANCE	YES	YES	YES	YES	NO	YES	YES	YES	7	6.19 %
ENERGY: PLANTS & EQUIPMENT	NO	YES	YES	YES	NO	YES	YES	NO	5	4.42 %
ROADS: DRAINS & MINOR WORKS	NO	YES	YES	YES	NO	YES	YES	NO	5	4.42 %
BUILDINGS: RENTALS	YES	NO	NO	YES	NO	NO	NO	NO	2	1.77 %
HEALTH: EQUIPMENT	NO	YES	YES	YES	NO	YES	YES	YES	6	5.31 %
TRANSPORT: MOTOR VEHICLES	YES	NO	NO	YES	NO	YES	YES	YES	5	4.42 %
HEALTH: PHARMACEUTICALS	NO	YES	YES	YES	NO	YES	YES	YES	6	5.31 %
IT SYSTEMS: COMPUTERS & OFFICE MACHINERY	YES	NO	YES	YES	YES	YES	YES	YES	7	6.19 %
PAPER & PRINTING	NO	NO	YES	YES	NO	YES	YES	NO	4	3.54 %
TOTAL									113	100.00%

## 3. Action Prioritization (Management Approaches)

The following figures show the approach to management under the following scenarios:

- Priorities Action by plotting the total expenditure against total risk score;
- Buyer Approach obtained by plotting risk against scope; and
- Market Engagement Strategy by plotting scope against influence

FIG 4.1: ACTION PRIORITISATION

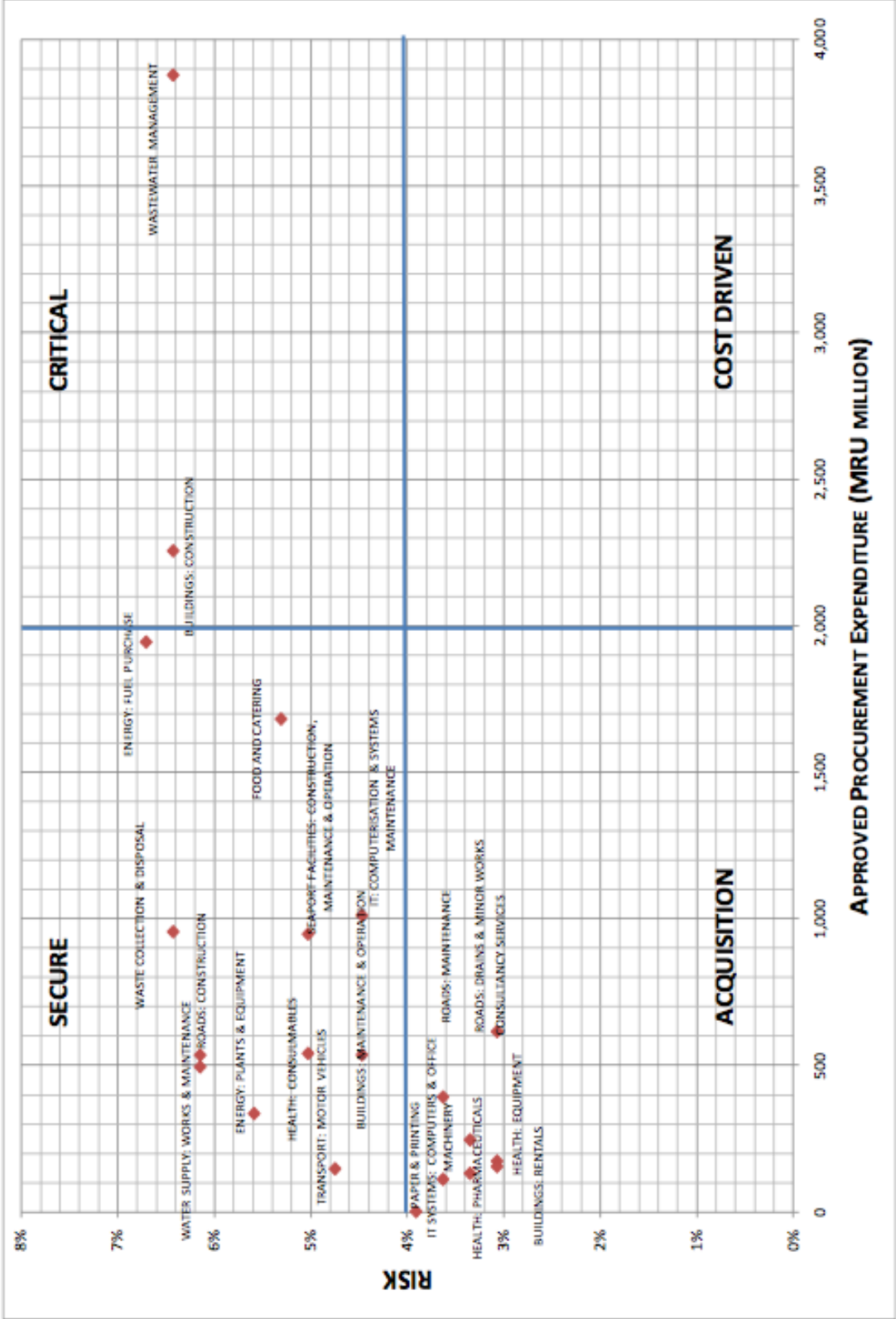


FIG 4.2: BUYER APPROACH

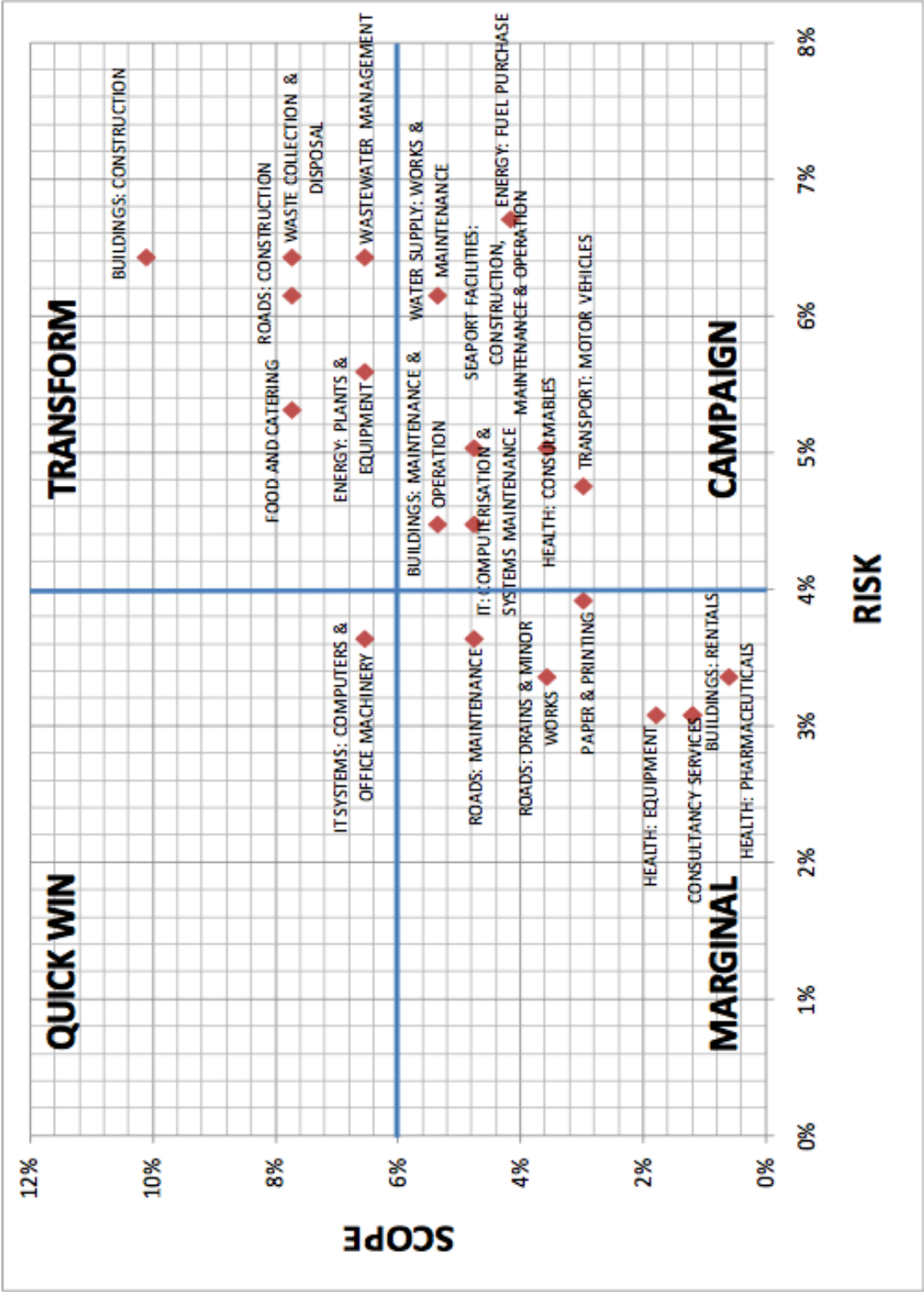
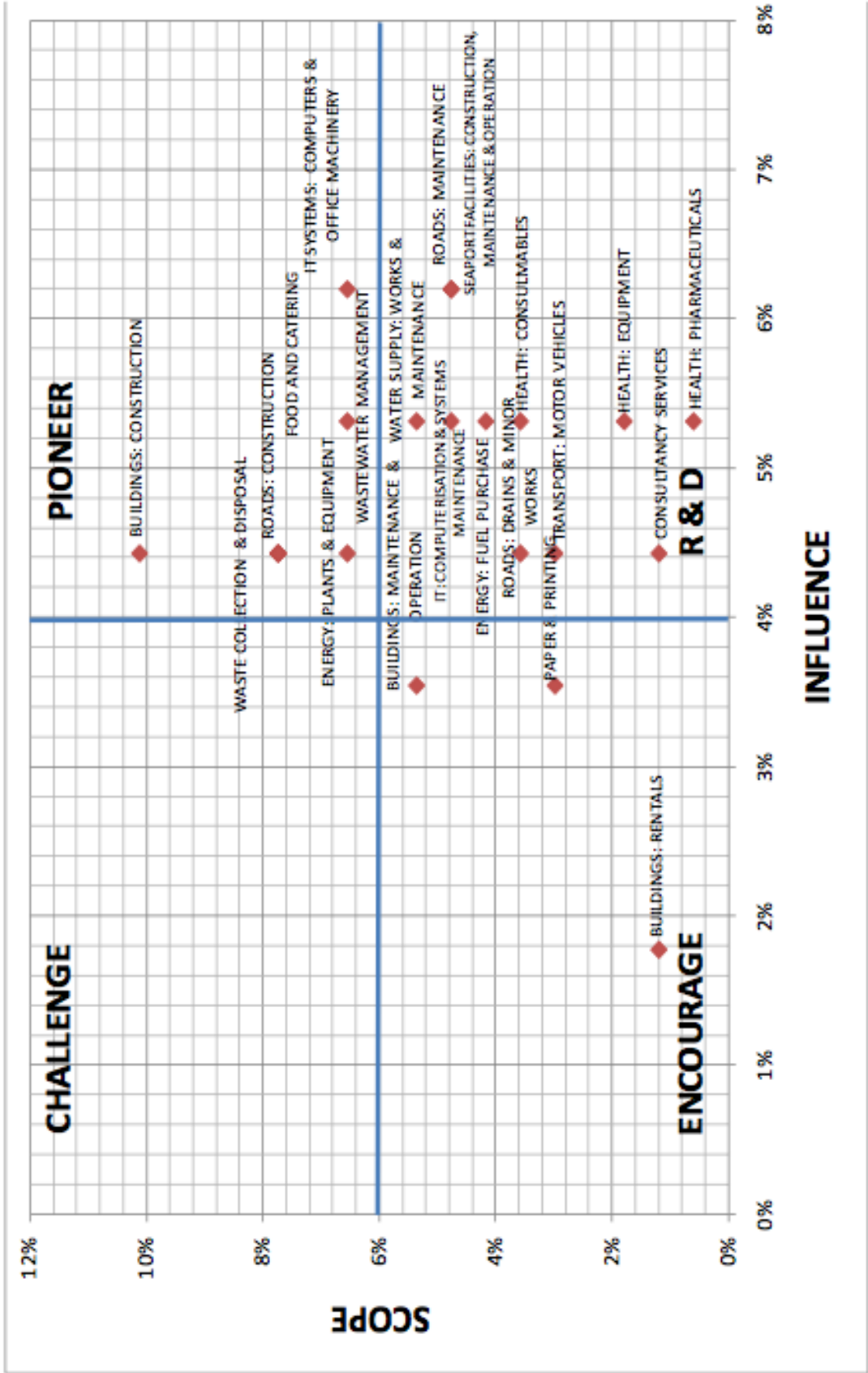


FIG 4.3: MARKET ENGAGEMENT STRATEGY





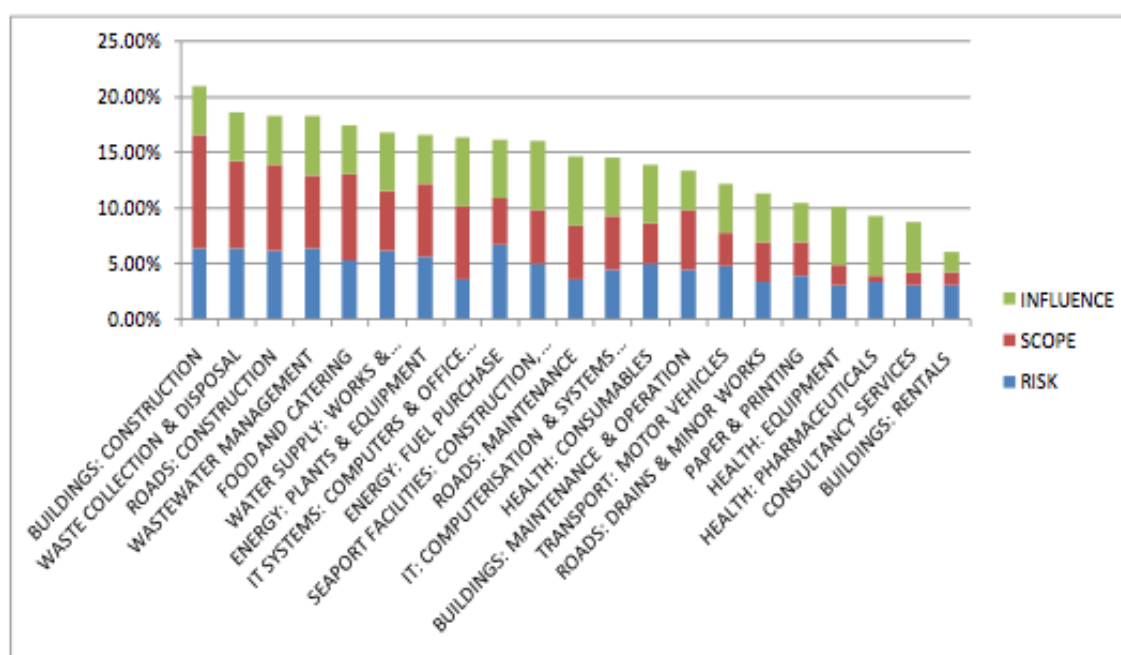
## 4. Overall priorities

### 4.6 Overall Priorities

4.6.1 The overall priorities for sustainable procurement policy for Mauritius can now be obtained by collating the composite score under risk, scope and influence. Figure 4.4 gives those spend areas in order of priority.

FIG. 4.4

National Priority Spend Areas



4.6.2 As recommended by the SPTF, it is appropriate to start the SPP process with a limited number of spend areas, particular those that can have the greatest positive impact on sustainable development objectives. Therefore, The priorities for activities under sustainable procurement for Mauritius that will be retained for further analysis under market readiness will focus on (but not limited to) the following 12:

1. BUILDINGS: CONSTRUCTION;
2. WASTE COLLECTION & DISPOSAL;
3. ROADS: CONSTRUCTION;
4. WASTEWATER MANAGEMENT;
5. FOOD AND CATERING;
6. WATER SUPPLY: WORKS & MAINTENANCE;
7. ENERGY: PLANTS & EQUIPMENT;
8. IT SYSTEMS: COMPUTERS & OFFICE MACHINERY;
9. ENERGY: FUEL PURCHASE;
10. SEAPORT FACILITIES: CONSTRUCTION, MAINTENANCE & OPERATION;
11. ROADS: MAINTENANCE;
12. IT: COMPUTERISATION AND SYSTEM MAINTENANCE.

## Market Readiness Analysis

The MRA analyzed the existing productive capacities for sustainable products and services for 12 priority spend areas and also assessed the potential responsiveness of the market and national business sectors to potential SPP tenders. The process is based on a 2-step process: (1) the gathering of expert opinions from a select group of market leaders, policy makers and industry representatives - this is based on the principle that forecasts from a structured group of experts can be fairly accurate; and (2) a survey of businesses and potential suppliers.

The prioritization exercise provided a list of priority spend areas together with management approaches which need to be adopted to ensure that sustainable procurement in those areas deliver the maximum sustainability benefits to Mauritius. The table below recapitulates the predominant approaches that were highlighted.

**Summary of Management Approches**

Sector	Prioritise Action				Buyer Approach				Market Engagement Strategy			
	Secure	Critical	Acquisition	Cost Driven	Quick Win	Transform	Marginal	Campaign	Challenge	Pioneer	Encourage	R & D
WASTEWATER MANAGEMENT		✓				✓				✓		
BUILDINGS: CONSTRUCTION		✓				✓				✓		
ENERGY: FUEL PURCHASE	✓							✓				✓
FOOD AND CATERING	✓					✓						✓
IT: COMPUTERISATION & SYSTEMS MAINTENANCE	✓							✓				✓
WASTE COLLECTION & DISPOSAL	✓					✓				✓		
SEAPORT FACILITIES: CONSTRUCTION, MAINTENANCE & OPERATION	✓							✓				✓
CONSULTANCY SERVICES			✓				✓					✓
HEALTH: CONSUMABLES	✓							✓				✓
BUILDINGS: MAINTENANCE & OPERATION	✓							✓			✓	
WATER SUPPLY: WORKS & MAINTENANCE	✓							✓				✓
ROADS: CONSTRUCTION	✓					✓				✓		
ROADS: MAINTENANCE			✓				✓					✓
ENERGY: PLANTS & EQUIPMENT	✓					✓				✓		
ROADS: DRAINS & MINOR WORKS			✓				✓					✓
BUILDINGS: RENTALS			✓				✓				✓	
HEALTH: EQUIPMENT			✓				✓					✓
TRANSPORT: MOTOR VEHICLES	✓							✓				✓
HEALTH: PHARMACEUTICALS			✓				✓					✓
IT SYSTEMS: COMPUTERS & OFFICE MACHINERY			✓		✓					✓		

Table: Summary of Management Approaches Mauritius (MOFE 2010, 18, Tab. 5.1)



Structure of Market Readiness Analysis:

1. Methodology
2. Gathering Expert Opinion
3. Survey of Businesses
4. Availability of Sustainable Goods and Services in the International Market
5. Instruments and Tools to Certify and Verify Sustainability of Products
6. Conformity Assessment Infrastructure
7. National Programs, Policies and Instruments Promoting Sustainable Production
8. Environmental Management Systems
9. Ability to Deliver to an International Market
10. Conclusions and Recommendations

Sources: PPO 2011b; MOFE 2010

## Annexure 10) National Action Plan on SPP, Mauritius

The following is a summary of the National Action Plan on SPP, Mauritius 2011–2015

Measures	Target	Actions	Lead Responsibility
<b>Theme 1: People</b>			
<b>Objective 1a: Leadership and accountability is embedded throughout all levels of the organization</b>			
SPP leaders in all public bodies	Identified by end of 2011	CEOs to be leaders and accountable for progress; identification of focal points; Devise award system. All departments: Define targets and report results. Issue Circular on SPP reporting	PPO: Oversight Head of Civil Service: Circular PPO: Awareness raising workshops for CEOs PPO: Circular
<b>Objective 1b: Build capacity to provide professional training and development to embed SD principles within the Public Sector procurement process</b>			
Train staff to embed SPP in procurement process	By end of 2011: Provide basic training	One person dedicated to SPP (Help desk) Identify SPP training providers, funds Conduct train-the-trainer workshop	PPO
	By end of 2012: Provide in-depth training	Develop and provide basic training Include SPP in induction program Include SPP in competence framework Networking	PPO/Departments
<b>Theme 2: Policy and Strategy and Communication</b>			
<b>Objective 2a: To have a policy on SPP that reflects SD strategic priorities and disseminated to key stakeholders</b>			
Up to date Policy	Maintain a policy that enables the delivery of strategic SD priorities	Legal amendments to include SPP in Public Procurement Act Departments to produce/update SPP Action Plan Liaise with ministries to promote more sustainable products and explore synergies	PPO  CEOs  PPO through Steering Committee
	Integrate SPP Plan into National Strategy	Integrate SPP Action Plan into the Mauritius Sustainable Island Action Plan	PPO
<b>Objective 2b: Develop a communications strategy for SPP</b>			
Visibility to rally support	Appoint communications specialist by 2011	Develop a Communication Strategy	PPO
Communication to target stakeholders		Conduct media/information campaigns targeting general public and politicians, Publicize achievements, Explore synergies with e-procurement	PPO
<b>Theme 3: Procurement Process</b>			
<b>Objective 3a: To integrate SD strategic priorities within the public procurement process for key products/services</b>			
Focus on 8 identified	Sustainability criteria devised	Set up Working Group to develop sustainability criteria for 6 targeted	PPO

product groups	for one (mid 2012)/all product groups (end 2013); Sustainability criteria are included in all contracts (2015); Some framework contracts exist	products/services: Fact-finding exercises, identify outcomes, survey existing criteria, and engage internal and external stakeholders. Minimum requirement to be defined for each of the key products/services and existing Standard Bidding Documents need to be modified accordingly. Draft specific contract performance clauses. Encourage SPP through framework agreements.	
Provision of advice	Guidance and information easily accessible	SPP Guidelines, Help-Desk at PPO, Website, Best Practices, Case studies, Manual on variants and evaluation. Departments to raise their case in case of affordability constraints. Sensitize Audit Officers.	PPO/Departments
<b>Objective 3b: Prioritize frequent and significant areas of spending and identify environmentally and socially preferable alternatives</b>			
		Analyze annual procurement spend data and identify key areas for positive impacts using international standards, eco-labels, life-cycle assessments	PPO
<b>Objective 3c: Embed Life Cycle Thinking in the Procurement Process</b>			
Train procurers and financial staff in life cycle costing	Departments have in-house expertise on WLC by 2015	Develop course on Life Cycle Costing with training institution and train staff in all departments	PPO/Departments (specifically Finance Departments)
<b>Objective 3d: Organize “buyers-sellers” meetings to disseminate innovative products/services to procurement staff</b>			
Market Intelligence Gathering	Organize workshops	Workshops on targeted products/services to be organized by end 2011/mid 2012	PPO
<b>Theme 4: Supplier Engagement</b>			
<b>Objective 4a: To engage with key markets to secure capacity within the market place to deliver SD priorities</b>			
Inform and educate supply side	Awareness and sufficient capacity within the market place	Undertake key contractor spend analysis and identify high sustainability impact contractors and spend with SMEs and NGOs	Departments supported by PPO
		Program of engagement, Sharing best practices, Target suppliers through website. Advise associations. Suppliers asked to provide information on sustainable solutions at an early stage of the procurement process through Request for Information or two-stage bidding.	PPO  Departments

<b>Objective 4b: To increase access to public sector procurement opportunities for SMEs through the public tender process or participation in supply chains</b>			
Opportunities freely available to SMEs	Appropriate system in place by end of 2011	Develop and operate effective systems to provide accessible procurement opportunities for all potential suppliers. Contracts to require main contractors to publish opportunities for sub contracting to SMEs and develop award criteria incentives. Develop methods/margins of preferences for procurements of goods supplied from selected NGOs (targeting disabled persons, prisoners, etc.	PPO/Departments
<b>Theme 5: Monitoring and Reporting</b>			
<b>Objective 5a: Monitor the implementation of this Action Plan at national and organizational level</b>			
Auditing and reporting		Internal audit process to take into accounts SPP outcomes. Report progress against Action Plan and Status Assessment. Benchmark SPP practice with other countries. Review and Update Action Plan.	Departments Departments/PPO PPO PPO
<b>Objective 5b: To set clear and measurable targets on SPP</b>			
SD priorities integrated with SPP	Targets aligned with Mauritius Sustainable Island	PPO to be involved in the development of the Mauritius Sustainable Island strategy and Action Plan	PPO, Ministry of Environment and Sustainable Development
<b>Objective 5c: Conduct study on the impacts of SPP</b>			
Outline SD and market transformation impacts of SPP	Study to be conducted by 2015	Ensure financial support for research. Study will analyze the choices made during the procurement cycle and the impacts those choices have on SD.	PPO

The Action Plan also defines specific targets for the seven flagship products/services selected. For example, for IT devices: computers and monitors, printers and copiers: Framework contract incorporating sustainability in specification (energy efficiency, waste management etc).

Source: The summary has been compiled from the National Action Plan on Sustainable Public Procurement (SPP) for Mauritius (2011–2015) (PPO 2011b, 64–88).

## Annexure 11) SWOT Analysis SPP Mauritius

Based on the information collected and analyzed in the main body, the strengths, weaknesses, opportunities and threats of the Mauritius' SPP implementation process are summarized in the SWOT analysis below.

Internal factors		External factors	
Strengths		Opportunities	
<ul style="list-style-type: none"> <li>• Strong commitment from all partners and stakeholders in the implementation of SPP</li> <li>• Wide representation of all sectors (public, private, university, third sector) in the Steering Committee</li> <li>• PPO's well suited as a national focal point</li> <li>• Website and news-letter used as communication tool</li> <li>• National SPP Policy in place</li> <li>• Ambitious and comprehensive Action Plan 2011-2015 in place</li> <li>• MTF/UNEP Approach provides for a structured SPP deployment process</li> </ul>		<ul style="list-style-type: none"> <li>• Country Context: Country performs well in terms of competitiveness and transparency</li> <li>• National Sustainable Development Strategy: Strong political support to sustainable development in general and SCP/ SPP in particular- based on Maurice II Durable vision</li> <li>• Public procurement regime: Well established and well-functioning (Comprehensive legal framework, strong institutions, good market practices, high level of transparency)</li> <li>• Legal review: Major environmental and social policies and laws in place; Procurement legislation allows SPP and it has already some provisions to support SMEs and local companies</li> <li>• Procurement Training courses for practitioners already in place, that can be upgraded with SPP</li> <li>• Strong government buying power (10–20 % of GDP)</li> </ul>	
Weaknesses		Threats	
<ul style="list-style-type: none"> <li>• Lack of previous experience on SPP</li> <li>• Need for capacity building of procurement staff both on how to introduce sustainability clauses in tenders but also on how to define those sustainability criteria</li> <li>• Lack of procurement experts for direct support (for preparation of specifications, life cycle costing methodology, scoring criteria, etc.)</li> <li>• Due to lack of local expertise, external support from national and international consultants and development partners still needed</li> <li>• No standard sustainability criteria available</li> <li>• Action Plan: Implementation has just started; foundation for a SPP system not established yet</li> <li>• Communication plan pending</li> <li>• Following the MTF/UNEP Approach resulted in a long project implementation time and required several adjustments/redoing of process steps (took 3 years from project agreement to SPP Action Plan)</li> <li>• SPP is not used in day-to-day procurement practices yet.</li> </ul>		<ul style="list-style-type: none"> <li>• Prioritization: Lack of well developed data on expenditure required for the prioritization exercise hamper the prioritization of SPP actions</li> <li>• Market readiness: Limited availability of sustainable products; not familiar with concept of SPP</li> <li>• Lack of eco-labels and forms of justification</li> <li>• SPP not embedded yet at level of public bodies/procuring entities (policies; targets; training; etc.)</li> <li>• No single assessment process and Action Plan for the modernization of public procurement (separate processes and plans for general improvements of the public procurement system facilitated by the World Bank and for SPP; not aligned)</li> <li>• Reluctance to change, new mindset required</li> </ul>	

## **Annexure 12) SPP Implementation Plan, Chile**

The following is a summary of the SPP Implementation Plan, Chile.

The SPP Policy and Implementation Plan Chile states that the successful implementation of the SPP policy is the responsibility of the various procurement agencies through changes of practice and in the incorporation of specific requirements in their tenders. ChileCompra, through the administration of the procurement platform and the generation of procurement guidelines is the lead institution responsible for implementing and coordinating the different actors.

With a clear overall context, and preferably having positioned sustainable procurement as a crosscutting theme, powerful training and outreach campaigns to the private sector are deemed necessary. To consider social and environmental factors, a set of clauses has to be developed and made available on the procurement platform to be used by public purchasers in their bidding procedures. Follow-up actions shall be performed to facilitate the drafting of the final policy version and to ensure the implementation of the policy.

Actions to be implemented:

1. Developing a sustainable procurement policy
2. Research and diagnosis of sustainability in procurement
3. Policy adjustments (development of a guide, priority list of products and services)
4. Gradually increasing the number of sustainable products and services in the public marketplace
5. Generate networks with public and private institutions to reinforce their sustainable development initiatives
6. Training of public procurement officials; Knowledge to be assessed in accreditation test
7. Incorporation of background information on sustainability in supplier registration including sanctions
8. Adjustments to electronic procurement platform to include the use of sustainability criteria and provisions. Evaluation criteria and standard terms to be developed by ChileCompra.
9. Incorporating sustainability in the online store for framework products ChileCompra Express; ensure that sustainable products and services can be easily identified by public purchasers.
10. Dissemination and Discussion: Consolidate and publish available information and exchange experiences and best practices on [www.comprassusentables.cl](http://www.comprassusentables.cl)

Source: ChileCompra 2011, 15–18.

### Annexure 13) SWOT Analysis SPP Implementation Chile

Based on the information collected and analyzed in the main body, the strengths, weaknesses, opportunities and threats of the Chilean SPP implementation process are summarized in the SWOT analysis below.

<i>Internal factors</i>	<i>External factors</i>
<b>Strengths</b>	<b>Opportunities</b>
<ul style="list-style-type: none"> <li>• National focal point for SPP (ChileCompra) highly experienced in public procurement</li> <li>• ChileCompra's mission statement and objectives address SPP, highly committed</li> <li>• Previous experience with SPP</li> <li>• Wide representation of all sectors (public, private, university, third sector) in the Steering Committee and Advisory Board</li> <li>• Highly centralized and technically supported procurement system: Bidding platform, e-catalogue, virtual training platform (e-procurement system); adjustments done to include SPP requirements</li> <li>• General contract management clauses incorporated in the e-procurement system</li> <li>• Prioritization exercise focused on e-catalogue products</li> <li>• Market Readiness Analysis considers the responsiveness of the market</li> <li>• MTF/UNEP Approach took SPP in Chile to a new, more structured level</li> <li>• Progress in implementing SPP is measured</li> </ul>	<ul style="list-style-type: none"> <li>• OECD membership</li> <li>• SPP implementation with support of UNEP</li> <li>• Country Context: Country performs well in terms of competitiveness and transparency</li> <li>• National Sustainable Development Strategy: Energy Efficiency Program provides good starting point for SPP</li> <li>• Public procurement regime: Well established and well-functioning (Legal framework allows for SPP, strong centralized system of framework agreements, good market practices, high level of transparency)</li> <li>• Procurement Training courses already in place that can be upgraded with SPP; e-learning platform</li> <li>• SMEs are supported through 16 entrepreneurial centers</li> <li>• Strong government buying power in certain areas (framework products and services)</li> <li>• Innovative approaches such as contest on best practices promote SPP</li> </ul>
<b>Weaknesses</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Need for capacity building of procurement staff</li> <li>• Focus on framework agreements means that products with high environmental and social impact are not considered yet</li> <li>• Lack of resources</li> </ul>	<ul style="list-style-type: none"> <li>• Market readiness: Uneven responsiveness of the market</li> <li>• Limited availability of eco-labels and forms of justification</li> <li>• Reluctance to change, new mindset required</li> </ul>

## Annexure 14) Analysis of incentives and barriers

### a) Interviews

The table below illustrates how interview partners scored the relevance of potential benefits and the relevance of potential barriers. Furthermore, the prerequisites mentioned are listed. The interviews are numbered (confidentiality was granted).

Scores: 4 = highly relevant; 3 = relevant; 2 = less relevant; 1= not relevant at all

Interview#	1	2	3	4	5	6	Sum	Average score
Potential benefits	Scores							
Financial savings over lifetime	3	4	3	4	3	3	20	3.33
Stimulating markets to innovations	2	3	4	4	4	4	21	3.50
Environmental targets	3	4	4	4	4	4	23	3.83
Environmental benefits local level	3	2	2	4	3	4	18	3.00
Compliance social/labor law	2	1	2	4	3	4	16	2.67
Improved living conditions, social justice	2	2	2	4	2	3	15	2.50
Resp. governance, public image, lead by e.	4	4	4	4	3	4	23	3.83
Others:								
Fair international competition	x	x						
Job creation (Support of local businesses, SMEs)						x		
Good to have sustainability considerations in proc law					x			
Create consciousness to change the way of doing business			x					

Potential barriers								
Legal framework	2	4	1	4	3	4	18	3.00
Donor Guidelines	3	4	1	4	2	3	17	2.83
Lack of capacity	4	4	2	4	3	4	21	3.50
Lack of guidance, tools	3	3	3	4	3	4	20	3.33
SPP is too complex	2.5	4	2	4	3	2	17.5	2.92
Increased cost	2.5	2	2	4	4	3	17.5	2.92
Inflexible budget mechanisms	2	4	1	4	2	3	16	2.67
Lack of knowledge env./social policies	3	2	2	4	3	3	17	2.83
Lack of monitoring tools	2	2	1	4	3	2	14	2.33
Market not prepared	2	2	2	4	3	3	16	2.67
Neg. impacts on SMEs	2	3	4	4	4	3	20	3.33
Others:								
No high level political attention, short term view		x				x		
Imports from Asian markets	x							
Perceived higher risk of corruption						x		



Overload of procurers						x		
Lack of education/need for sensitization campaigns on SD					x			
High costs for verification			x					

Main prerequisites								
Government has long-term vision, country interest		x	x	x		x		4
High-level political commitment, country buy in	x	x	x	x		x		5
Capacity	x	x						2
Certification institutions		x						1
Country is not in state of emergency		x						1
Public pressure would help		x						1
Framework, tools, need to be established		x						1
Legal framework	x		x					2
People (champions)	x							1
Donor support				x				1
Multi-stakeholder approach						x		1
Information					x			1
Cooperation among authorities and with stakeholders						x		1
Enforcement of new policies and law					x			1

Source: Interviews 2012 a–f

### b) Online-flash poll

The flash poll was an online survey that was jointly launched with UNDP in April 2012. The following questions were asked:

- 1) Please select your country.
- 2) Which organization do you work for?
- 3) In your organization, how is SPP most commonly perceived?
- 4) In your organization, how are SPP principles integrated in procurement?
- 5) What have been the main incentives to integrating sustainability principles in public procurement?
- 6) In your view, what are the main barriers or obstacles to implementing sustainability criteria in public procurement?

The flash poll resulted in the following observations:

1. A total of 38 people participated (21 from developing countries).
2. 68 % of participants perceive SPP as comprising all three dimensions of sustainability (economic, environmental, social) (52 % from developing countries).

3. 33 % of the participants answered that SPP principles are integrated in procurement of their organization, i.e. they have policies/guidelines/rules or regulations on SPP (30 % from developing countries).
4. The main incentives for SPP are demonstration of good governance/lead by example and financial savings over the lifetime of product.
5. The main barriers are: Lack of guidance material and practical tools; and lack of knowledge related to environmental and social policies. Participants from development countries perceived the following issues as main barriers: Lack of guidance material and practical tools; legal framework; and market is not prepared to deliver sustainable products and services.

Source: UNPCDC 2012a

## Annexure 15) Impact analysis

### 1. Procurement of kits of school supplies for secondary and high school pupils, Brazil

**Background:** In Brazil, the illiteracy rate is still high (9.7 % of the population in 2010). In order to increase pupils' motivation to go to school, to fight poverty and to meet the MDG's, the State of Sao Paulo distributes a school kit every year to all students. In 2008, it was decided that the notebook should be made out of recycled paper. The procurement of 3.8 million notebooks for the school year 2011 was launched through a call for tender representing a procurement volume of about USD 9.5 million. Through the procurement of notebooks made of 60 % recycled paper fibers, the following impacts have been achieved:

**Environmental results and impacts:** Based on an environmental risk analysis, major environmental impacts were determined (water consumption, waste production, organo-halogen compounds in wastewater) and compared for two scenarios, the procurement of notebooks with classical paper (scenario 1) and the procurement of notebooks with recycled paper (scenario 2). By choosing the environmentally friendly alternative, more than 8 million liters of water, 1,891,974 tons of waste and 241 kg of organo-halogen compounds were saved.

Environmental impacts for 1 ton of paper

Type	Water consumption	Energy consumption	Waste production <sup>7</sup>	Organo-halogen compounds in the rejected water
Paper with virgin fibers, chemical pulp	15 m <sup>3</sup>	9 600 kWh	1 500 kg	280 g
Recycled paper	8 m <sup>3</sup>	3 600 kWh	100 kg	50 g

Source: Pollution Prevention in the paper industry, Regional Activity Centre for Cleaner Production (Centre d'activités régionales pour la production propre). CAR/PP, 2005, 114.

<sup>7</sup> The pulp and paper industry produces mostly solid waste. For example, waste generated during the raw material treatment (wood and bark residues from the tank farm, debarking and chipping), during the pulp conception (fibers process, de-inking sludge, ash from combustion, etc.), during paper manufacture and in the framework and the biological treatment of water treatment plant (organic sludge)

## Calculation of environmental impacts

First situation: notebooks with classical paper	Second situation: notebooks made of recycled paper
<p>3 792 015 notebooks with 180 sheets of paper (20.0 cm x 27.5 cm), with a size distribution/consist of 56g/m<sup>2</sup> and containing 0% of recycled fibers:</p> <ul style="list-style-type: none"> <li>- 3 792 015 notebooks x 180 sheets of paper x 56 g/m<sup>2</sup> x 0.2m x 0.275 m x 100% = 2 102.3 t of "new" paper</li> </ul> <p><b>Environmental Impacts:</b></p> <ul style="list-style-type: none"> <li>- Water consumption: 15 m<sup>3</sup> x 2 102.3 t = 31 534 m<sup>3</sup></li> <li>- Waste production: 1.5 t x 2 102.3 t = 3 153 t</li> <li>- Organo-halogen compounds: 280 g x 2 102.3 t = 589 kg</li> </ul>	<p>3 792 015 notebooks with 180 sheets of paper (20.0 cm x 27.5 cm), with a size consist of 56g/m<sup>2</sup> and containing 60% of recycled fibers:</p> <ul style="list-style-type: none"> <li>- 3 792 015 notebooks x 180 sheets of paper x 56 g/m<sup>2</sup> x 0.2 m x 0.275 m x 60% = 1 261.4 t of recycled paper</li> <li>- 3 792 015 notebooks x 180 sheets of paper x 56 g/m<sup>2</sup> x 0.2 m x 0.275 m x 40% = 840.9 t of "new" paper</li> </ul> <p><b>Environmental Impacts:</b></p> <ul style="list-style-type: none"> <li>- Water consumption: 15 m<sup>3</sup> x 840.9 t + 8 m<sup>3</sup> x 1 261.4 t = 22 705 m<sup>3</sup></li> <li>- Waste production: 1.5 t x 840.9 t + 0.1 t x 1 261.4 t = 1 387 t</li> <li>- Organo-halogen compounds: 280 g x 840.9 t + 50 g x 1 261.4 t = 298 kg</li> </ul>
<p>The purchase of 3 792 015 notebooks (with 180 sheets per piece) made of 60% recycled paper fibers, allows savings of:</p> <ul style="list-style-type: none"> <li>→ 8 829 m<sup>3</sup> of water, which represent more than 8 million liters;</li> <li>→ 1 766 tons of waste;</li> <li>→ 241 kg of organo-halogen compounds.</li> </ul>	

Source: UNEP & Governo do Estado de Sao Paulo, n.d., 5–6.

**Calculation of social impact:** 90 % of waste collection realized by waste pickers; 1,261.4 tones of paper needed: 0.9 x 1,261.4 tons/2.5 tons = 454.1 waste picker months. (UNEP 2012a)

## 2. LED Traffic Light Retrofit, Hong-Kong, Special Administrative Region of China

**Background:** To meet the challenge of climate change, the Government of Hong Kong set a target of 50–60 % reduction of carbon intensity by 2020, compared to 2005 levels. Since the lighting sector constitutes a large portion (one sixth) of the overall energy consumption, the Transport Department of Hong Kong Special Administrative Region has engaged in a LED Traffic Light Retrofit project, whereby all conventional traffic signals at 1,800 junctions currently employing incandescent lamps bulbs were to be replaced by LED modules. The project is being implemented in three phases: The first phase (400 junctions on Hong Kong Island) was completed in 2010, the second phase (640 junctions in Kowloon) was completed in early 2011, and the third stage (760 junctions in the New Territories) was started in December 2010 and is expected to be completed in the third quarter of 2012 (Overall value USD 9 million). Sustainability considerations were integrated into the three calls for tender. For example, the technical specifications defined average and maximum power requirements for bright (under day) and dim (under night) conditions to maximize energy efficiency and a prequalification process was conducted which comprised the analysis of supplier qualification and the testing of sample equipment. The results and impacts achieved can be summarized as follows:

**Economic impact:** Over the life span of LED modules, a cost reduction estimated at USD 340,000 will be achieved (annual cost savings of USD 48,500). Higher initial purchase cost are offset by a reduction in recurrent purchase and maintenance costs as well as energy costs over the lifetime of the LED modules. The calculation is shown below:

*Table 15: Comparative cost estimates of LED and incandescent lamp modules (over 7 years, in million \$US)*

Costs	Incandescent module	LED module	Savings (in million US\$)
Purchase costs	1,05	6,86	-5,81
Maintenance costs <sup>44</sup>	55,76	55,14	0,62
Energy costs	11,63	4,31	7,32
Equipment upgrade costs <sup>45</sup>	-	1,79	-1,79
<b>TOTAL</b>			<b>0,34</b>

Source: UNEP 2012a, 32, Tab. 15.

**Environmental impact:** This contract allows for a projected annual savings of 7.88 million KWh and a reduction of 5,500 tons of CO<sub>2</sub> emissions, as follows:

*Table 18: Annual reduction in energy consumption and CO<sub>2</sub> emissions*

Location	Electricity consumption before LED replacement	Estimated electricity consumption after LED replacement	Estimated electricity savings after LED replacement (in million kWh)	Annual reduction in CO <sub>2</sub> emissions (in ton) <sup>51</sup>
Hong Kong Island	2,24	0,83	1,41	980
Kowloon	4,41	1,63	2,78	1.940
New Territories	5,86	2,17	3,69	2.580
<b>TOTAL</b>	<b>12,51</b>	<b>4,63</b>	<b>7,88</b>	<b>5.500</b>

Source: UNEP 2012a, 34, Tab. 18.

## Annexure 16) Sustainable Public Procurement: Briefing Note

Source: Roos 2012

## Sustainable Public Procurement: Briefing Note

Discussion paper prepared by Rita Roos on behalf of the United Nations Procurement Capacity Development Centre and the United Nations Environment Programme



### Sustainable Public Procurement

Sustainable Public Procurement (SPP) is receiving an increasing amount of attention as a consequence of a rise in environmental, social, and economic challenges both in developed and in developing countries. Public procurement represents approximately 15 % of GDP in OECD countries and up to 25-30 % of GDP in developing countries, and governments progressively use this purchasing power to drive markets towards innovation and sustainability, leading by example to deliver key policy objectives.

The purpose of this briefing paper is to provide a contribution to the procurement community that enhances dialogue by providing a current understanding of SPP and to share approaches in the area of SPP, which could be adapted to the respective regional, national or local context.

### Public procurement and sustainable development

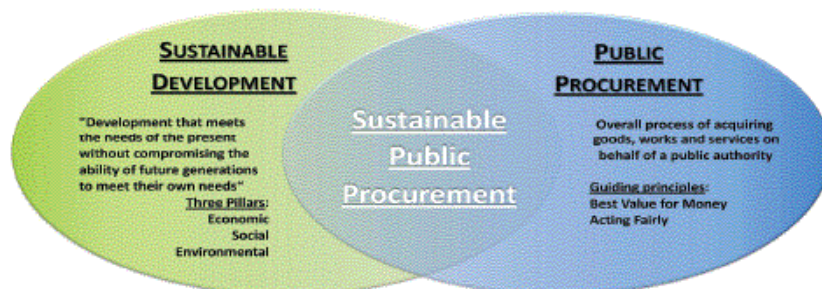
Public procurement is in essence a question of matching supply and demand, just as with any private procurement procedure. Public contracting authorities however, have to exercise special caution when awarding contracts, because they handle public funds and are accountable to tax payers. Procurement laws, which define the rules and procedures to be followed, are therefore generally based on two guiding principles: *Best value for money*<sup>1</sup> to ensure cost-efficiency

through competition and *acting fairly* to ensure a level playing field for market participants by applying procedures that safeguard non-discrimination, equal treatment, transparency, and proportionality. Over the years, procurement legislation and practices have been continuously refined worldwide to keep up with best practices and innovation. This is particularly the case in developing countries and recent publications of the OECD-DAC Task Force on Procurement demonstrate the progress that has been made in strengthening national procurement systems by following a structured approach to procurement reform and capacity development.

Parallel to this development, it has become increasingly clear among policy makers that public procurement can play a much more strategic role, and that specifically, it can contribute to achieving sustainable development goals. The Johannesburg Plan of Implementation of the 2002 World Summit on Sustainable Development encourages public procurement practices that stimulate development and diffusion of environmentally sound goods and services. It also promotes the integration of the three components of sustainable development – economic development, social development and environmental protection – as interdependent and mutually reinforcing pillars. Based on this commitment, the OECD, the

<sup>1</sup>*Best value for money does not necessarily mean going for the cheapest offer but to get the best deal within the parameters set. Subject to the applicable procurement legislation, this can include environmental and social considerations.*

### Sustainable Development based on definition of the World Commission on Environment and Development (WCED) and Public Procurement





## Sustainable Public Procurement: Briefing Note

European Commission, many governments as well as international organizations are increasingly implementing strategies to use public procurement to achieve environmental goals or social justice, effectively institutionalizing Sustainable Public Procurement.

### What is sustainable procurement?

Sustainable procurement builds on the principles and good practices of "traditional" procurement and considers additional factors to maximize social, environmental and economic benefits for the procuring organization, its supply chain and society as a whole. The mostly cited definition is:

*"Sustainable procurement is a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy whilst minimizing damage to the environment."* Defra (2006), UK Sustainable Procurement Task Force<sup>2</sup>.

In other words, Sustainable Public Procurement integrates:

- **Economic factors:** which include the cost of products and services over their entire life time as well as cost for society as a whole to ensure real value for money over the longer term ("Whole life costing, WLC");
- **Environmental factors** to reduce the environmental impact of goods, works, and services (impacts on health and well being, air quality, generation and disposal of hazardous material) and to minimize the use of resources (reduce, recycle, reuse) throughout the supply chain (also referred to as "green procurement"<sup>3</sup>).
- **Social factors:** which include recognizing equality and diversity; observing core labor standards; ensuring fair working conditions; increasing employment and skills; and developing local communities (also referred to as "socially responsible procurement")

<sup>2</sup><http://www.defra.gov.uk/publications/files/pb11710-procuring-the-future-060607.pdf>

<sup>3</sup>Green Public Procurement is defined by the European Commission as "a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured" <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0400:FIN:EN:PDF>

### What are the potential benefits of procuring sustainably?

The benefits of SPP can be manifold and often they are mutually reinforcing. For example, green technologies can generate economic benefits (job and wealth creation), social benefits (employment, skills development) and environmental benefits (more efficient use of resources).

#### Potential economic benefits

**Financial savings:** Reduced total cost for purchase, use, maintenance and disposal by using WLC. In some cases even upfront cost for sustainable products are lower due to sustainable production processes. Cost for societies caused by pollution, global warming, etc. can also be reduced (externalities).

**Driving markets to more innovative solutions:** SPP can drive markets to shift more rapidly to cleaner technologies resulting in the generation of income, improved competitiveness of suppliers nationally or internationally, and ultimately lowering cost/prices due to economies of scale.

**Increased access to markets:** Promotion of small and medium-sized companies, supplier diversity.

More indirectly, by promoting SPP, public authorities can demonstrate responsible governance and improve their public image and legitimacy. They can mitigate risks and better respond to public pressure groups as well as lead by example, raising consumer awareness about the environmental and social implications associated with different types of purchases and promoting behavioral change.

#### Potential social benefits

**Improved compliance with social and labor law:** Compliance with provisions of the basic ILO Conventions which ban forced labor and child labor, establish right to freedom of association and collective bargaining, and non-discrimination in terms of employment and occupation.

**Improved living conditions:** Promoting voluntary social standards such as Fair Trade, Poverty alleviation.

**Improved social justice:** Integration of people with disabilities or improved gender and ethnic equity.

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### Potential environmental benefits

Contributing to meeting environmental challenges: Responding to climate change, soil degradation, biodiversity loss, access to fresh water, etc.

Contributing to achieving binding targets: Reduction of greenhouse gas emissions, energy efficiency, national environmental objectives.

Local environment - Example By providing non-toxic cleaning products, create healthier conditions for school children or by using low-emission buses, improve local air quality.

### ■ A glance at sustainable procurement initiatives

Sustainable public procurement is increasingly being implemented as a policy instrument to support national, regional and international policies and programs aimed at promoting sustainable development. The **European Union** has adopted a range of legal and policy instruments to enable the consideration of environmental and social criteria in public procurement in EU and has set ambitious targets for its member states. While the initial program has focused on environmental criteria, a growing number of member states is using or considering the inclusion of social criteria (France, UK, Netherlands, Austria, Germany, Belgium). Similar frameworks have been developed in **Australia, United States** and **Japan**. There are also many SPP initiatives at the **local government level** and ICLEI (Local Governments for Sustainability), a non-profit association of over 1200 local government organizations, supports local governments in SPP implementation.

Activities connected with SPP can also be found in **emerging markets** (Mexico, Argentina, Brazil, etc.) and some **developing countries**. The **United Nations Environment Programme (UNEP)** is currently assisting seven countries

### Some examples for linking public procurement to social goals

'Affirmative action' in the US in the 1960s seeking greater equality for Africa-Americans; Promotion of aboriginal business development through federal procurement in Canada including selective set-asides; Preference point system in South Africa addressing several policy goals dealing with historically disadvantaged categories of persons by unfair discrimination on the basis of race, gender or disability.

(Chile, Costa Rica, Columbia, Uruguay, Tunisia, Mauritius, and Lebanon) in developing SPP policies and action plans, using a methodology developed by the Marrakech Task Force on Sustainable Public Procurement in the framework of a global effort to promote more sustainable consumption and production patterns (the "Marrakech Process"). Also, the **International Institute for Sustainable Development (ISSD)** has supported several countries in designing and implementing SPP policies, among others Vietnam, India, South Africa, and Ghana.

### Some international initiatives promoting green/sustainable procurement

European Commission: Buying green and Buying social initiatives.  
<http://ec.europa.eu/environment>

ICLEI: Non-profit association of over 1200 local government organizations from 70 countries supporting SPP  
<http://www.procuraplus.org>

International Green Purchasing Network (IGPN): Based in Tokyo, platform for networking and collaboration for international organizations, local authorities and NGOs active in procurement  
<http://www.igpn.org>

North American Green Purchasing Initiative (NAPGI): Engages manufacturers, purchasers and stakeholders; develops tools and conducts research  
<http://www.ccc.org>

UNEP: Capacity Building for Sustainable Public Procurement in Developing Countries  
<http://www.unep.fr/scp/procurement/>

**International Organization:** such as the United Nations, the World Bank and Asian Development Bank, have committed to purchasing products that promote social and environmental sustainability through their corporate procurement practices.

However, there are still a number of barriers to overcome: The perception that SPP is too complex and that SPP may increase the cost for public procurement; Inflexible budgetary mechanisms; Lack of knowledge related to environmental and social policies; Lack of information regarding legal options to include sustainability criteria in tender documents; and lack of practical tools. Other challenges point to the level of management support and the level of cooperation across departments. Particularly important in developing countries are issues such as market preparedness;



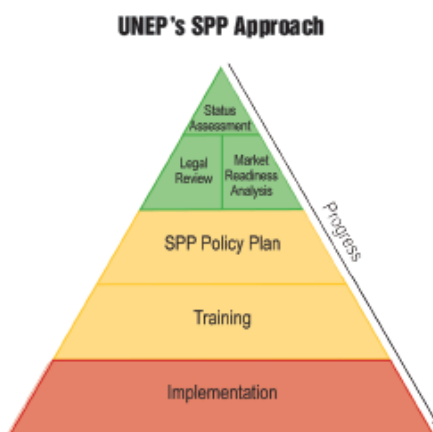
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potential impacts of SPP on small and medium sized local companies; and public awareness about the importance of sustainability in general.

### ■ Approaches to SPP

There are different entry points for SPP, which can be grouped as follows: Development and implementation of national SPP policies; establishing SPP in a public procuring entity; integrating sustainability considerations throughout the procurement process; and ensuring competencies, practices and techniques that should be in place to enable the successful implementation of SPP. Depending on the objective, different approaches are required. Ideally, a holistic approach should be followed addressing all levels in order to align organizational goals and practices with national development objectives. Some good practices are briefly outlined below.

**UNEP's SPP Approach** supports the development and implementation of national SPP policies and consists of three building blocks: **Assessment phase**: Status assessment (online questionnaire); identification of policy priorities; review of the legislative framework to analyze the possibilities for integrating social and environmental criteria into procurement activities; market readiness analysis to identify the potential responsiveness of the market to SPP tenders. **Strategic planning phase**: Development of a national SPP policy including priorities, capacity building and training. **Implementation**: Implementation in priority sectors/pilots; Market engagement; Procurement Cycle Management.



The recently published British Standard **BS 8903 Principles and framework for procuring sustainably** presents a generic framework suitable for private enterprises or public agencies,

focusing on the procuring entity level. It builds on higher-level organizational and procurement strategies ("fundamentals"), the procurement process, and "enablers" which are ways of working, competencies, practices and techniques that should be utilized on an ongoing basis. Similarly, ICLEI has developed its **Procura+ Milestone Process**. It is based upon the typical management cycle of "Plan, Do, Check, Act" and comprises the following phases: Preparation; target setting; development and implementation of action plan; monitor progress and report results.

The public procurement process usually starts with a planning phase and then follows four stages: (i) Defining the requirements of the contract; (ii) selecting suppliers, service providers, and contractors; (iii) evaluating tenders and awarding the contract; (iv) and contract implementation. How and when to consider sustainability criteria requires judgment on behalf of the buyer, since each procurement has different sustainability impacts, and each country or organization has different sustainability priorities, goals and legal frameworks that have to be complied with. Annex 1 illustrates some key considerations at each stage of the process.

### The Public Procurement Process



### ■ Developing countries and SPP – Challenges and opportunities

The OECD-DAC Task Force on Procurement which consists of representatives of developing countries and multilateral and bilateral development organizations stresses in its recent declaration on **Strong Procurement Systems for Effective States** ("Cusco Declaration") that efficient and effective public procurement is a fundamental component of good governance, a key driver of economic growth and development. It also recognizes that most developing countries have engaged in procurement reforms, with some

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countries making significant progress and others demonstrating a commitment to improve their procurement systems.

A more detailed analysis shows that countries usually commence their procurement reform process with legal and regulatory reform including supporting tools and documents, establishment of institutions, training of officials, and initiatives to ensure transparency and access to information as well as monitoring compliance, so-called “first generation reforms”. SPP clearly belongs to “second generation reforms” which go beyond the basic structures upon which a system relies, often including the use of technology to improve efficiency and effectiveness, focus on performance measurement and management and on efforts to communicate to stakeholders the contribution of procurement to the achievement of government’s priorities. To date, only few developing countries have embarked on national SPP programs, although many countries are doing this to some extent through efforts to develop increased access to the market or by considering environmental criteria in some individual procurement transactions.

Although it is too early to draw lessons learned, some opportunities are emerging that could lead the way forward:

- UNEP currently assesses the impacts of SPP. This analysis includes case studies from developed and developing countries and evidence provided could be used to increase awareness, commitment and a better understanding of the “how to” and the “why” of SPP.
- Programs and instruments aimed at strengthening public procurement systems in general and programs supporting SPP could be better aligned to be mutually reinforcing. The inclusion of sustainability criteria should become good practice.
- Given the importance of multilateral and bilateral donors in public procurement reform processes, it should be further explored how donors could support SPP in developing countries.

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### Annex 1 The Sustainable Procurement Process Some Key Considerations

#### Preparation of the process

- Define the need, avoid unnecessary purchases
- Conduct market research to determine if new technologies, new products or new innovative suppliers could meet operational requirements
- Explore options to increase efficiency such as joint procurement or framework agreements to pool environmental, social, technical or market knowledge
- Ensure compliance with the legal/institutional framework throughout the SPP process

#### Defining the requirements of a contract

- Define performance requirements and desired outcomes
- Identify sustainable impacts/opportunities such as use of renewable raw materials, energy and water consumption during use, greenhouse gas emissions and air pollutants, durability/lifespan, recycling/reuse at end of product life, packaging and transport, waste, accessibility standards for people with disabilities, measures to avoid accidents at work and conditions for safe storage of hazardous material to safeguard health and safety for workers in service or works contracts, etc.
- Consider use of output based specifications to promote innovation; use variants
- Use existing criteria sets or eco-/sustainability labels for helpful suggestions

#### Selecting suppliers, service providers and contractors

- Ensure qualification and tender documents include sustainability requirements, link criteria to subject-matter of the contract
- Keep the process simple to encourage bids from small and medium sized enterprises
- Advertise widely and in local media to promote supplier diversity
- Communicate evaluation criteria to foster competition

#### Evaluation of tenders and award of contracts

- Use appropriate techniques, such as matrix comparisons, relative weightings, bonus/malus systems to determine best value for money, in line with published criteria
- Use whole-life costing approaches where relevant to evaluate bids, consider lifespan of products and determine the net present value
- Include the cost of externalities (such as greenhouse gas emissions), if they can be expressed in monetary terms
- Debrief unsuccessful bidders

#### Contract Implementation

- Consider contract performance clauses to include social considerations (should be linked to the tasks which are necessary to execute the contract). For example, obligation to recruit unemployed persons or persons with disabilities; to set up training programs; comply with fundamental human rights guaranteed by the ILO core conventions if the supply chain is likely to involve production where these problems occur
- Consider including environmental considerations at the performance stage, for example: Having products delivered in the most appropriate quantity and outside peak traffic to reduce transport impact; reuse/recycling of packaging; reporting on greenhouse gas emissions caused in delivering products; minimization of waste and efficient use of resources such as electricity or water on a construction site; or the application of a specific environmental management measure for construction works such as EMAS or ISO 14001
- Define key performance indicators, measurable targets and stipulate acceptable performance levels
- Provide financial incentives for exceeding baseline targets/disincentives for poor performance
- Consider using the balanced scorecard methodology to monitor sustainability criteria
- Continuously improve sustainable procurement practices



## Annex 2 References and further information

Several handbooks and manuals have been published mainly in OECD countries during the past few years providing guidance on how to integrate sustainability considerations in public procurement. This information has been gratefully drawn upon when preparing this briefing note and, although an adaptation to the respective country and institutional context would be required, the following material could be useful to advance SPP in developing countries:

- United Nations Procurement Capacity Development Centre  
<http://www.unpcdc.org/>
- PCDC Online Guide to Procurement Capacity Development  
<http://www.unpcdc.org/home/procurement-guide.aspx>
- United Nations Environment Programme: Sustainable Public Procurement  
<http://www.unep.fr/scp/procurement/>
- UNEP/FOEN, 2011: Marrakech Task Force on Sustainable Public Procurement. Activity Report.  
<http://www.sustainableprocurement.eu.com/documents/MTPOonSPPReportCSD19/FINAL.pdf>
- UNEP-UNOPS-ILO-ITC/IO, 2011: Buying for a Better World.  
[http://www.unep.fr/scp/sun/facility/reduce/procurement/PDFs/BFABW\\_Final\\_web.pdf](http://www.unep.fr/scp/sun/facility/reduce/procurement/PDFs/BFABW_Final_web.pdf)
- BSI, 2011: The Sustainable Procurement Guide. Procuring Sustainably Using BS 8903.  
<http://www.bsigroup.com/>
- Defra, 2006: Procuring the Future. Sustainable National Action Plan: Recommendations from the Sustainable Procurement Task Force.  
<http://www.defra.gov.uk/publications/files/pb11710-procuring-the-future-060607.pdf>
- European Commission, 2011: Buying green! A handbook on green public procurement. 2nd Edition.  
<http://ec.europa.eu/environment/gpp/pdf/handbook.summary.pdf>
- European Commission, 2010: Buying social. A Guide to Taking Account of Social Considerations in Public Procurement.  
<http://www.ec.europa.eu/social/BlobServlet?docId=6457&langId=en>
- ICLEI, 2007. The Procura+ Manual: A Guide to Cost-Effective Sustainable Public Procurement.  
<http://www.procuraplus.org/index.php?id=4611>
- OECD, 2011: Strengthening Country Procurement Systems: Results and Opportunities.  
<http://www.unpcdc.org/media/225306/strengthening-country-procurement-systems-oecd-hlf4-2011.pdf>
- OECD, 2011: A Practical Guide to Transforming Procurement Systems.  
<http://www.unpcdc.org/media/225336/a%20practical%20guide%20to%20transforming%20procurement%20systems%20final%20formatted%2030oct%202011.pdf>

## Annexure 17) Sustainable MAPS (S-MAPS)

The *Methodology for Assessing Procurement Systems (MAPS)* is the common benchmarking tool for public procurement systems in developing countries. It addresses four pillars, twelve baseline indicators and fifty-four sub-indicators. It includes a scoring system with scores ranging from 3 to 0 for each baseline sub-indicator. A score of 3 indicates full achievement. A score of 2 is given when the system exhibits less than full achievement and needs some improvements in the areas assessed and a score of 1 is for those areas where substantial work is needed for the system to meet the standard (OECD 2010).

Currently, *MAPS* does not systematically address issues relevant for sustainable public procurement. As a consequence, the concept of sustainable public procurement is usually ignored in public procurement reforms in developing countries.

To provide an integrated public procurement assessment tool, which includes sustainability considerations, the *MAPS* tool has been amended. The new tool, named *Sustainable MAPS* or *S-MAPS*, systematically addresses economic, environmental, and social concerns, i.e. the three dimensions of sustainable public procurement. In detail:

### 1. S-MAPS Baseline Indicators:

A new baseline indicator system has been developed. Under each indicator, one new sub-indicator has been added. These new sub-indicators are called “s”-indicator; “s” stands for “sustainability indicator” (highlighted in red).

### 2. Assessment Criteria:

Assessment criteria have been developed for all newly established “s” indicators. The new assessment criteria allow for the assessment and scoring of issues which are important for the effective implementation of SPP.

#### 1. S-MAPS Baseline Indicators

Pillar I – Legislative and Regulatory Framework	
<b>1. The public procurement legislative and regulatory framework.</b>	
a)	Scope of application and coverage of the regulatory framework and public access to legislation.
b)	Procurement methods.
c)	Advertising rules and time limits.
d)	Rules on participation and qualitative selection.
e)	Tender documentation and technical specifications.
f)	Tender evaluation and award criteria
g)	Submission, receipt and opening of tenders.
h)	Complaints system structure and sequence.
s)	Sustainability.
<b>2. Implementing Regulations and Documentation</b>	
a)	Implementing regulation that provides defined processes and procedures.
b)	Model tender documents for goods, works, and services.
c)	Procedures for pre-qualification.
d)	Procedures for contracting for services or other requirements in which technical capacity is a key criterion.
e)	User's guide or manual for contracting entities.
f)	Existence and coverage of General Conditions of Contracts (GCC) for public sector contracts.
s)	Provisions on sustainable public procurement.

## Pillar II. Institutional Framework and Management Capacity

### 3. Integration and mainstreaming of the public procurement system into the public sector governance system.

- a) Procurement planning and data on costing are part of the budget formulation and multiyear planning.
- b) Budget law and financial procedures support timely procurement, contract execution, and payment.
- c) Procurement actions not initiated without budget appropriations.
- d) Systematic completion reports are prepared for certification of budget execution.

#### s) Integration of SPP in the public governance system.

### 4. Normative and regulatory functions.

- a) Normative/regulatory functions are established and assigned (to one or several agencies) in the legislative and regulatory framework.
- b) The responsibilities include at least those required in this sub indicator (see description of the indicators and sub – indicators).
- c) Adequacy of organization, funding, staffing, and level of independence and authority (formal power) to exercise the duties under (b).
- d) Separation and clarity so as to avoid conflict of interest and direct involvement in the execution of procurement transactions.

#### s) Institutional arrangements for implementation of SPP.

### 5. Institutional development capacity.

- a) System for collecting and disseminating procurement information and accessibility.
- b) Systems and procedures for collecting and monitoring national procurement statistics.
- c) Strategy and training capacity to provide training, advice and assistance to develop the capacity.
- d) Quality control standards and staff performance evaluation for capacity development.

#### s) Institutional development capacity for SPP.

## Pillar III. Procurement Operations and Market Practices

### 6. Efficiency of procurement operations and practices.

- a) Adequacy of procurement competence among government officials.
- b) Procurement training and information programs.
- c) Norms for the safekeeping of records and documents related to transactions and contract management.
- d) Provisions for delegation of authority.

#### s) SPP operations and practices.

### 7. Functionality of the public procurement market.

- a) Effective mechanisms for partnerships between the public and private sector.
- b) Private sector institutions are well organized and able to facilitate access to the market.
- c) Systemic constraints inhibiting the private sector's capacity to access the procurement market.

#### s) Functionality of the SPP market.

### 8. Existence of contract administration and dispute resolution provisions.

- a) Procedures are clearly defined for undertaking contract administration responsibilities.
- b) Contracts include adequate dispute resolution procedures.
- c) Procedures exist to enforce the outcome of the dispute resolution process.

#### s) SPP contract administration.

<b>Pillar IV. Integrity and Transparency of the Public Procurement System</b>	
<b>9. Effectiveness of control and audit systems</b>	
a) Legal framework, organization, policy, and procedures for internal and external control and audit of public procurement.	
b) Enforcement and follow-up on findings and recommendations of the control.	
c) The internal control system provides timely information on compliance to enable management action.	
d) The internal control systems are sufficiently defined to allow performance audits to be conducted.	
e) Auditors are sufficiently informed about procurement requirements.	
<b>s) SPP control and reporting system.</b>	
<b>10. Efficiency of appeals mechanism.</b>	
a) Decisions are deliberated on the basis of available information, and the final decision can be reviewed and ruled upon by a body (or authority) with enforcement capacity under the law.	
b) Capacity of the complaint review system and enforcement of decisions.	
c) Fairness of the complaints system.	
d) Public access to decisions.	
e) Independence of the administrative review body.	
<b>s) Sustainability considerations in appeals system.</b>	
<b>11. Accessibility to information.</b>	
a) Publication and distribution of information.	
<b>s) Access to information on SPP.</b>	
<b>12. Ethics and anticorruption policy and measures.</b>	
a) Legal provisions on corruption, fraud, conflict of interest, and unethical behaviour.	
b) Definition in legal system of responsibilities, accountabilities, and penalties for fraudulent or corrupt practices.	
c) Enforcement of rulings and penalties.	
d) Measures exist to prevent and detect fraud and corruption in public procurement.	
e) Stakeholders support the creation of a procurement market known for its integrity and ethical behaviors.	
f) Mechanism for reporting fraudulent, corrupt, or unethical behavior.	
g) Codes of Conduct/Codes of Ethics for participant and provision for disclosure for those in decision making positions.	
<b>s) Ethics and anticorruption measures for SPP.</b>	

## 1. Assessment criteria for the newly established sustainability indicators

<b>Assessment Criteria Sub-indicator 1 (s): Sustainability</b>	<b>Score</b>
The legal framework meets all the following conditions: (a) There are clear provisions on the inclusion of sustainability criteria (economic, environmental, social) throughout the procurement process. (b) There are provisions on framework contracts based on competition. (c) There are provisions on the use of e-procurement. (d) There are provisions on the preparation of the procurement process to avoid unnecessary purchases and to facilitate sustainable product innovation.	<b>3</b>
The legal framework meets the conditions of (a) and (b) plus one of the remaining conditions.	<b>2</b>
The legal framework meets the conditions of (a) and (b)	<b>1</b>
The legal framework fails to substantially comply with any three of the conditions (a) through (d).	<b>0</b>

<b>Assessment Criteria Sub-indicator 2 (s): Provisions for sustainable public procurement</b>	<b>Score</b>
There are regulations that supplement and detail the provisions of the procurement law that meet all the following requirements: (a) Procurement regulations detail the provisions of the procurement law related to SPP. (b) The model invitation and tender documents take account of sustainability considerations. (c) The User's Guide or Manual for procuring entities comprehensively covers sustainability issues. (d) General Conditions of Contracts include clauses on social and environmental performance.	<b>3</b>
The legal framework meets the conditions of (a) and (b) plus one of the remaining conditions.	<b>2</b>
The legal framework meets the conditions of (a) and (b)	<b>1</b>

The legal framework fails to substantially comply with any three of the conditions (a) through (d).	0
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<b>Assessment Criteria Sub-indicator 3 (s): Integration of SPP into the public governance system</b>	<b>Score</b>
There are budget and financial procedures in place that meet all the following requirements: (a) Procurement Planning takes sustainability criteria into account. (b) The budget law and financial procedures promote whole life costing approaches. (c) The budget law ensures flexibility between the investment budget and the recurrent budget. (d) Budget law allows for sustainability risk assessments.	3
The system meets the conditions of (a) and (b) plus one of the remaining conditions.	2
The system meets the conditions of (a) and (b)	1
The system fails to substantially comply with any three of the conditions (a) through (d).	0

<b>Assessment Criteria Sub-indicator 4 (s): Institutional arrangements for implementation of SPP</b>	<b>Score</b>
The institutional arrangements meet all the following requirements: (a) Responsibilities for the country wide implementation of SPP are clearly assigned to a normative or regulatory body or any other institution. (b) Responsibilities for the implementation of SPP at the procuring entity level are clearly assigned. (c) The country has certification institutions facilitating compliance checks and labeling. (d) The institutions' organization, funding, and staffing is sufficient and consistent with the responsibilities.	3
The conditions of (a) and (b) are met plus one of the remaining conditions.	2
The conditions of (a) and (b) are met.	1
The system fails to substantially comply with any three of the conditions (a) through (d).	0

<b>Assessment Criteria Sub-indicator 5 (s): Institutional development capacity for SPP</b>	<b>Score</b>
The country has systems in place to support and monitor the performance of SPP which meet all the following requirements: (a) The country has a system for collecting data for national procurement statistics which allow for procurement spend analyses, risk assessments, and prioritization. (b) The country has a system for defining core sustainable product criteria. (c) The country has a system for determining future cost and externalities to allow for reliable whole life costing calculations based on net present value. (d) The country has a sustainable strategy and training capacities to develop the capacities of government and private sector participants to effectively implement SPP.	
The system meets the conditions of (a) and (b) plus one of the remaining conditions.	2
The system meets the conditions of (a) and (b)	1
The system fails to substantially comply with any three of the conditions (a) through (d).	0

<b>Assessment Criteria Sub-indicator 6 (s) : SPP operations and practices</b>	<b>Score</b>
SPP operations and practices meet all the following requirements: (a) The level of procurement competence among government officials is consistent with their SPP responsibilities. (b) The SPP training and information programs for government officials and the private sector are consistent with demand. (c) There are established norms related to SPP practices and contract management. The concept of Whole life costing is consistently applied. (d) There is an exchange of best practices and networking to further improve SPP operations.	3
The conditions of (a) and (b) are met plus one of the remaining conditions.	2
The conditions of (a) and (b) are met.	1
The system fails to substantially comply with any three of the conditions (a) through (d).	0



<b>Assessment Criteria Sub-indicator 7 (s): Functionality of the SPP market</b>	<b>Score</b>
The SPP market meets the following requirements: (a) There are effective mechanisms for partnerships between the public and private sector to advance SPP, i.e. open dialogue to determine and further advance the market readiness for SPP. (b) The government has programs to help build capacity among private companies and facilitate the certification process of sustainable products and sustainable production processes. (c) The government has programs to ensure supplier diversity and the inclusion of SMEs in the sustainable public procurement market. (d) There are no major systemic constraints inhibiting the private sector's capacity to access the sustainable public procurement market. The government conducts Market Readiness Analyses.	<b>3</b>
The conditions of (a) and (b) are met plus one of the remaining conditions.	<b>2</b>
The conditions of (a) and (b) are met.	<b>1</b>
The system fails to substantially comply with any three of the conditions (a) through (d).	<b>0</b>

<b>Assessment Criteria Sub-indicator 8 (s): SPP contract administration.</b>	<b>Score</b>
Contract administration meets the following requirements: (a) Contracts usually include key performance indicators, measurable targets and acceptable performance levels. (b) Procedures are clearly defined to ensure the enforcement of SPP contract performance clauses. (c) There are financial incentives for exceeding baseline targets. (d) There are sanctions for poor performance and action taken to ensure continuous improvement.	<b>3</b>
The conditions of (a) and (b) are met plus one of the remaining conditions.	<b>2</b>
The conditions of (a) and (b) are met.	<b>1</b>
The system fails to substantially comply with any three of the conditions (a) through (d).	<b>0</b>

<b>Assessment Criteria Sub-indicator 9 (s): SPP control and reporting system</b>	<b>Score</b>
There are control and reporting systems in place that meet the following requirements: (a) Sustainable public procurement performance is measured at the procuring entity level. (b) The country's internal and external control framework covers sustainable public procurement. (b) Systematic independent evaluations are regularly conducted to assess the economic, environmental, and social impacts of SPP. (d) A reporting system is established and implemented to inform stakeholders and the public about the outcomes of SPP.	<b>3</b>
The conditions of (a) and (b) are met plus one of the remaining conditions.	<b>2</b>
The conditions of (a) and (b) are met.	<b>1</b>
The system fails to substantially comply with any three of the conditions (a) through (d).	<b>0</b>

<b>Assessment Criteria Sub-indicator 10 (s): Sustainability considerations in appeals system</b>	<b>Score</b>
The appeals system meets the following requirements: (a) The complaint review system has the capacity to handle complaints related to sustainability criteria. (b) The complaint review system has the means to access external know on environmental or social issues under discussion if needed. (c) The complaints review system reports back on systemic issues related to SPP, e.g. negative impacts on small and medium enterprises. (d) Decisions of the complaint review system are published in a timely manner.	<b>3</b>
The system meets the conditions of (a) and (b) plus one of the remaining conditions.	<b>2</b>
The system meets the conditions of (a) and (b)	<b>1</b>
The system fails to substantially comply with any three of the conditions (a) through (d).	<b>0</b>

<b>Assessment Criteria Sub-indicator 11 (s): Access to information on SPP</b>	<b>Score</b>
Information on SPP is widely published: (a) There is a centralized place, preferably a dedicated website, providing information on SPP. (b) Good Practices guides, practical tools, and impact studies on SPP are prepared and distributed. (c) Awareness raising campaigns are regularly conducted by the government addressing key stakeholders and the general public. (d) A help desk provides ad-hoc support on SPP related matters to public authorities and private enterprises.	<b>3</b>
The conditions of (a) and (b) are met plus one of the remaining conditions.	<b>2</b>
The conditions of (a) and (b) are met.	<b>1</b>
The system fails to substantially comply with any three of the conditions (a) through (d).	<b>0</b>

<b>Assessment Criteria Sub-indicator 12 (s): Ethics and anticorruption measures for SPP</b>	<b>Score</b>
The legal and governance system meets the following requirements: (a) The country has endorsed and applies the ILO Core Labor Conventions. (b) Environmental legislation is in place and it is enforced. (c) There are special measures exist to prevent and detect fraud and corruption in SPP. (d) Stakeholders (private sector, civil society, beneficiaries) support the creation of a SPP market known for its integrity and ethical behavior.	<b>3</b>
The conditions of (a) and (b) are met plus one of the remaining conditions.	<b>2</b>
The conditions of (a) and (b) are met.	<b>1</b>
The system fails to substantially comply with any three of the conditions (a) through (d).	<b>0</b>

## **Annexure 18) Checklist Country Context and Scoping of the in-depth Assessment**

### **Country Context**

#### **1. Economic factors**

- Population
- GDP
- GNI per capita
- World Bank Classification
- Global Competitiveness Index
- Corruption Perception Index (Rank, Score)

#### **2. Political factors**

- Good governance
- Political commitment
- Long term government vision
- Informal institutions

#### **3. Administrative factors**

- Key features of Public Procurement System
- ILO Core Conventions
- Multi-actor cooperation
- Incentives system

#### **4. Socio-cultural factors**

- Sustainable development strategy
- Environmental action plans
- Stakeholder interests and powers
- Culture

#### **5. Resources**

- Funding
- Institutional development capacity
- Capacity

### **Scoping and planning an assessment**

The assessment should have an assessment owner, who manages and oversees the process and facilitates the dialogue between different actors and stakeholders. For SPP mainstreaming, this could for example be a high-ranking official of the national public procurement regulatory agency supported by a multi-stakeholder committee (steering committee). To actively engaging key stakeholders throughout the process, stakeholders have to be identified and their importance and influence should be analyzed (refer to stakeholder mapping, Chapter 6.4.2). The objectives have to be clarified; scale and scope defined; and the assessment methodology including the tools to be used has to be described. It also needs to be planned who is going to conduct the assessment. One critical question related to SPP is for example, if there are internal staff with appropriate skills

or if external experts in the form of local or international consultants have to be recruited. Another critical question refers to data collection. It is usually easier to collect qualitative data (through review of documents and laws; interviews; surveys; etc.) than to collect quantitative data, which may be needed for the prioritization of SPP activities and which includes specific statistical data. A work plan should be drawn up detailing the outputs to be achieved, activities, time lines, roles and responsibilities, and the required budget.

Specialized assessment tools should be considered for the in-depth analysis and tools should be adapted to the country context such as: Barrier Analysis; Prioritization Exercise; Market Readiness Analysis; Capacity Needs Assessment, etc.

Source: OECD 2011b

## Annexure 19) Measurement

To monitor progress of SPP implementation, a results framework and monitoring and evaluation arrangements need to be made. It is important to identify a few high level indicators with baselines and targets relating to the strategic goals. Indicators for both outcomes (they measure change in performance) and outputs (they measure the result of activities) are needed and each indicator needs a baseline and a target. The baseline is used as a starting point for measuring progress. The targets may be short-term or long-term with interim milestones. The data collection method needs to be determined. The table below provides examples of outcome and output indicators (OECD 2011b; Berry 2011).

Expected Result	Indicators	Baseline	Target	Data collection method
<b>Outcome</b>				
<b>Increased public access to procurement information</b>	% of procurement plans, procurement notices and contract awards published on website	2011: 10%	2012: 15% 2013: 60% 2014: 99%	Procurement Monitoring survey
<b>Outputs:</b>				
<b>Improved functionality of website</b>	New features implemented	User uploading not currently functional	Functional by end 2012.	Project completion report
<b>Guidelines on uploading to website developed</b>	Guidelines developed and published	No guidelines	Published by end 2012.	Project completion report
<b>Users trained on data uploading to website</b>	# of users trained and able to use system	No users trained.	2013: 20 users 2014: 50 users	Post training test results.

Figure 9: Example of outcome and output indicators

Example of outcome and output indicators (OECD 2011b, 60, Fig. 9)

The British Standard BS 8903 suggests the following basic steps when developing performance indicators and corresponding targets:

<b>Key steps to implement measurement</b>	
1. Identify Measures:	Aim for a balance of indicators which reflect your sustainability priorities and objectives.
2. Agree Methodology:	Work with staff/suppliers/stakeholders to agree how indicators will be measured
3. Establish baseline:	Understand current position. This is key to establishing realistic targets.
Agree improvement targets:	Ensure buy-in to all targets from individuals, teams and suppliers responsible for Delivering targets.
4. Monitor and review:	Agree monitoring method and review frequency. Be clear who is responsible for providing data and agree reporting format.

Key steps to implement measurement (Berry 2011, 177)

## Annexure 20) Four Levels of Procurement Management

Successful integration of sustainability and procurement should consider the following four levels that present a set of management interventions. This concept is based on Harland's *Four levels of Supply Management* which is illustrated below.

### Procurement Policy:

The procurement policy of an organization sets the overall framework for procurement. The policy level includes Value for Money Policy, Environmental and Ethic Policy, etc. Sustainable Public Procurement should be anchored at the policy level.

### Procurement Strategy:

The procurement strategy sets directions for organizations on procurement to achieve a targeted position. Procurement strategies should be closely integrated with other corporate strategies to support an overall strategic mission.

### Procurement Management:

Procurement management supports and monitors procurement activities through planning and controls. This may involve activities that ensure that sources for sustainable products and services are available. Procurement management might also include a supplier engagement plan to develop the capacity of suppliers to meet SPP requirements.

### Procurement Operations:

The substantive action takes place at the operational level of procurement. At this level, decisions are made regarding which products and services are purchased from which suppliers.

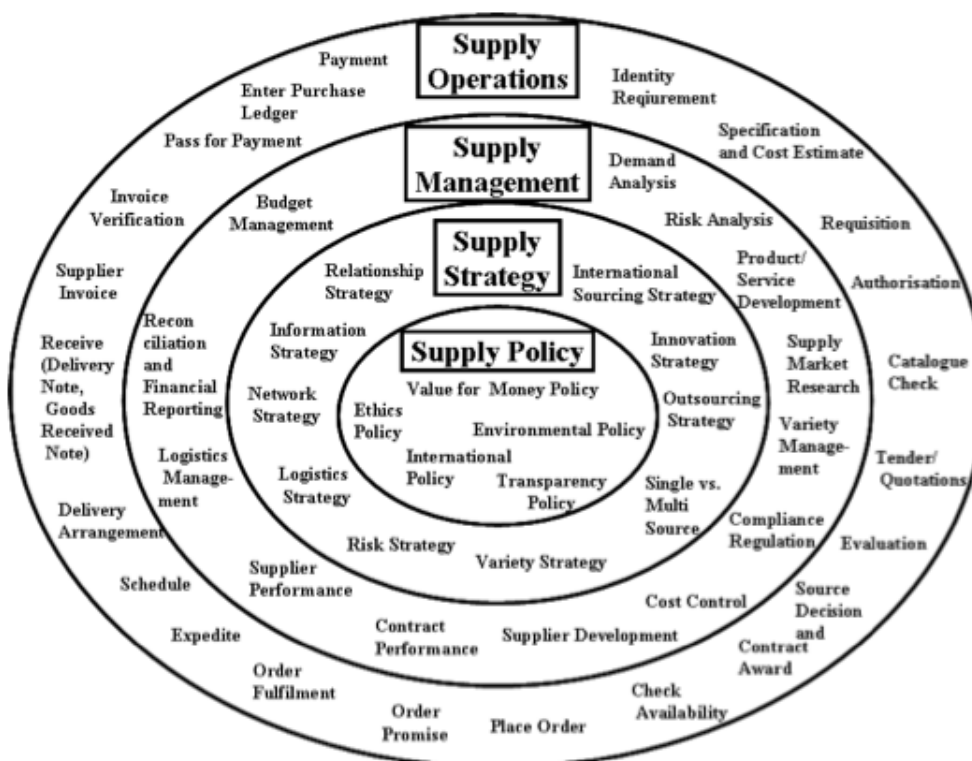


Fig. 3: Four Levels of Supply Management (Harland 2002)

## Annexure 21) The Sustainable Public Procurement Process

### Preparation of the process

1. Define the need, avoid unnecessary purchases
2. Explore options to increase efficiency such as joint procurement or framework agreements to pool environmental, social, technical or market knowledge
3. Ensure compliance with the applying legal/institutional framework throughout the SPP process

### Defining the requirements of a contract

1. Define performance requirements and desired outcomes
2. Identify sustainable impacts/opportunities such as use of renewable raw materials, energy and water consumption during use, greenhouse gas emissions and air pollutants, durability/lifespan, recycling/reuse at end of product life, packaging and transport, waste, accessibility standards for people with disabilities, measures to avoid accidents at work and conditions for safe storage of hazardous material to safeguard health and safety for workers in service or works contracts, etc.
3. Consider use of output-based specifications to promote innovation; use variants; or define minimum standards in specifications.
4. Use existing criteria sets or eco-/sustainability labels for helpful suggestions

### Selecting suppliers, service providers and contractors

1. Ensure qualification and tender documents include sustainability requirements, link criteria to subject-matter of the contract
2. Keep the process simple to encourage bids from small and medium sized enterprises
3. Advertise widely and in local media to promote supplier diversity
4. Communicate evaluation criteria to foster competition

### Evaluation of tenders and award of contracts

1. Use appropriate techniques, such as matrix comparisons, relative weightings, bonus/malus systems to determine best value for money, in line with published criteria
2. Use whole life costing approaches where relevant to evaluate bids, consider lifespan of products and determine the net present value
3. Include the cost of externalities (such as greenhouse gas emissions), if they can be expressed in monetary terms
4. Debrief unsuccessful bidders

### Contract Implementation

1. Consider contract performance clauses to include social considerations (should be linked to the tasks which are necessary to execute the contract). For example, obligation to recruit unemployed persons or persons with disabilities; to set up training programs; comply with fundamental human rights guaranteed by the ILO core conventions if the supply chain is likely to involve production where these problems occur
2. Consider including environmental considerations at the performance stage, for example: Having products delivered in the most appropriate quantity and outside peak traffic to reduce transport impact; reuse/recycling of packaging; reporting on greenhouse gas emissions caused in delivering products; minimization of waste and efficient use of resources such as electricity or water on a construction site; or the application of a specific environmental management measure for construction works such as EMAS or ISO 14001
3. Define key performance indicators, measurable targets and stipulate acceptable performance levels
4. Provide financial incentives for exceeding baseline targets/disincentives for poor performance
5. Consider using the balanced scorecard methodology to monitor sustainability criteria
6. Continuously improve sustainable procurement practices ("Plan, Do, Check, Act")

Sources: Based on recommendations provided in the EU manuals “Buying Green” and “Buying social”, BSI 8903, and the Manual published by the German Association of Cities “Die Berücksichtigung sozialer Belange im Vergaberecht (European Commission 2010; European Commission 2011b; Berry 2011; Deutscher Städtetag et al. 2009).





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**Annexure 22) The Flexible Framework**

The *UK Government Sustainable Procurement National Action Plan* defined a series of “building blocks” public sector organizations can use to lead to rapid progress towards more sustainable procurement being delivered throughout the public sector. One of these building blocks is a framework of key behavioral and operational change programs (*the Flexible Framework*) which defines five stages of procurement performance (foundation level, embed level, practice level, enhance level, and lead level) and which comprises the following five key themes: People; Policy, Strategy & Communications; Procurement Process; Engaging Suppliers; and Measurement & Results

Source: DEFRA 2006, 68, Fig. 9.

	Foundation Level 1	Embed Level 2	Practice Level 3	Enhance Level 4	Lead Level 5
<b>People</b>	Sustainable procurement champion identified. Key procurement staff have received basic training in sustainable procurement principles. Sustainable procurement is included as part of a key employee induction programme.	All procurement staff have received basic training in sustainable procurement principles. Key staff have received advanced training on sustainable procurement principles.	Targeted refresher training on latest sustainable procurement principles. Performance objectives and appraisal include sustainable procurement factors. Simple incentive programme in place.	Sustainable procurement included in competencies and selection criteria. Sustainable procurement is included as part of employee induction programme.	Achievements are publicised and used to attract procurement professionals. Internal and external awards are received for achievements. Focus is on benefits achieved. Good practice shared with other organisations.
<b>Policy, Strategy &amp; Communications</b>	Agree overarching sustainability objectives. Simple sustainable procurement policy in place endorsed by CEO. Communicate to staff and key suppliers.	Review and enhance sustainable procurement policy. In particular consider supplier engagement. Ensure it is part of a wider Sustainable Development strategy. Communicate to staff, suppliers and key stakeholders.	Augment the sustainable procurement policy into a strategy covering risk, process integration, marketing, supplier engagement, measurement and a review process. Strategy endorsed by CEO.	Review and enhance the sustainable procurement strategy in particular recognising the potential of new technologies. Try to link strategy to EMS and include in overall corporate strategy.	Strategy is reviewed regularly, externally scrutinised and directly linked to organisations' EMS. The Sustainable Procurement strategy recognised by political leaders, is communicated widely. A detailed review is undertaken to determine future priorities and a new strategy is produced beyond this framework.
<b>Procurement Process</b>	Expenditure analysis undertaken and key sustainability impacts identified. Key contracts start to include general sustainability criteria. Contracts awarded on the basis of value-for-money, not lowest price. Procurers adopt Quick Wins.	Detailed expenditure analysis undertaken, key sustainability risks assessed and used for prioritisation. Sustainability is considered at an early stage in the procurement process of most contracts. Whole-life-cost analysis adopted.	All contracts are assessed for general sustainability risks and management actions identified. Risks managed throughout all stages of the procurement process. Targeted to improve sustainability are agreed with key suppliers.	Detailed sustainability risks assessed for high impact contracts. Project/contract sustainability governance is in place. A life-cycle approach to cost/impact assessment is applied.	Life-cycle analysis has been undertaken for key commodity areas. Sustainability key Performance Indicators agreed with key suppliers. Progress is rewarded or penalised based on performance. Barriers to sustainable procurement have been removed. Best practice shared with other organisations.
<b>Engaging Suppliers</b>	Key supplier spend analysis undertaken and high sustainability impact suppliers identified. Key suppliers targeted for engagement and views on procurement policy sought.	Detailed supplier spend analysis undertaken. General programme of supplier engagement initiated, with senior manager involvement.	Targeted supplier engagement programme in place, promoting continual sustainability improvement. Two way communication between procurer and supplier exists with incentives. Supply chains for key spend areas have been mapped.	Key suppliers targeted for intensive development. Sustainability audits and supply chain improvement programmes in place. Achievements are formally recorded. CEO involved in the supplier engagement programme.	Suppliers recognised as essential to delivery of organisations' sustainable procurement strategy. CEO engages with suppliers. Best practice shared with other/peer organisations. Suppliers recognise they must continually improve their sustainability profile to keep the clients business.
<b>Measurements &amp; Results</b>	Key sustainability impacts of procurement activity have been identified.	Detailed appraisal of the sustainability impacts of the procurement activity has been undertaken. Measures implemented to manage the identified high risk impact areas.	Sustainability measures refined from general departmental measures to include individual procurers and are linked to development objectives.	Measures are integrated into a balanced score card approach reflecting both input and output. Comparison is made with peer organisations. Benefit statements have been produced.	Measures used to drive organisational sustainable development strategy direction. Progress formally benchmarked with peer organisations. Benefits from sustainable procurement are clearly evidenced. Independent audit reports available in the public domain.

## Annexure 23) Model Mainstreaming SPP in developing countries (Summary)

### Mainstreaming SPP in developing countries

Table 28 presents the comprehensive model “Mainstreaming SPP in developing countries”. The model comprises SPP implementation at the national and organizational level (green). The model is embedded in the principles of aid effectiveness (blue), change management (pink), and capacity development (brown). Objectives at the organizational level, i.e. the procuring entity level, closely relate to objectives and actions for mainstreaming SPP at the national level (presented in Chapter 8.3).

Aid Effectiveness Principles:	Change Management Principles:	Capacity Development Principles:	<b>Mainstreaming SPP at the national level</b>	<b>Mainstreaming SPP at the organizational level</b>	Stakeholder engagement	Ownership, Alignment, Harmonization, Mutual Accountability, Managing for Results
	Awareness	Assessments	<b>Objectives:</b>	<b>Objectives:</b>		
	Understanding		Create awareness of the benefits of SPP	Understand the national SPP framework		
			Share experiences of ongoing SPP programs			
			Develop and agree on SPP benchmarks and common assessment tools			
			Look at the country context to ensure that the conditions and the approach are right	Assess implications and relevance of SPP for the procuring entity		
	Conduct an in-depth assessment to inform the design of the national SPP program	Conduct an in-depth assessment to inform the design of the procuring entity's SPP program				
	Behavioral change	Strategy development	Set goals and develop a strategic plan	Define the procuring entity's procurement policy and strategy		
	Make a difference and effect change	Implementation	Effect the intended change: SPP implementation	Implement the procuring entity's SPP strategy		
			Monitor and evaluate implementation and the impacts of SPP	Monitor and evaluate the procuring entity's SPP implementation and the impacts of SPP		
			Establish a partnership of effective development cooperation for SPP	Establish a partnership of effective development cooperation for SPP at the procuring entity level		

Table 29: Model Mainstreaming SPP in Developing Countries.

### National level: Objectives, Rationale, Management Approaches

Table 27 summarizes the rationale and recommended management approaches for each of the presented objectives in the generic model to mainstream SPP at the national level. Reference is made to the key findings presented in previous chapters and to additional information included in annexures.

National level: Objectives, Rationale, Management Approaches			
Objectives	Rationale	Management Approaches	Reference to Findings
<b>Create awareness of the benefits of SPP</b>	Information deficit	Bridging information asymmetries Dialogue to create sense of urgency Make the case for SPP	Potential benefits analysis (6.1 – 6.3) and main incentives (Findings #5b) <i>SPP Briefing Note: Annex 16</i>
<b>Share experiences of ongoing SPP programs</b>	Use experiences of ongoing SPP programs and pilots	Success stories Internet based knowledge sharing platform Learning from failures	Emerging Good Practices (4.2) Country experiences (5.2 – 5.5)
<b>Develop and agree on SPP benchmarks and common assessment tools</b>	No SPP benchmarks SPP not integrated	S-MAPS development Links to specialized SPP tools	State of Play in developing countries (4) <i>S-MAPS: Annex 17</i>
<b>Look at the country context to ensure the right conditions and approach</b>	Enabling conditions Success factors	Pre-Assessment "Scoping" to adapt in-depth assessment to country context Stakeholder engagement throughout the entire process	Country Context (5.2; Findings #2) Prerequisites (7) <i>Checklist: Annex 18</i>
<b>Conduct in-depth assessment to inform the design of the national SPP program</b>	Understand current situation Inform strategy development	S-MAPS and specialized SPP tools (prioritization, market readiness analysis, barrier analysis) as appropriate	Good Practices (4.2; Findings #3) Country experiences (5.3 and 5.4) Prioritization and MRA: Annex 9
<b>Set goals and develop a strategic plan</b>	Strategy "Plan"	Vision, goals Strategic options Implementation Plan Communication	Areas requiring action (Findings #7) Ways to overcome barriers (8.1) Suitability of tools (8.2)
<b>Effect the intended change: SPP implementation</b>	Change Management "Do"	Management arrangements Competencies Legal reform, manuals, etc. Change agents	Portfolio of barriers (6.4.2; Findings # 6a, 6b) Change Management (7.4)
<b>Monitor and evaluate the impacts of SPP</b>	Managing for results "Check and Act"	M&E framework Information systems Make corrections	Measurement: Annex 19
<b>Establish a partnership of effective development cooperation for SPP</b>	Development cooperation	Mandate Task Force on Procurement	Opportunities to mainstream SPP (8.3.9)

**Table 28:** National Level: Objectives, Rationale, Management Approaches.

### Organizational level: Objectives, Rationale, Management Approaches

Table 27 summarizes the rationale and recommended management approaches for each of the presented objectives in the generic model to mainstream SPP at the procuring entity level. Reference is made to the key findings presented in previous chapters and to additional information included in annexures.

Organizational Level: Objectives, Rationale, Management Approaches			
Objectives	Rationale	Management Approaches	Reference to Findings
Understand the national SPP framework	Information deficit Compliance	Bridging information asymmetries National SPP policy and strategy Legal framework	Potential benefits analysis (6.1 – 6.3) and main incentives (Findings #5b) Mainstreaming SPP at the national level (8.3)
Assess implications and relevance of SPP for the procuring entity	Risks and opportunities  Success factors	Pre-Assessment “Scoping” to adapt in-depth assessment to procuring entity	Prerequisites (7), in particular 7.3 Box 3
Conduct in-depth assessment to inform the design of the procuring entity's SPP strategy	Understand current situation Inform strategy development	Stakeholder identification and engagement throughout the entire process Organizational goals, strategies Procurement spend analysis and specialized SPP tools (prioritization, market readiness analysis, barrier analysis)	Good Practices (4.2; Findings #3) Country experiences (5.3 and 5.4) Prioritization and MRA: Annex 9
Define the entity's procurement policy and strategy	Strategy  “Plan”	Procurement policy Procurement strategy Targets	Areas requiring action (Findings #7) Ways to overcome barriers (8.1) Suitability of tools (8.2)
Implement the entity's SPP strategy	Change Management  “Do”	Procurement management  Procurement operations: - Preparatory stage - The sustainable procurement process	<i>The Sustainable Public Procurement Process:</i> Annex 21
Monitor and evaluate the entity's SPP implementation and impacts of SPP	Managing for results  “Check and Act”	Measurement Reporting Impact analysis Supplier improvement Feed back to national level M&E	<i>The Flexible Framework:</i> Annex 22
Establish a partnership of effective development cooperation for SPP implementation at the entity level	Development cooperation	Capacity Development Provide guidance Tool development Joint monitoring and Evaluation Removal of barriers to SPP	Opportunities to mainstream SPP (8.3.9)

**Table 32:** Organizational level: Objectives, Rationale, Management Approaches.