

Practitioner's Guide

to Sustainable Procurement



*Re-starting sustainable,
profitable industries in the
Minsk region of Belarus.*





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to Sustainable Procurement

COVER: *Reaching villagers with
environmental education in Thailand.*

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UNDP Sustainable Procurement Policy

POLICY STATEMENT

UNDP is committed to sustainable procurement and will maximize environmental, social and economic considerations in the procurement process wherever and wherever possible.

GENERAL PRINCIPLES

Sustainable procurement is consistent with the United Nations and UNDP's general procurement principles:

- a) Best value for money:** The selection of offers which presents the optimum combination of factors such as appropriate quality, life-cycle costs and other parameters. Environmental and social considerations can be included among these parameters. Furthermore, reduced energy and resource consumption throughout the life-cycle results in greater efficiencies and long-term cost savings.
- b) Fairness, integrity and transparency:** These principles are guaranteed through the incorporation of sustainability criteria at the early stages of the procurement process. Sustainable procurement also helps reduce reputational risk and helps uphold UNDP's emphasis on integrity and responsibility.
- c) Effective international competition:** To support effective competition, sustainable procurement must be implemented progressively and in full respect of the right of access to the United Nations market for suppliers from developing countries and countries with economies in transition.
- d) The best interests of UNDP:** Sustainable procurement is clearly in the best interest of UNDP as it supports the alignment of procurement to the core mission of sustainable development.

GENERAL CONSIDERATIONS

The identification of adverse social and environmental impacts of products and services is an important task. Moreover, each procurement solution and market is different. The optimal approach to sustainable procurement implementation is the creation of a team. At a minimum the team should

include the procurement staff and the requisitioner. It can also include people with an in-depth knowledge of the particular product or service. This would enhance the ability to identify social and environmental impacts which should be addressed in the procurement. The sustainability outcome of the procurement process should be enhanced by taking into account social and environmental impacts alongside traditional economic and efficiency considerations at various stages of the procurement cycle.

EARLY INCLUSION OF SUSTAINABLE PROCUREMENT

Early inclusion of sustainable procurement at the project level procurement planning phase is crucial to ensure fairness, transparency and efficiency. During the procurement planning phase, a number of options are available to embed sustainability considerations:

- a) Re-considering needs
- b) A contract title that conveys the relevance of sustainability in the tender
- c) A sustainability risk assessment
- d) A market analysis to assess the maturity of the sustainable products and services market

Assessment and analysis should match the significance of the procurement. Smaller procurements can use simpler methods that are easier to conduct, while larger procurements should have more in-depth analysis.

REQUIREMENT DEFINITION

Requirement definition is based on the requisition and guided by the outcome of the considerations outlined above. It is important that the drafting of sustainability requirements is done in a way that



does not hinder competition. Possible techniques for drafting sustainable requirements are:

- a) Refer to international standards
- b) Use criteria from eco-labels and social labels
- c) Specify more sustainable production and process methods

SOURCING RESPONSIBLE SUPPLIERS

Sourcing responsible suppliers is an important step in ensuring that the sustainability risk is minimized:

- a) Include commitment to sustainability of the suppliers as part of the evaluation criteria
- b) Ensure suppliers have the necessary technical capacity, i.e. previous experiences, environmental management systems, etc.

SUSTAINABILITY CRITERIA

Sustainability criteria where possible should be used in the solicitation and evaluation phase to identify the offer that presents the best combination of quality and price and sustainable performance:

- a) Specify and use quantifiable sustainability criteria together with other evaluation criteria
- b) Consider life-cycle-costs and recycling costs in the financial evaluation
- c) Background-check potential suppliers (for qualification purposes) for their record of social and environmental responsibility.

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Sustainable Procurement Implementation Guide — Request For Proposal (RFP) Evaluation Criteria

This guidance material provides information on how to include sustainable factors into the evaluation process of an RFP and provides incentives for vendors to offer more sustainable products and services to UNDP.

Sustainable procurement encompasses social, environmental and economic aspects and for any approach to be truly sustainable it must deal with all three aspects.

The implementation of sustainable procurement will use many of the processes and forms already available and in use today within UNDP. The idea is to make inclusion of sustainable

evaluation criteria as seamless as possible. Before discussing the details of the procedure, it is important to have a basic understanding of how these factors will be brought into the procurement process. This guide is for RFP's and will use the 1,000 point technical evaluation technique already in existence. Currently, the policy on point system technical evaluations is defined as follows:

SUMMARY OF TECHNICAL PROPOSAL EVALUATION FORMS		SCORE WEIGHT	POINTS OBTAINABLE
1	Expertise of Firm / Organization	30%	300
2	Proposed Methodology, Approach and Implementation Plan	40%	400
3	Management Structure and Key Personnel	30%	300
4	Total		1000



*Protecting waterways
in Madagascar.*

One aspect of sustainable procurement is the commitment of the company to sustainable practices. It is important for UNDP to not only purchase sustainable products but to do so with companies that support sustainability through their own internal procedures. Section 1 of the evaluation criteria, “Expertise of Firm/Organization” will be where this issue is discussed and evaluated.

The second section of the evaluation criteria, “Proposed Methodology, Approach and Implementation Plan” relates to the degree of compliance of the goods and services to be delivered against the requirements. Sustainable specifications and concepts in the TOR will be evaluated in this section. In addition, section 2 can be used to evaluate the sustainable expertise of individuals working on the contract. This piece will be used mostly in service or construction contracts. Our opportunity here is to promote the use of individuals that have experience in using sustainable practices in completion of the work to be performed.

As you will see in the detailed annex (to follow), some of the sustainable procurement evaluation criteria will be consistent in all procurements. Others will require evaluation criteria tailored to the particular type of procurement. There are some examples of criteria which can be modified to meet specific contract requirements. When

developing these evaluation criteria it is important to ask a number of questions to determine which sustainable issues should be addressed in procurement. These questions will vary between different procurements. However, assuming that you have determined the sustainability issues that are of most importance to you, the risk questions applied will be informed by those impacts.

In simple terms, sustainability risk issues are informed by:

- How will this procurement impact social, environmental and economic concerns?
- Are there UNDP organizational values supported or harmed through this procurement?
- Is there a potential for adverse/positive publicity associated with the procurement?
- Will the market be able to respond to this issue?

In determining which risk questions to apply, you must be aware of the links to both overall importance, and how deliverable improvements will be made. If an issue is not important – or to improve the situation is almost impossible – then there is little point in spending time dealing with that issue. It would be a mistake to spend time debating risk issues that cannot yet be resolved. It is best to focus on key issues, deploying procurement resources as efficiently as possible. What you determine as key will be informed by your appraisal of sustainability impacts. The issue of risk should be addressed by the project or programme manager in cooperation with the procurement specialist.

The new evaluation criteria template allocates approximately 7% of the points to sustainability issues. This number can be adjusted up or down, but in no instance will the sustainable procurement criteria account for less than 3% of the total points.

A photograph of a woman with a joyful expression, wearing a brown shirt with white trim and a headwrap, working in a lush green field. She is holding a tool, possibly a hoe, and appears to be engaged in agricultural work. The background is filled with tall grass and some wooden debris.

Annex

This annex provides more detailed information to guide you through the process of bringing sustainability into the evaluation process. Many of these questions need to be asked during the development of the TOR for the procurement. Please reference the section on developing a sustainable TOR in this guide for additional information on this issue. When developing evaluation criteria for an RFP it is important to examine these questions in an effort to create evaluation criteria which match the TOR and provide an appropriate method to evaluate prospective vendors.

Earlier in this guide, we showed a summary of the 1,000 point system technical evaluation method. Using sustainability in the evaluation process is focused on the first two sections: Expertise of the Firm/Organization and Proposed Methodology, Approach and Implementation Plan. Key personnel from the third section of the evaluation criteria may play a role in some procurements. This guide provides information on including this as evaluation criteria when warranted under section 2.

DETERMINE THE WEIGHTING FOR SUSTAINABILITY ISSUES

The appropriate weighting to sustainability in relation to other criteria must be established early in the procurement process. No amendment should be made to the sustainability criteria, ratio, weightings or any part of the supplier evaluation approach once the date for supplier interest has passed. The approach/weighting used in supplier selection should relate directly to the risks that can only be managed by choosing suppliers that operate in a manner that best manages the issues identified. It is not possible to give precise guidelines for sustainability/cost ratios/weightings as contracts requirements and their impact on the sustainability vary.

We will now discuss the sub-elements of this method and show how sustainable procurement criteria can be brought into the process.

The first section is "Expertise of the Firm/Organization". Our current template gives the following as an outline of this section:



TECHNICAL PROPOSAL EVALUATION FORM 1		POINTS OBTAINABLE
EXPERTISE OF THE FIRM/ORGANIZATION		
1.1	Reputation of Organization and Staff / Credibility / Reliability / Industry Standing	50
1.2	General Organizational Capability which is likely to affect implementation <ul style="list-style-type: none"> • Financial stability • Loose consortium, holding company or one firm • Age/size of the firm • Strength of project management support • Project financing capacity • Project management controls 	90
1.3	Extent to which any work would be subcontracted (subcontracting carries additional risks which may affect project implementation, but properly done it offers a chance to access specialised skills.)	15
1.4	Quality assurance procedures, warranty	25
1.5	Relevance of: <ul style="list-style-type: none"> • Specialised Knowledge • Experience on Similar Programme / Projects • Experience on Projects in the Region Work for UNDP/ major multilateral/ or bilateral programmes	120
		300

One aspect of sustainable procurement is the commitment of the company to sustainable practices. It is important for UNDP to not only purchase sustainable products but to do so with

companies that support sustainability through their own internal procedures. The following is a template of evaluation criteria for this section that includes sustainability of the company:

TECHNICAL PROPOSAL EVALUATION FORM 1		POINTS OBTAINABLE
EXPERTISE OF THE FIRM/ORGANIZATION		
1.1	Reputation of Organization and Staff / Credibility / Reliability / Industry Standing	40
1.2	General Organizational Capability which is likely to affect implementation <ul style="list-style-type: none"> • Financial stability • Loose consortium, holding company or one firm • Age/size of the firm • Strength of project management support • Project financing capacity • Project management controls 	80
1.3	Extent to which any work would be subcontracted (subcontracting carries additional risks which may affect project implementation, but properly done it offers a chance to access specialised skills.)	15
1.4	Quality assurance procedures, warranty	25
1.5	Relevance of: <ul style="list-style-type: none"> • Specialised Knowledge • Experience on Similar Programme / Projects • Experience on Projects in the Region Work for UNDP/ major multilateral/ or bilateral programmes	110
1.6	Organizational Commitment to Sustainability <ul style="list-style-type: none"> • Organization is compliant with ISO 14001 or equivalent – 10 points • Organization is a member of the UN Global Compact – 10 points • Organization demonstrates significant commitment to sustainability through some other means – 10 points 	30
		300

The second evaluation template added section 1.6 “Organizational Commitment to Sustainability”. Because this section addresses the company and not the individual procurement, it should be fairly consistent between RFPs. The new section 1.6 includes the standard template of scoring to be used in all RFP’s over \$100,000. Flexibility is allowed to add additional

questions and allocate the points as needed. The following are a list of sample questions which could be used to further understand the bidder’s commitment to incorporate sustainability and provide sustainable products and services. Not all of these questions will be used in every procurement nor is it an all-inclusive list.

- Please provide details (including and targets and achievements) of your organization's sustainability management policy, management system to control sustainability issues. e.g. Environmental Management System (EMS), ISO 14001, Social Accountability SA8000.
- Please provide your sustainable sourcing policy/ strategy for hardware, spares and consumables, and include the current % of these items bought and any targets with current levels of achievement. Detail your current approach to packaging reduction with any targets and current achievement levels.
- Please detail your current procurement policy to minimize the use of any hazardous substances/chemicals that may be bought in connection with this contract.
- Please detail how you ensure that your sub-contractors (including those in the developing world) do not exploit their employees and how this is checked/audited to ensure compliance.

Also detail specifically your organization's policy in this regard.

- Please detail the key sustainability legislation that you believe applies to this contract (including your procurement connected with this contract) and how you will ensure that its requirements are met.
- Please detail your current approach to the procurement of Eco-labeled hardware/ consumables, and detail which eco-labels you will apply to the selection of specific hardware/ consumables for this contract.
- Please detail examples of successes in previous contracts where you have reduced consumption of hardware (optimized asset replacement strategy), consumables and spares. Detail previous position, target, approach and achievements.

The second section is "Technical Proposal Evaluation". Our current template gives the following as an outline of this section.

TECHNICAL PROPOSAL EVALUATION FORM 2		POINTS OBTAINABLE
PROPOSED METHODOLOGY, APPROACH AND IMPLEMENTATION PLAN		
2.1	To what degree does the Proposer understand the task?	30
2.2	Have the important aspects of the task been addressed in sufficient detail?	25
2.3	Are the different components of the project adequately weighted relative to one another?	20
2.4	Is the proposal based on a survey of the project environment and was this data input properly used in the preparation of the proposal?	55
2.5	Is the conceptual framework adopted appropriate for the task?	65
2.6	Is the scope of task well defined and does it correspond to the TOR?	120
2.7	Is the presentation clear and is the sequence of activities and the planning logical, realistic and promise efficient implementation to the project?	85
		400

This section of the evaluation criteria related to the degree of compliance of the goods, services and works to be delivered against the requirements.

Sustainable specifications and concepts in the TOR will be evaluated in this section as well as other parts of the evaluations process.

TECHNICAL PROPOSAL EVALUATION FORM 2		POINTS OBTAINABLE
PROPOSED METHODOLOGY, APPROACH AND IMPLEMENTATION PLAN		
2.1	To what degree does the Proposer understand the task?	20
2.2	Have the important aspects of the task been addressed in sufficient detail?	25
2.3	Are the different components of the project adequately weighted relative to one another?	20
2.4	Is the proposal based on a survey of the project environment and was this data input properly used in the preparation of the proposal?	40
2.5	Is the conceptual framework adopted appropriate for the task?	50
2.6	Is the scope of task well defined and does it correspond to the TOR?	120
2.7	Is the presentation clear and is the sequence of activities and the planning logical, realistic and promise efficient implementation to the project?	85
2.8	What sustainability actions have been incorporated into the proposal?	40
		400

In addition to the minimum specifications and other mandatory sustainability requirements, the vendors have an opportunity to go beyond these requirements and offer sustainable products or services superior to those required. The revised template adds section 2.8, "What sustainability actions have been incorporated into the proposal". The purpose of this section is to allow awarding of evaluation points for sustainable actions taken by the vendor which relate directly to this particular procurement. Since these points can be awarded for a wide variety of reasons, it is important to give some examples of actions that will qualify. It is critical to remember that this is an opportunity for the contractor to provide creative ways to improve sustainability and that any examples given should be kept to a minimum otherwise they may see the examples as unofficial

additions. Some examples of actions which could qualify for these points include:

- Offer products higher than the minimum sustainability specifications
- Offer no cost recycle/take back of old equipment
- Purchase of carbon credits to make the procurement carbon neutral
- Providing Fair Trade products
- Using local labor

Another important factor of the Methodology, Approach and Implementation section in the evaluation criteria deals with the vendor's Task Manager and senior experts that may be required. These criteria related to the expertise and capabilities of the specific individuals who

will be providing services to UNDP. Our opportunity here is to promote the use of individuals that have experience in using sustainable practices in completion of the work to be performed. The types of activities which could qualify under this criterion include but are not limited to the following:

- Demonstrated experience managing programs which included sustainable outcomes
- Involvement in identifying sustainable risks and solutions
- Understanding sustainability expectations
- Training in the area of sustainability and sustainable project management

Sustainability expertise comes in a number of forms and vendors should be allowed to demonstrate this expertise through the broad spectrum of sustainability. Sustainability includes three major pillars of environmental, economic and social considerations. Each of these is important and should be given equal treatment. It is also important to remember that all evaluations criteria need to be clearly defined in the RFP.



*New irrigation techniques
improve harvests in Argao,
Cebu, Philippines.*

3

Sustainable Procurement Implementation Guide — Invitation To Bid (ITB)

This section provides guidance on how to incorporate sustainable procurement into ITBs. In accordance with UNDP procurement policy, ITB evaluation criteria need to be on a pass/fail basis. This guidance is set up to incorporate sustainable procurement into the process through a checklist of yes/no questions which need to be answered by vendors when they submit a bid for ITBs. It is important to remember that if a vendor answers one of the question “no” they will be eliminated from the bidding process. Also, these questions are a menu of sample questions. There is no requirement to add them all or to only use those questions listed here.

Remember, the questions are a guide, and procurement specialists are free to modify these questions to better fit specific procurements.

COMMITMENT TO SUSTAINABILITY

- 1) Do you have in place a documented environmental management system? If yes, please state whether or not it is certified to ISO 14001 or equivalent.
- 2) Does your company have a formal sustainability/environmental policy?
- 3) Are you a member of the Global Compact?
- 4) Do you have in place a documented system to manage workplace and labor practices? If yes, please state whether or not it is certified to SA 8000 or equivalent.
- 5) Do you use or intend to use renewable energy sources in support of this contract?
- 6) Do you have a recycling program for your company?
- 7) Have you established publicly available sustainability purchasing guidelines for your direct suppliers that address issues such as



environmental compliance, employment practices, and product/ingredient safety?

- 8) Have you obtained 3rd party certifications for your products (i.e. EnergyStar, EU Ecolabel, Nordic Swan, PEFC, etc.)?
- 9) Do you invest in community development activities in the markets you source from and/or operate within?
- 10) Has your organization started to monitor its carbon emissions in order to set reductions targets or objectives?
- 11) Has your company been successfully prosecuted for infringement of environmental legislation in the past three years?
- 12) Are raw materials used in the product or production sourced from legal and sustainably-managed sources?

- 13) Does your organization maintain records of potential environmental hazards and have mitigation strategies and systems in place to reduce environmental hazards such as carcinogens, irritants?

PACKAGING

- 1) Is the packaging for these products produced without the use of PVC containing plastics?
- 2) Is the packaging made of recycled or recyclable materials?

It is important to remember that inclusion of these questions into the ITB or RFQ means that a “no” answer to a question will eliminate the vendor from any further consideration of the procurement.

4

How to Write a Sustainable Terms of Reference (TOR)

INTRODUCTION

This section provides guidance on how to add sustainability into the TOR development process. When defining the TOR for a contract, there is a great deal of freedom to choose what to procure and how to evaluate the proposals.

This allows ample opportunity to include sustainable factors into the process. Providing a sustainable TOR follows the same principles as writing any TOR but requires additional considerations while preparing the document. There are some important factors to consider when bringing sustainability into the TOR writing process.

RISK ASSESSMENT

The first of these is to develop an understanding of how the TOR impacts sustainability. This is done through a risk assessment. When introducing risk assessment principles into procurement, it is best to start as simply as possible and have a few key questions.

Sample of risk assessment questions:



Does the purchase have potential for high-energy consumption and what type of energy?

Consider if the item or service being contracted for is typically a high energy use such as IT equipment, a vehicle, a service provider of power washing services etc.

If so, are there standards, specifications or requirements that can be used to mitigate the energy consumption? Examples are: eco-labels or setting specific requirements



Developing a sustainable irrigation scheme in Laos.

on energy consumption (such as minimum L/Km for vehicles)



Efficient use of natural resources:

Is the product made of or does the service provider use unsustainable material such as oil?

Are there opportunities to use recycled material?

If so, define acceptable levels for these products. Examples are: setting minimum recycled content, use of sustainable material such as plant based items, certified sourcing of material such as lumber, fair trade certified items.



Use of chemicals:

Does the procurement use chemicals in production of the product?

If so, what safety measures are in place and are there other production procedures that use fewer, safer or no chemicals?

Examples are: Requiring suppliers to provide safety and disposal procedures for chemicals or allowing alternative products that meet the functional requirements.



Treatment of workers:

What concerns are there about treatment of workers as it relates to fair pay?

Will this build capacity in this areas/ local/region?

Is the environment safe and without health risks; if not what safeguards are in place?

Is there proper ventilation and lighting, spaces for workers?

The purpose of the contract will have a significant impact on how this issue is addressed. The SA8000 standard for social accountability has extensive information on this issue and is available here: <http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&PageID=937>



Transportation/packaging/travel.

Is there sufficient cost involved in the procurement concerning sustainable transportation of goods or travel of employees to warrant consideration?

If so, the method of shipping has a significant impact on the sustainability. When possible, require ground or ship transportation of items over air. Banning of styrofoam or any PVC type plastics for packaging or mandating the use of 70% recycled cardboard can be defined in the TOR. The question of home based work vs. UNDP assigned office space and equipment should be considered when contracting for IC's.



Disposal of product:

Does that product have environmental concerns for disposal at the end of use?

Does the plant produce hazardous waste?

How is hazardous waste managed?
Biological, Chemical, Solvent/oil,
Photographic waste, Asbestos waste.

Does the vendor provide exchange practices for outdated equipment? How is this managed?

Is there any social risk to the disposal?

If so, the TOR can define a number of ways to manage this issue. For example: for IT equipment, the supplier can be required to take back this equipment and dispose of it property at the end of use. If hazardous waste is used in the production, the supplier can provide proof or certify that it is handled in accordance with applicable national and international laws.

It must be recognized that sustainability risk assessment requires both quantitative and qualitative judgments to be made. Subjectivity is inevitable in a subject as broad ranging as sustainable procurement. It can, however, be minimized in two ways: firstly, by comprehensive analysis of sustainability risks using a life cycle approach. That is examining in detail the sustainability impacts associated with every component at every stage of its life (raw material, manufacture, use and disposal) for a given good, service or work. However, this is rarely applied as it is time consuming and expensive to complete. Practically, subjectivity is best minimized through consultation and teamwork, with a broad range of parties. Combining different experiences, views and opinions helps to ensure that any judgments made are as well-reasoned as possible for day-to-day procurement activity. Consultation requirements can be minimal; in effect, just discussions with the end-user or other experts concerning any proposed sustainability criteria. The degree of consultation necessary tends to increase as the procurement activity becomes more strategic, with critical items often requiring much wider consultation on the proposed approach. As these items can be both high value and high risk, it is crucial that the risk management strategy adopted meets the needs of the organization and therefore numerous

stakeholders may need to be bought into the procurement strategy developed.

GREEN TITLE FOR CONTRACT

This is a simple task that makes it easier for suppliers to quickly identify what is wanted and conveys the message that the environmental performance of the product or service will be an important part of the contract. For example, instead of a contract titled “Procurement of laptop computers” use “Procurement of energy efficient laptop computers”. Using an environmental title sends out a message not only to potential suppliers, but also provides a positive image for UNDP.

USE OF STANDARDS

Standards have a major role in influencing the design of products and processes, and many standards include environmental characteristics such as energy use or waste management procedures. References to environmental technical standards can be included directly in your specification, helping you to define the subject matter in a clear way. When reference to a standard is used, it must be accompanied by the words “or equivalent”. This indicates that tenders based on equivalent arrangements (equivalent standards or equivalent solutions not certified according to a specific standard) must be considered. To demonstrate equivalence, suppliers should be permitted to use any form of evidence (such as a specification sheet of the manufacturer or a test report from a recognized body). Technical standards can take a number of forms. These include common technical specifications, international standards, national standards, national technical approvals and national technical specifications. Standards are useful in public procurement as they are clear, non-discriminatory and usually developed

*Growing organic produce
in Madagascar.*





Promoting local development through solar energy in Niger.

using a process which includes a wide range of stakeholders, such as national authorities, environmental organizations, consumer associations, and industry. This gives a broad acceptability to the technical solutions provided by standards which are adopted in this way.

SPECIFYING MATERIAL

You have the right to insist that the product you are purchasing be made from a specific material, or contain a certain percentage of recycled or reused content. You can also specify that none of the materials or chemical substances contained should be detrimental to the environment or health. This is most commonly done by reference to recognized criteria such as those provided by UNEP here: <http://www.greeningtheblue.org/resources/procurement>. Typical GPP examples would include restricting certain hazardous substances in cleaning products and textiles, or requiring a certain percentage of post-consumer

recycled content in copying paper. Eco-labels are a useful source, as they are based on scientific information and life-cycle assessment of the materials and substances found in the covered products and services.

PRODUCTION PROCESS AND METHODS

You are allowed to include requirements regarding production processes and methods in technical specifications for supply and service contracts. You can only include those requirements which are related to the production of the good, service or work being purchased and contribute to its characteristics, without necessarily being visible. You can, for example, specify that electricity should be produced from renewable sources or that food be produced using organic methods. It is important to consider the availability of these requirements to the market for which you are soliciting these goods or services. If they are too restrictive for the market then it will severely

limit or eliminate the opportunity for suppliers to propose on the solicitation. It is not allowed however to insist upon a production process which is proprietary or otherwise only available to one supplier, or to suppliers in one country or region, unless such a reference is justified by the exceptional circumstances of the contract and accompanied by the words 'or equivalent.

USE OF ALTERNATIVE BIDS

Alternative Bids are a means of introducing greater flexibility into your specification, which may result in a more sustainable solution being proposed. The alternative bid approach means you allow tenderers to submit an alternative solution which meets certain minimum requirements you have identified, but may not meet your full specification. Both bids and alternative bids are then evaluated against the same set of award criteria to identify the best proposal.

This can be a useful approach if, for example, you are unsure about the cost impact of an alternative product or service or about whether introducing higher insulation standards in a construction contract will delay the completion date. You can also allow suppliers to submit more than one bid—a standard and alternative bid solution. To be able to accept alternative bids in a public procurement procedure, you need to:

- Indicate in the contract notice that alternative bids will be accepted
- Specify the minimum requirements which the alternative bids have to meet
- Identify any specific requirements for presenting alternative bids in bids (such as requiring a separate envelope indicating alternative bid or stipulating that a bid can only be submitted combined with a standard bid).

USE OF ECO AND SOCIAL LABELS

Eco and social labels are a valuable source of information and help all stakeholders in the procurement process to understand what is required in the contract. They assist in two important areas:

- To help you draw up your technical specifications in order to define the characteristics of the goods or services you are purchasing
- To check compliance with these requirements, by accepting the label as one means of proof of compliance with the technical specifications.

In order to use labels, certain conditions must be met:

- They must be appropriate to define the characteristics of the product, service or conditions for the contract
- The requirements must have been adopted using a participatory approach, and be accessible to all interested parties
- You cannot require tenderers to be registered under a certain labeling process, and must always accept equivalent means of verifying compliance with your requirements.

CONCLUSION

The TOR forms the foundation of contract requirements. Bringing sustainable factors into the TOR is critical for UNDP to move forward on this important issue.

5

Assisting Vendors

Vendors are an important stakeholder in the procurement process. Implementing sustainable procurement will generate a number of questions from the vendor community. As we include sustainability in the evaluation criteria it is understandable that questions will arise.

Fortunately, UNDP is working with the United Nations Global Compact (UNGC) to provide answers to many of the broad questions on sustainability. The Global Compact is offering guidance, training and networks around the world to assist vendors in this area. Specific concerns about an individual solicitation need to be answered by the procurement specialist, but larger issues on how a vendor can become more sustainable should use the information provided by the Global Compact. The following are a series of questions, answers and links you can use to help guide vendors when they contact you with sustainability questions for their firms.

1) Why is becoming sustainable important to me as a company? How does becoming sustainable help me become more profitable?

Studies show that today's CEOs are more convinced than ever of the need to embed environmental, social and corporate governance issues within core business. They are also convinced that good performance

on sustainability amounts to good business overall; it is not only the right thing to do, but there is a business case for doing so. There are a number of reasons why this is important to a company, including:

- **Responsible and sustainable investment has become mainstream.** The UN-supported Principles for Responsible Investment, launched in 2006, now represents over 1200 signatories, representing over \$US34 trillion in assets under management. The six Principles of the UNPRI are based on the premise that Environmental, Social and Governance (ESG) issues can affect investment performance and that appropriate consideration of these issues is part of delivering superior risk-adjusted returns and is therefore firmly within the bounds of investors' fiduciary duties.
- **Regulatory markets are shifting.** In recent years, we have seen governments shifting towards the idea of corporate sustainability. Countries are making it

mandatory for publicly listed companies to report on ESG issues, and legislation globally is emerging as an effort to hold companies more accountable for their actions and impacts on human rights and the environment. Examples include: The Broad-Based Black Economic Empowerment Act (2003, South Africa); New Companies Bill on Company Spending (2012, India); California Transparency in Supply Chains Act (2010, California, USA); SEC Conflict Minerals Disclosure Rules (2012, USA); UK Bribery Act (2011, United Kingdom).

- **Ensure access to market.** Corporate sustainability contributes to the building of sustainable peace in challenging environments, which in turn is a key enabler of sustainable growth.
- **Gain a social license to operate.** Getting the informal acceptance to operate within communities (a “social license”) is often as

or more important than legal licenses to operate. While legal licenses can establish a company’s foothold in a country, acceptance by local communities can give the company space to develop larger, more robust supply chains. Community engagement, founded on policies and practices of respecting human rights, is important to earning and preserving social licenses.

- **Increased Civil Society/media pressure.** With modern technology today, news travels faster than ever, and accesses every corner of the world. This can, and already has for many companies, lead to some embarrassing exposures of human rights, labour, environmental or bribery violations. These days it no longer matters whether the mother company is involved or a subsidiary. If there is any link from the violation to the name of company, it can have damaging effects to your company’s brand and reputation, as well as financial implications.



*Highlighting the different
uses of solar energy
in Costa Rica.*

- **Shifting Consumer Demands.** There is an increasing demand from consumers to develop products or services that comply with corporate sustainability standards. In food safety, for example, these may relate to: the quality, development and origin of products; food safety concerns; and developing products or services that comply with CSR standards.

2) Where do I start to become a sustainable company?

Join the Global Compact and the relevant Global Compact Local Network. Pursuing responsible corporate sustainability requires sustainable efforts, leadership commitment and a willingness to embark on a process of continuous organizational change. However, there is no one-size-fits-all approach to its implementation. Instead, companies are encouraged to develop policies and practices that are best suited to their specific operating environment. The Global Compact provides guidance and resources for companies of all sizes and from all regions of the world, whether they are beginners or leaders in corporate sustainability. Global Compact Local Networks, established in over 100 countries, perform important roles in representing the Global Compact within different national, cultural and language contexts.

3) What training is available to become more sustainable? / What resources are available to help me through the process of becoming sustainable?

On the Global Compact website, you will find a list of relevant tools and resources that will help guide your company towards becoming more sustainable: http://www.unglobalcompact.org/AboutTheGC/tools_resources/index.html

The Global Compact also hosts an online portal for initiatives, resources and company practices related to supply chain sustainability:

http://www.unglobalcompact.org/Issues/supply_chain/guidance_material.html

4) Are there other companies in my area that I can talk to about becoming a sustainable company?

Yes. Companies in every sector and region are committing to corporate sustainability policies and practices, including large multinationals and small and medium-sized enterprises. The Global Compact has more than 7,000 corporate participants from over 135 countries. A list of these participants are available on the Global Compact website: <http://www.unglobalcompact.org/participants/search>

The Global Compact website provides guidance material and examples of company practices on all of the four issue areas: Human Rights, Labour, Environment and Anti-Corruption, as well as cross-issue topics such as Business and Peace, Financial Markets, Business for Development, UN-Business Partnerships and Supply Chain Sustainability. Anyone can subscribe to the Global Compact monthly bulletin to receive updates on new material and engagement opportunities.

In addition, the Global Compact hosts a series of webinars and online discussions to provide companies and other stakeholders with a platform to learn and share experiences and good practices. Visit the Global Compact webinar calendar and event calendar for upcoming webinars and events.

*Valley of Geysers, Kronotsky
State Biosphere Reserve in
the Russian Federation.*



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United Nations Development Programme
Procurement Support Office, Bureau of Management
One United Nations Plaza
New York, NY 10017

Email: psso.info@undp.org
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