SUSTAINABLE PUBLIC PROCUREMENT

GUIDANCE NOTE ON PROCUREMENT

DECEMBER 2021

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Notes:

In this publication, “\$” refers to United States dollars.

ADB recognizes “China” as the People’s Republic of China, and “Vietnam” as Viet Nam.

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ABOUT THIS PUBLICATION

In April 2018, the Asian Development Bank (ADB) approved its new procurement framework, the ADB Procurement Policy: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time); and the Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time). These replace the former Guidelines on the Use of Consultants (2013, as amended from time to time) and Procurement Guidelines (2015, as amended from time to time). The procurement policy and the procurement regulations address the procurement activities of project executing agencies and implementing agencies on projects financed in whole or in part by a loan or grant from ADB, or by ADB-administered funds. ADB designed the 2017 procurement policy to deliver significant benefits and flexibility throughout the project procurement cycle, as well as to improve project delivery through a renewed focus on the concepts of quality, value for money (VFM), and fitness for purpose.

This note is part of a series of guidance notes published by ADB to accompany the 2017 procurement policy and the procurement regulations. Each note discusses a topical issue for borrowers (including grant recipients), bidders, and civil society under the new framework (see list below). The guidance notes cross-reference each other frequently and should be read in conjunction. All references to “guidance notes” pertain to these notes. The notes may be updated, replaced, or withdrawn from time to time.

List of Guidance Notes for the 2017 ADB Procurement Policy and the Procurement Regulations

1. Value for Money	14. High-Level Technology
2. Procurement Risk Framework	15. Quality
3. Strategic Procurement Planning	16. Bidding-Related Complaints
4. Procurement Review	17. Noncompliance in Procurement
5. Alternative Procurement Arrangements	18. Standstill Period
6. Open Competitive Bidding	19. State-Owned Enterprises
7. Price Adjustment	20. E-Procurement
8. Abnormally Low Bids	21. Framework Agreements for Consulting Services
9. Domestic Preference	22. Public-Private Partnerships
10. Prequalification	23. Contract Management
11. Subcontracting	24. Fragile, Conflict-Affected, and Emergency Situations
12. Consulting Services Administered by ADB Borrowers	25. Sustainable Public Procurement
13. Nonconsulting Services Administered by ADB Borrowers	26. Use of Merit Point Criteria for Bid Evaluation
-

Objective

This guidance note is intended to assist readers by elaborating on and explaining ADB's 2017 procurement policy and procurement regulations for borrowers (including grant recipients).

This note identifies additional information for the reader to consider when applying ADB's procurement policy and procurement regulations to their circumstances.

Living Document

This guidance note is intended to be a living document and will be revised as required.

Be sure to check the ADB Business Center website for the latest version and updates, <https://www.adb.org/business/main>.

The Reader

The reader is assumed to be a professional involved in activities financed in whole or in part by an ADB loan or grant, or by ADB-administered funds.

Case Studies

Case studies, additional information, links to training, and other useful resources will be made available on the ADB website.

Be sure to check the ADB Operations Procurement website for more information. <https://www.adb.org/about/procurement>.

Legal and Order of Priority

This guidance note explains and elaborates on the provisions of the Procurement Regulations for ADB Borrowers: Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time) applicable to executing (and implementing) agencies under sovereign (including sub sovereign) projects financed in whole or in part by an investment loan from ADB (i.e., excluding ADB results- or policy-based loans), ADB-financed grant (excluding ADB-administered technical assistance and staff consultancies), or by ADB-administered funds.

In the event of any discrepancy between this guidance note and the procurement regulations, the latter will prevail. The financing agreement governs the legal relationships between the borrower and ADB. The rights and obligations between the borrower and the provider of goods, works, or services are governed by the specific procurement document issued by the borrower and by the contract signed between the borrower and the provider.

ABBREVIATIONS

ADB	—	Asian Development Bank
BOQ	—	bill of quantities
CPS	—	country partnership strategy
CSPRA	—	country and sector/agency procurement risk assessment
CSR	—	corporate social responsibility
EMAS	—	Eco-Management and Audit Scheme
EMP	—	environmental management plan
ENA	—	Electric Networks of Armenia
ESIA	—	environmental and social impact assessment
FSC	—	Forest Stewardship Council
IFB	—	invitation for bids
ISO	—	International Organization for Standardization
KPI	—	key performance indicator
LCA	—	life cycle assessment
LCC	—	life cycle cost
LEED	—	Leadership in Energy and Environmental Design
MAPS	—	Methodology for Assessing Procurement Systems
MSC	—	Marine Stewardship Council
OECD	—	Organization for Economic Co-operation and Development

OP3	—	Operational Priority 3
PPRA	—	project procurement risk assessment
RBL	—	results-based lending
S2030	—	Strategy 2030
SDGs	—	Sustainable Development Goals
SMEs	—	small and medium-sized enterprises
STEEP	—	Screening Tool for Energy Evaluation of Projects
SusPP	—	sustainable public procurement
SPP	—	strategic procurement planning
VFM	—	value for money

EXECUTIVE SUMMARY

This guidance note aims to assist Asian Development Bank (ADB) staff and borrowers (including grant recipients) by explaining the approach of ADB to sustainable public procurement in ADB's project and procurement cycle. It details how to incorporate sustainable public procurement (SusPP) into procurement transactions financed in whole or in part by an ADB loan or grant, or by ADB-administered funds.

The introduction and use of sustainable public procurement have the following benefits:

Increase Efficiency and Reduce Procurement Time

- Allowing sustainability criteria to be planned early in the procurement cycle ensures a fit-for-purpose procurement process and reduces the likelihood of project delays.

Deliver Value for Money

- In conjunction with the principle of value for money, SusPP assists in delivering a fit-for-purpose product or service.
- Sustainable public procurement promotes consideration of the principle of life cycle costing.

Improve Performance

- Through sustainable and innovative solutions suppliers may offer better performance options for borrowers.

Improve Fitness for Purpose

- Improved procurement considers sustainable solutions that can deliver better fitness for purpose.

I. Introduction

A. Purpose

1.1 This guidance note is written for Asian Development Bank (ADB) staff and borrowers responsible for implementing ADB-financed projects. The guide introduces sustainable public procurement (SusPP), provides guidance on considerations throughout the ADB procurement cycle, and outlines good SusPP practices including the use of industry standards and labels.

B. Applicability

1.2 The ADB Procurement Policy and Regulations (2017, as amended from time to time)¹ encourages borrowers to actively consider and apply sustainable public procurement (SusPP) where appropriate, to achieve value for money (VFM) and support quality outcomes. Sustainability considerations should be considered as part of ADB's strategic procurement planning (SPP) process. Beyond the mandatory consideration in the SPP process and established processes as per other ADB policies (e.g., Safeguard Policy Statement related matters), the exact SusPP considerations to be applied can vary from project to project. In recognition of the evolving national and regional level policy settings that work toward greater sustainability in development, the use of sustainable procurement is at the borrower's discretion.

C. What is Sustainable Public Procurement?

1.3 Sustainable public procurement is a systematic approach to identifying and encouraging the procurement of goods, works, and services that are assessed to be less damaging to the environment during their production, use, and disposal

¹ Refer to:

- (i) Procurement Policy, para 5(vi): value for money
- (ii) Procurement Regulations, para 1.4(f): reference to include life cycle costs and socioeconomic and environmental development objectives of the borrower rather than just cost consideration
- (iii) Procurement Regulations, Appendix 1, para 8: evaluation criteria to achieve value for money will include consideration of the quality of the goods and services, responsiveness to socioeconomic or environmental objectives, [...], and methods of assessing costs such as life cycle costing [...]

than other goods or services that serve the same purpose while also considering economic, social, and institutional impacts.

Definition

“Sustainable Public Procurement is a purchasing and investment process that considers the economic, environmental, social, and institutional impacts of the entity’s spending. Sustainable Public Procurement allows governments to 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, while remaining within the carrying capacity of the environment.”²

D. Sustainable Public Procurement Principles

1.4 Sustainable public procurement is a strategic approach that promotes the integration of the pillars of sustainable development, i.e., economic development, social development, environmental protection, and quality institutional governance. It is a spending and investment process typically associated with public policy, although it is equally applicable to the private sector and involves a high degree of collaboration and engagement between all parties in a supply chain.

1.5 Procuring in a sustainable way involves looking beyond short-term needs and considering the longer-term impacts of each project and procurement. Organizations practicing SusPP meet their needs for goods, services, utilities and works not on a private cost-benefit analysis, but with a view to maximizing net benefits for themselves and the wider world. In practice, the sustainable impacts of a potential supplier’s approach are often assessed as a form of quality consideration. These quality considerations are typically divided between environmental, economic, social, and institutional as summarized in the following figures – Figure 1: Four Pillars of Sustainability. More examples of environmental, social and health and safety considerations are provided in Appendix 1.

² Multistakeholder Advisory Committee of the 10YFP SPP Programme, <http://www.oneplanetnetwork.org/sites/default/files/10yfp-sppprinciples.pdf>.

Figure 1: Four Pillars of Sustainability

ENVIRONMENTAL

- Environmental resource management
- Urban planning
- CO₂ reduction
- Alternative energies: e.g.: solar, wind
- Water management³
- Sustainable agriculture
- Marine resources management
- Protection of ecosystems
- Pollution and waste management
- Clean drinking water

³ See ADB, Screening Tool for Energy Evaluation of Projects—A Reference Guide for Assessing Water Supply and Wastewater Treatment Systems. <https://www.adb.org/publications/screening-tool-energy-evaluation-projects-wss>.

SOCIAL

- Human rights
 - Ethical supply chain
 - Cultural and indigenous empowerment
 - Food security
 - Fair pay and labour law protections
 - Local skills and employability development
 - Anti-child labour and forced labour laws
 - Fair trade
 - Health and safety
 - Gender equality including universal education, women-owned business
 - Child mortality and maternal health
 - Healthy lives and well-being for all
-

ECONOMIC

- Economic regeneration
 - Sustainable economic development
 - Emerging markets
 - Development of Small and Medium Enterprises
 - Total cost of ownership and life cycle costing (Appendix 2)
 - Value for money
 - Supply chain capacity development
 - Poverty reduction
-

INSTITUTIONAL

- Business ethics
 - Sustainable institutional development
 - Governance and management
 - Quality of teaching and learning
 - Relations with the community
 - Equality
 - Encouraging strengthening systems
 - Organisation for Economic Co-operation and Development (OECD) MAPS Assessment⁴
 - MAPS – Sustainable Public Procurement Module⁵
 - Use of Country systems
 - Policies and Targets
-

Source: Asian Development Bank.

⁴ Methodology for Assessing Procurement Systems (MAPS). Elements of the MAPS. <https://www.mapsinitiative.org/methodology/>.

⁵ MAPS. *Sustainable Public Procurement Supplementary Module Version 3*. <https://www.mapsinitiative.org/methodology/MAPS-Sustainable-Public-Procurement-Module-v3.pdf>.

E. Strategic Alignment

1.6 In addition to provisions in the ADB Procurement Regulations, there is a strong strategic alignment between SusPP application in sovereign operations projects with ADB's Strategy 2030⁶ that was approved in July 2018, and operational priority 3, ADB's commitment to full alignment with the Paris Agreement and the Sustainable Development Goals⁷ (SDGs) adopted by the international community in 2015, in particular SDG 12 Responsible Consumption and Production Target 12.6: "Encourage companies, especially large transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle;" and Target 12.7: "Promote public procurement practices that are sustainable, in accordance with national policies and priorities."

F. Opportunities and Challenges of Sustainable Public Procurement

1.7 Traditional procurement has normally focused upon cost and efficiency considerations. SusPP takes a broader view of value for money considering costs that can be saved for Public Sector organizations and the multigenerational impacts on the benefiting community.

1.8 There are many benefits of practicing SusPP (as listed below);⁸ however, there are also risks and challenges that need to be considered. Practicing SusPP may incur a premium to gain the identified benefits, which should also be considered.

- **Financial**

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

- (a) develop the market's capacities to deliver sustainable solutions;
- (b) increase demand for sustainable solutions, which in turn increases market competitiveness;
- (c) strive for innovative and more sustainable outcomes;
- (d) cost savings on a long-term basis by applying life cycle costing (LCC) and operation and maintenance considerations; and
- (e) minimize disposal costs and sustainable impacts of products at their end of life.

⁶ ADB. 2018. Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific. <https://www.adb.org/documents/strategy-2030-prosperous-inclusive-resilient-sustainable-asia-pacific>.

⁷ United Nations. The 17 Goals. <https://sdgs.un.org/goals>.

⁸ Stockholm Resilience Centre. 2017. Sustainable Development Goals: Contributions to Agenda 2030. <https://www.stockholmresilience.org/research/research-news/2017-02-28-contributions-to-agenda-2030.html>. World Bank. 2019. *Sustainable Procurement in World Bank Investment Project Financing*. <https://thedocs.worldbank.org/en/doc/788731479395390605-0290022019/original/GuidanceonSustainableProcurement.pdf>.

- **Risk Management**

Engage in mapping economic, legal, environmental, and social sustainability threats and opportunities, and develop management approaches.

- **Commitments and goals**

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

- **Responses to increasing stakeholder expectations**

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

- **Attractiveness**

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

1.9 Through SusPP, governments can lead by example and deliver key policy objectives and send strong market signals. Public procurement wields enormous purchasing power, accounting for an average of 12% of gross domestic product in countries of the Organisation for Economic Co-operation and Development, and up to 30% of GDP in many developing countries.⁹ Leveraging this purchasing power by promoting public procurement practices that are sustainable and shifting that spending toward more sustainable goods and services, in accordance with national policies and priorities, can help drive markets in the direction of innovation and sustainability, thereby enabling the transition to a green economy.

1.10 Justifying and demonstrating benefits realization of SusPP, particularly quantifying the impacts on health, social conditions, and the environment, can be challenging. As such, it is important to identify the specific focus areas and approach on results measurement early in the SusPP process.

1.11 A great variety of SusPP programs have been put in place by national and local government agencies, sometimes in partnership with private companies. Harnessing market insights and innovation from suppliers and firms will help design, develop, deliver, and monitor performance of SusPP initiatives, which in turn enable the government to realize the benefits of SusPP on both an organizational level and the wider community and environment.

⁹ Organisation for Economic Co-operation and Development. Public Procurement. <http://www.oecd.org/gov/public-procurement/>.

II. ADB's Approach to Sustainable Public Procurement

A. Introduction

2.1 Sustainable public procurement considerations occur at various stages throughout the procurement process. Key to achieving effective SusPP is designing a fit-for-purpose procurement process. Sustainability opportunities and risks ought to be managed throughout the procurement process. However, the assessment, analysis and procurement strategy need to be proportional to the size, nature, and complexity of the procurement.

2.2 This section outlines how SusPP considerations can be considered and integrated into each stage of ADB procurement cycle. For the purpose of this guidance, Figure 2 represents a generic procurement process. This diagram illustrates the common stages of procurement and their usual sequencing. Actual procurements may differ. At the end of this chapter is a summary of possible SusPP considerations and associated deliverables throughout the ADB procurement cycle.

Figure 2: The ADB Procurement Cycle

Source: Asian Development Bank.

B. Country Partnership Strategy

2.3 The country partnership strategy¹⁰ (CPS) is ADB's primary platform for designing operations to deliver development results at the country level.

Figure 3: Country Partnership Strategy

Source: Asian Development Bank.

2.4 As part of the CPS development process a country and sector/agency procurement risk assessment (CSPRA) is conducted depending on necessity, which considers procurement risks associated with the country and sector and/or agency procurement capability as detailed in the *ADB Guidance Note on Procurement Risk Framework*.¹¹

2.5 The CSPRA forms part of the thematic and sector analysis undertaken to provide inputs to the preparation of a new CPS.

¹⁰ ADB. Country Partnership Strategies. <https://www.adb.org/documents/series/country-partnership-strategies>.

¹¹ ADB. Procurement Risk Framework. <https://www.adb.org/documents/procurement-risk-framework>.

2.6 The CSPRA should consider SusPP and any associated risks as part of the assessment, which is used to inform the CPS. In the production of the CSPRA the assessor should take into account if an Organisation for Economic Co-operation and Development (OECD¹²) Methodology for Assessing Procurement Systems (MAPS¹³) assessment has been conducted in the country and if the assessment included the additional Sustainable Public Procurement module.¹⁴

2.7 Based on the assessment undertaken, SusPP support initiatives and related institutional support and capacity building can be developed as an ADB area of assistance to the government in the CPS and Country Operations Business Plan.

C. Project Conceptualization

2.8 The second stage of the ADB procurement cycle is the project conceptualization stage, at which the need for transaction technical assistance is determined, and the procurement risk is categorized.

Figure 4: Project Conceptualization

Source: Asian Development Bank.

¹² Organisation for Economic Co-operation and Development. <https://www.oecd.org/>.

¹³ Methodology for Assessing Procurement Systems. <https://www.mapsinitiative.org/>.

¹⁴ MAPS. Sustainable Public Procurement Supplementary Module Version 3. <https://www.mapsinitiative.org/methodology/MAPS-Sustainable-Public-Procurement-Module-v3.pdf>.

2.9 At this stage the borrower's sustainability policies, strategies, and priorities should be considered and built into the project to determine the key sustainability impacts and issues that the procurement approach will address. Sustainable opportunities and risks need to be identified at a project level and may arise from a variety of sources such as the following:¹⁵

- (a) borrower's policies on economic, environmental, social, and institutional sustainability;
- (b) community needs and expectations;
- (c) naturally arising environmental risks; and
- (d) environmental and social impact assessment¹⁶ (see Appendix 3).

2.10 Once these sustainability needs are identified, a process to prioritize them helps assess their relative importance and weighting at a project level and in terms of SusPP priorities. Consider the following factors when looking at importance:

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

2.11 The terms of reference (TOR) for technical assistance consultants need to include and specify the SusPP aspects, related scope, and tasks that will be carried out during the feasibility study phase. Appendix 4 details aspects that should be considered in the TOR.

¹⁵ World Bank. 2019. *Sustainable Procurement in World Bank Investment Project Financing*. <https://thedocs.worldbank.org/en/doc/178331533065871195-0290022020/original/ProcurementRegulations.pdf>.

¹⁶ See also Appendix 1.

D. Procurement Planning

2.12 The development of the project procurement plan involves the undertaking of Strategic Procurement Planning (SPP) and project procurement risk assessment (PPRA).

Figure 5: Procurement Planning

Source: Asian Development Bank.

2.13 The SPP process analyzes borrower capacity, external influences, and market conditions, and compares options to develop fit-for-purpose procurement arrangements that address the project's risk and opportunities. Those arrangements are reflected in the project procurement plan. The SPP is outlined in detail in the *ADB Guidance Note on Strategic Procurement Planning*.¹⁷

¹⁷ ADB. 2018. Strategic Procurement Planning. <https://www.adb.org/documents/procurement-planning>.

2.14 The following SusPP considerations should be included in the strategic procurement planning.

- ***SusPP needs, opportunity, and risks of the project as identified in the project conceptualization phase***
 - What are the expected sustainability benefits?¹⁸ These are the actions required to manage key SusPP risks and opportunities as outlined in the project procurement risk assessment.¹⁹
- ***Legal or Policy Requirements***
 - This includes a statement of any legal or policy requirement covering sustainable, social or green procurement requirements. An overview of Southeast Asian countries legal and regulatory requirements and institutional practices is provided in Appendix 5.
- ***Anticorruption***
 - This is a statement on the anticorruption requirements that are relevant to SusPP, for example, laws prohibiting payment of bribes to obtain environmental, sanitary, and/or health permits. Anticorruption requirements must be in line with ADB policy.²⁰
- ***Procurement items potentially having sustainability targets, and nature of those targets***
 - What relevant sustainable products and services are available in the market?
 - Examples:
 - § Package item 1: Sustainable public procurement aspects, such as minimization of embodied energy, consideration of end-of-life recycling
 - § Package item 2: Social impacts such as promotion of involvement by local small and medium-sized enterprises (SMEs).
- ***Supply market's ability to deliver***
 - Is the market able to deliver new or customized solutions?
 - What are the anticipated costs and the VFM proposition?
- ***Evaluation and contracting approach to apply***
 - How will the procurement strategy address sustainability?
 - How will SusPP priorities be incorporated into requirements?
 - Possible interventions, for example, through prequalification of bidders, use of specifications on sustainability standards (Appendix 6 and 7), use of merit point criteria and/or life cycle

¹⁸ Some of the expected sustainability benefits may not be quantifiable and the use of merit point criteria may be required. See *ADB Guidance Note on Use of Merit Point Criteria for Bid Evaluation* for more information.

¹⁹ ADB. 2018. Procurement Risk Framework. <https://www.adb.org/documents/procurement-risk-framework>.

²⁰ ADB. 1998. Anticorruption Policy. <https://www.adb.org/documents/anticorruption-policy>.

- analysis in evaluation (Appendix 2), application of sustainability evaluation criteria, etc.
- What are the opportunities to adopt value engineering to promote sustainability?
- **Implementation and support requirements**
 - Identify the stakeholder that will act as project champion; and identify potential professional services support requirements necessary to ensure preparation of appropriate designs and specifications, carry out bid evaluations, and supervise implementation.
 - Options to include some SusPP requirements and criteria in consulting services recruitment should be assessed and included when possible, such as requiring the firm to provide sustainability or environmental goals or certificates or including travel requirements to reduce emissions.
- **Performance Incentives**
 - Identify any performance incentives linked to SusPP.
 - How will performance incentives address sustainability?
 - How SusPP performance incentives will be incorporated into the requirements (see Box 1).

Box 1

Strategic Procurement Plan—Sustainable Construction

The borrower and the implementation team, as part of the development of the SPP, assessed the possible use of environmental standards and labels as part of the evaluation criteria for the design and build procurement of a sustainable community center.

The country is striving to meet the Sustainable Development Goals as identified as part of the CPS process with a focus on sustainable buildings and construction. The SPP recommended that only sustainably produced and forested lumber should be used for the construction of the community center, and that the minimum criterion should be that all lumber meets both the Forest Stewardship Council (FSC) and Rainforest Alliance standards.

To meet country standards on the energy efficiency of new buildings, the SPP proposed the use of merit point criteria with additional points given to bidders who proposed a building that is 5%, 10% or 15% more efficient than the government standard.

Sources: Forest Stewardship Council. <https://fsc.org/en>; Rainforest Alliance. <https://www.rainforest-alliance.org/>.

Box 2
Highlights—Disposal, Operations, and Maintenance Considerations

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

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

Borrow pits and quarries shall be sited, worked, and restored in accordance with the specifications. Spoils shall be disposed of at approved disposal sites prepared, filled, and restored in accordance with the related specification requirements.

Sources: — Anthony Johnson B.Sc., M.I.Mech.E, C.Eng, FHEA, Andrew Gibson B.Sc., CIM, MIE, in Sustainability in Engineering Design, 2014

E. Bidding

Figure 6: Bidding

Source: Asian Development Bank.

2.15 The fourth stage of the ADB procurement cycle is the bidding stage, which includes the development of the bidding documents. Additional guidance can be found in the *ADB Guidance Note on Open Competitive Bidding*.²¹

2.16 It is at this stage that any of the identified sustainability requirements and performance incentives need to be developed and included in the bidding documents to ensure that potential suppliers (bidders) address these requirements and are evaluated appropriately. As part of this process the following should be considered:

- Identify relevant sustainability standards, classifications, and indicators (see Appendix 6, Appendix 7, Appendix 8, and Appendix 9).
- Assess sustainability priorities throughout the life cycle (see Appendix 2).
- Develop sustainability criteria, including rated criteria and weightings, use of industry standards and verification (national or international²²), or eco-labels.
- Consider if alternative bids are acceptable and specify minimum requirements that the alternative must meet, and the information required to be submitted.
- Reflect sustainability priorities in technical specification, and ensure cross-references between sustainability provisions in specification, pricing schedule or bill of quantities, and conditions of contract.
- Check contract terms reflect sustainability priorities as appropriate.²³
- Determine what is deemed appropriate, i.e., still attractive to bidders and feasible in the country we are working in, and review mechanism to fit the country.

²¹ ADB. 2018. *Open Competitive Bidding*. <https://www.adb.org/documents/open-competitive-bidding>.

²² International standards should not be used if the national market would not be able to meet the required standard.

²³ See ADB. 2007. *Environmentally Responsible Procurement—A Reference Guide for Better Practices*. Manila. <https://www.adb.org/documents/environmentally-responsible-procurement-reference-guide-better-practices>. Pages 43–64 suggest environmental protection provisions that can be incorporated in the bidding documents and the technical specifications.

Box 3**Prequalification Questions on Labour Practices**

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

Labour Practices –Pre-Qualification Questions

- What experience do you have in delivering work through fair and ethical employment practices through your workforce and supply chain? Please outline this experience.
 - What is your employment policy with respect to living wage, equality and diversity, freedom of association, grievance procedures, and working hours including split shift, exclusive zero hour contracts, unpaid work, forced labour, and child labour?
-
- Demonstrates an understanding of the issues but has limited experience of delivery beyond legal compliance.
 - Provides evidence of past projects demonstrating high ethical standards.
 - Demonstrates understanding of fair employment practices and risk management for the supply chain.
 - Addresses all aspects identified in question.
 - Has extensive experience of resource ethical employment directly and through the supply chain for projects of multiple sizes and complexity. This is supported by case study evidence and risk analysis.
 - Policy to comply with an international standard such as Ethical Trading Initiative (ETI) Base code.

Source: Asian Development Bank.

Box 4**Energy-Saving Specification Requirements and Contracting Terms**

ADB financed the procurement of new diagnostic medical imaging equipment for a recently built hospital in Country A. One of the country's development aims as stated in the CPS is to reduce the country's energy usage. Therefore, any new government procurements need to consider the energy efficiency of any items procured.

To achieve this goal the borrower conducted detailed market research as part of the development of the SPP to determine the products on the market that are able to meet the technical requirements of the hospital and that also have a low energy rating²⁴.

The specification developed for the diagnostic imaging equipment included a minimum energy rating for all proposed equipment. A retention mechanism was also applied in the contract provisions to ensure allowance to reinstate and address issues. For example, in the case where there is a contract target of x% energy saving by comparison with baseline, if the target is not met, then there is retention money to fix the issue.

Source: Asian Development Bank.

²⁴ Further considerations could include reviewing the energy consumption that goes into producing the unit, the type of workers/workers treatment that goes into producing the units—consideration of ethical labour practice in the supply chain.

Box 5

Sustainability Evaluation Criteria and Submission Requirements²⁵

Through risk assessment, sustainability evaluation criteria can be categorized into:

- **Required/Mandatory criteria** – pass/fail criteria that aim to establish the minimum acceptable performance that must be met.
- **Desirable/Optional criteria** – criteria that are used to reward sustainability performance that exceeds minimum standards.

Below are some recommended environmental evaluation criteria to consider in the environmental management methodology submission requirement of the Technical Bid.

- **Air Pollution** – To include measures taken to reduce emissions, particularly of key pollutants, and looking at efforts to exceed statutory requirements.
- **Biodiversity and Habitats** – A specific aspect of land use, where biodiversity and important habitats are recognized, and measures taken to protect and enhance them.
- **Climate Change** – Measures taken to monitor and reduce greenhouse gas emissions.
- **Resource Use and Intensity** – To include energy, water, raw materials, and land as resources, and to focus on the efficiency of their use. Linked to material sourcing – e.g. use of Energy Star rated products, or long life products that can be repaired, reused, recycled or upgradeable.
- **Transport** – To consider measures that reduce overall transport requirements, and to encourage a modal shift away from road transport (people and freight).
- **Waste** – To include measures to reduce, re-use and recycle wastes.
- **Water Quality** – To include measures to reduce discharges, particularly of key pollutants, and looking at efforts to exceed statutory requirements, and rewarding efforts to meet water quality objectives and targets.

Drawings and Design

The drawings and design section of the bidding documents provides an opportunity for implementation of SusPP to be further strengthened by the preparation of drawings that may facilitate the bidders' response to SusPP issues. Drawings such as site layouts, design of structures, and maps that are relevant for preparing environmental components of the bids should be considered to be included in the list of submissions. Presentations may include, for example, conventional design drawings for structural mitigating measures; illustrations for non-structural measures, such as revegetating disturbed lands; or illustrations of environmental sampling or monitoring sites.

Source: Asian Development Bank.

²⁵ Additional case studies are provided in Appendix 11.

Key Performance Indicators

2.17 Key performance indicators (KPIs) are used to measure the performance of suppliers. Targets and related KPIs can cover the whole spectrum of sustainable impacts depending on the priorities set in the SPP, such as raw materials sourcing, labour standards across the supply chain, local sourcing, and training; through to production, use, and end-of-life management. Targets and related KPIs can be further refined as the scope becomes clearer, and finalized during the bidding stage by being incorporated into the procurement document, e.g., in the specification or the draft conditions of contract. Those KPIs will be incorporated into the contract between the borrower and the supplier.

2.18 Targets and KPIs should be aligned with the borrower's broader sustainability goals and objectives, as detailed in the CPS, and the objectives of the SusPP approach. It is important to agree KPIs that are relevant, measurable, baselined, and incremental with opportunity for continual improvement through successive contracts. The usefulness of KPIs should be assessed at the project evaluation stage.

Performance Incentives

2.19 Sustainability performance incentives that are tied to the KPIs can also be incorporated into the procurement document if agreed between the borrower and ADB. This can help incentivize suppliers to meet or exceed expectations or disincentivize suppliers from not meeting sustainability requirements. Incentives could include

- supplier bonuses paid on achieving agreed targets;
- charges or debits for underperformance or nonperformance;
- use of a fixed price contract (e.g., reducing waste or improving efficiency could improve a supplier's profit margins; balancing with ensuring workers pay and condition of work would not suffer as a result);
- gain share agreements (i.e., the borrower and the supplier will split any gains from improvements in sustainable supply arrangements); and
- inclusion of a value engineering clause.

Value Engineering

2.20 It may be appropriate to include a value engineering clause in the draft contract included in the procurement document, to allow the supplier to propose sustainability improvements and efficiencies during contract implementation to improve sustainability outcomes.

Box 6

Key Performance Indicators

The following matrix details an example of outcome indicators in a civil works procurement.

Objective: Social and economic benefits for the region affected by the project	
Target	Measure
<p>By [insert date] the project will have achieved these targets annually.</p> <ul style="list-style-type: none"> • 50% of the total supply chain expenditure on timber will be sourced from businesses operating within the local vicinity and to FSC²⁶ standards • 10% of the total workforce on sites will be apprentices or trainees from the local vicinity 	<p>Measures of success:</p> <ul style="list-style-type: none"> • Percentage of timber expenditures in the region • Percentage of local workforce • Percentage of workforce apprentices or trainees • Percentage of quality jobs created <p>The supplier will report:</p> <ul style="list-style-type: none"> • Total timber expenditure with local businesses • Person-days on-site for local apprentices or trainees

Source: Asian Development Bank.

Box 7

Performance Incentives

The following matrix details an example of performance incentives in a civil works procurement.

Objective	
Target	Incentive
<p>By [insert date] the supplier will be paid a bonus on the achievement of these targets annually</p> <ul style="list-style-type: none"> • 60% of all waste from the demolition of the previous structure will be fully recycled • 10% of the contract value will be withheld until the energy saving target of 20% for the new structure is achieved for a full year of operation 	<p>Incentives for achievement:</p> <ul style="list-style-type: none"> • 0.5% of total demolition contracts value • 10% of the contract value

Source: Asian Development Bank.

²⁶ Forest Stewardship Council. <https://fsc.org/en>.

F. Bid Evaluation

2.21 The fifth stage of ADB's procurement cycle is the Bid Evaluation stage, which includes conducting the evaluation and producing the bid evaluation report.

Figure 7: Bid Evaluation

Source: Asian Development Bank.

2.22 The borrower will evaluate bids against the evaluation and award criteria stated in the bidding document. The bid evaluation could include the following, if included in the bidding document:²⁷

- Assessing the quality of proposed sustainable solutions.
- Assessing bidders sustainability credentials and track records.
- Assessing and comparing whole life costs, e.g., evaluation of VFM including quality and cost of sustainable solutions.
- Selecting the most advantageous bid.²⁸

2.23 Once the bid evaluation has been conducted, the borrower is required to produce the bid evaluation report, which details the SusPP requirements and evaluations, if any. ADB will review the bid evaluation report to the extent indicated in the project Procurement Plan.

²⁷ Before undertaking sustainable public procurement evaluation, ensure that the executing agency has adequate support and/or training in advance.

²⁸ The most advantageous bid is the bid that offers the best combination of quality (including sustainability) and price based on the criteria identified in the bidding documents.

Box 8

Sustainability Criteria—Score Calculation

Part 1: Noncost (Sustainability) Criteria Scoring

Scoring non-cost criteria aims to determine the extent to which each supplier's bid meets each sustainability criteria detailed in the bidding document. Care must be taken to differentiate between the marketing claims and the real achievements of suppliers. It is also essential to avoid personal preferences from having too strong an influence.

Any bid that does not meet any minimum sustainability criterion described in the bidding document should be assessed according to the bidding document, and fully explained in the bid evaluation report.

Points may be awarded to each supplier for each individual sustainability (noncost) criteria based on weights indicated in the bidding document.

The total marks available for the assessment are irrelevant, as a mathematically normalized (factored) score is calculated. For example, if suppliers 1, 2 and 3 were awarded total sustainability points of 250, 220, and 320 respectively, the scores are as follows:²⁹

Supplier	Score Calculation	Initial Sustainability Score
Supplier 3	Highest Score (320)	100 points
Supplier 1	$(250 \times 100)/320$	78 points
Supplier 2	$(220 \times 100)/320$	68 points

Part 2: Calculating and Scoring Price

The whole life cost of the service, good, product, or works being provided should be assessed for each bid. This could include the basic tendered price, maintenance, spares, training, licensing, insurance, warranties, manuals, future upgrades, compatibility, integration costs, payment terms, disposal costs, etc.

Once the total cost is established, the lowest cost bid is given a cost score of 100 in the bid evaluation model. All other bids are then given a proportionately lower score calculated by using a factor. For example, if suppliers 1, 2, and 3 submit bids with a cost of \$175,000; \$220,000; and \$190,000, the cost scores are calculated as below:

Supplier	Score Calculation	Initial Cost Score
Supplier 1	Lowest cost (175,000)	100 points
Supplier 2	$(175,000/220,000) \times 100$	79 points
Supplier 3	$(175,000/190,000) \times 100$	92 points

continued on next page

²⁹ Bids should only be assessed on the information provided. Prior knowledge of the company should not be considered.

Part 3: Combined Scoring

The final bid evaluation calculation bid can be undertaken and using the example of weighted cost score and weighted sustainability score set at 60:40 respectively the final evaluation would be as illustrated in this matrix:

Supplier	Initial Cost Score (from Part 2)	Weighted Cost Score (60%)	Initial Sustainability Score (from Part 1)	Weighted Sustainability Score (40%)	TOTAL VALUE FOR MONEY SCORE
Supplier 1	100	60	78	31	91
Supplier 2	79	47	68	27	74
Supplier 3	92	55	100	40	95

Supplier 3 would be selected as being the best value for money bidder, as it provides the optimum combination of cost and sustainability. The approach should always be to award the contract to the supplier with the highest value for money score after all weightings have been applied.

Source: Asian Development Bank.

Box 9

Sustainable Whole of Life Costs

Techniques to determine life cycle costing consists of assessing sustainability impacts associated with key stages of a product’s life cycle, and an asset’s costs from the time of purchase to disposal, for instance, raw material extraction, materials processing, manufacturing, distribution, use, repair and maintenance, disposal or recycling, and environmental impacts such as carbon dioxide emissions. Even though the technique is mostly used to assess environmental impacts, the same approach can be applied to all sustainability issues.

Example 1: Road Lighting and Traffic Signals Project (Fictitious)

The Asian Development Bank (ADB) financed a Road Lighting and Traffic Signals Project and the strategic procurement planning report recommended that bids should be evaluated considering Sustainable Whole Life Costs, so that the most sustainable solution that offered the best value for money was selected.

The European Commission’s Life Cycle Costing for Green Public Procurement of Road Lighting and Traffic signals Tool³⁰ and companying user guide³¹ was utilized to calculate the whole life costs of each proposal. The proposal that was fully compliant and offered the best life cycle costs was awarded the contract.

Example 2: Urban Water Supply and Wastewater Management Project Screening Tool for Energy Evaluation of Projects³²

ADB has developed a computer-based tool for energy evaluation of urban water supply and wastewater management projects called Screening Tool for Energy Evaluation of

continued on next page

³⁰ Tool can be downloaded at <https://ec.europa.eu/environment/gpp/lcc.htm>.
³¹ European Commission. 2019. *User Guide to the Life Cycle Costing Tool for Green Public Procurement of Road Lighting & Traffic Signals*. https://ec.europa.eu/environment/gpp/pdf/EC_LCC_OutdoorLighting_guide_final.pdf
³² More information is provided in Appendix 10.

Projects (STEEP).³³ STEEP is designed to help improve energy use efficiency in new or existing water and wastewater treatment systems.

Sources: European Commission. Life Cycle Costing. <https://ec.europa.eu/environment/gpp/lcc.htm>; European Commission. 2019. *User Guide to the Life Cycle Costing Tool for Green Public Procurement of Road Lighting & Traffic Signals*. https://ec.europa.eu/environment/gpp/pdf/EC_LCC_OutdoorLighting_guide_final.pdf.

G. Contract Award

2.24 The sixth stage of ADB's procurement cycle is the Contract Award stage, which includes the development of contract management plan and inclusion of KPIs and performance incentives.

Figure 8: Contract Award

Source: Asian Development Bank.

Contract Management Plan

2.25 The use of a comprehensive contract management plan is the best way to manage contract implementation and supplier relationship. Linking sustainability targets with the contract management plan assists in maintaining

³³ Liveable Cities. Screening Tool for Energy Evaluation of Projects (STEEP). <https://www.livablecities.info/steep>.

focus and momentum for delivering the SusPP outcomes. In particular, it is useful to consider systems to monitor and report on delivery of sustainability priorities and outcomes being achieved, and jointly agreed between parties prior to contract award. Refer also to the ADB *Guidance Note on Contract Management*.³⁴

Monitoring of Key Performance Indicators

2.26 Measuring KPIs involves capturing specific data and converting it into useful metrics that can be measured and reported in easily digestible charts and dashboards. Key performance indicators should be monitored and reported. The defined targets and KPIs identified during the SPP, then further refined and finalized in the bidding stage, are incorporated into the contract between the borrower and the supplier.

H. Implementation and Contract Management

2.27 The seventh stage of ADB’s procurement cycle is the implementation and contract management stage, which includes the development of the contract management plan, monitoring of delivery, reporting, value engineering, and retention.

Figure 9: Implementation and Contract Management

Source: Asian Development Bank.

³⁴ ADB. 2018. ADB *Guidance Note on Contract Management*. <https://www.adb.org/documents/contract-management>.

Monitoring Delivery of Sustainability Priorities

2.28 Ongoing performance monitoring is necessary for the duration of the contract to ensure that the supplier continues to deliver in accordance with the specifications, contract terms, and/or KPIs. Review meetings should be set at agreed intervals, and for significant contracts with key suppliers. These meetings should provide an opportunity for both parties to communicate, share concerns, promote understanding, and foster a good business relationship.

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

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

- Online tools can enable efficient collection and aggregation of sustainability performance data.
- The supply chain is only to be asked to provide data on impacts detailed in the contract.
- Avoid collecting unnecessary data that will not be used in a meaningful way. This adds cost for no benefit. Generic questionnaires are an example of this and must be considered only if the information is to be used to inform procurement decisions.
- Prevent duplication by using existing data collected for other purposes.

Reporting

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

- The reporting should be undertaken against delivery and outcomes being achieved.
- Assessment of delivery should be made against sustainability KPI measures.

Value Engineering

2.32 It may be appropriate to include a value engineering clause in the contract that allows the supplier to propose sustainability improvements and efficiencies during contract implementation.

- Value engineering can be considered to improve sustainability outcomes.
- Consider how measurement of contract performance on this criterion aligns with national standard.

I. Feedback or Evaluation

2.33 The final stage of ADB’s procurement cycle is the feedback and evaluation stage, which includes the project completion report (PCR) and lessons learned.

Figure 10: Feedback or Evaluation

Source: Asian Development Bank.

2.34 The borrower should monitor and record sustainable results until the end of life of the goods or works procured, not only until the PCR is prepared.

2.35 It is necessary to record those results to ensure that sustainable requirements have been achieved throughout the entire life of the goods or works; as well as to correct or remedy based on lesson learned for future procurement.

Project Completion Report

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

2.37 The ADB Project Completion Report should include an assessment of the sustainability options and requirements included in the project and a review of the achieved results and benefits.

Lessons Learned

2.38 Lessons learned covers activities to check and review delivery and assess if the sustainability outcomes and priorities were delivered, and, if so, what impact they had. Was VFM achieved? What lessons are there for future sustainability procurements?

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

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

- an overview of performance against sustainability needs, objectives, and/or priorities;
- assessment whether the sustainability aspects were delivered;
- assessment whether results were delivered according to expectation;
- identification of impact the delivery had (both positive and negative); and
- analysis of key success factors, and how these could be incorporated into the next sustainable public procurement.

2.41 ADB and the borrower should share their lessons learned and experiences, successful and unsuccessful, to provide their staff with valuable learning opportunities, such as:

- sustainability outcomes and benefits achieved;
- VFM over the whole of life;
- usefulness of sustainability KPIs;
- effectiveness of sustainability monitoring and reporting; and
- project completion report.

J. Sustainable Public Procurement in ADB Procurement Cycle

Figure 11: Sustainable Public Procurement in ADB Procurement Cycle

Source: Asian Development Bank.

III. Responsibilities

3.1 Active engagement from ADB, borrower's, consultants, and suppliers are key to the successful design and implementation of SusPP initiatives.

Roles and Responsibilities of ADB and Borrowers

ADB

3.2 ADB participates in developing SusPP policies and provides oversight as appropriate to ensure that ADB's procurement policies and procedures are carried out by borrowers and executing agencies. This includes the development of SusPP, which covers the following:

- Identifying important SusPP opportunities in upcoming projects, together with the borrower.
- Recommending incorporation of SusPP requirements in loan and project agreements and in bidding documents, as needed.
- Producing the strategic procurement plan, which includes assessing the use of SusPP criteria.
- Reviewing executing agencies' bidding documents, as needed, to ensure incorporation of SusPP requirements.
- Facilitating access to information and know-how on SusPP practices, related capacity building opportunities for the borrower, and strengthening country systems on sustainable public procurement.
- Reviewing periodically the experience of ADB and its executing agencies with SusPP, including identification of lessons learned and suggestion of appropriate changes, as needed, in SusPP policies and practices.

Borrower, Executing Agency Staff, and Consultants

3.3 Implementing SusPP for ADB-financed projects is largely in the hands of borrowers and executing agency staff, often assisted by consultants, who are responsible for carrying out bidding exercises and supervising works in accordance with ADB policies and procedures. Accordingly, much of the guidance and language provided in this guide is intended to support the efforts of borrowers and executing agency staff and their consultants. Their role vary depending on project

procurement and environment staff, and consultants vary depending on the nature of the procurement and environment operations in their agency and the type of project at hand. Responsibilities of executing agency staff and consultants may include the following:

- Work with ADB staff to determine SusPP needs for the project and identify appropriate SusPP specifications and requirements.
- In case of procurement of goods, draft and insert suitable SusPP clauses in technical specifications and other relevant bidding documents, as required (clauses may include a requirement for the vendor to track SusPP and provide documentation and reports to the executing agency and ADB, sufficient for ADB to verify that the goods and services financed out of the proceeds of the loan have been produced in a responsible manner with a view to resource efficiency, waste minimization, and environmental considerations).
- In case of procurement of civil works, draft and insert suitable SusPP clauses in relevant procurement documents such as prequalification of bidders, invitation for bids (IFB), bid submission forms, bidding conditions, technical specifications, and bill of quantities (BOQ).
- Ensure the draft civil works contract included in the bidding document has sufficient detail, including linkages between SusPP performance and payment, such as energy consumption linked to KPI and payment, so that the winning bidder will have a strong incentive to fully implement the project's SusPP objectives.
- Provide adequate oversight of suppliers and contractors to ensure full compliance with SusPP requirements.

IV. Sustainable Public Procurement Criterion Standards and Labels

4.1 There are many sources of SusPP criteria that are generally based on verifiable standards and technical competencies. Sustainability criteria, when possible, should be based on verifiable standards and technical competencies and should identify specific certification or verification of an industry, environmental or social standard, code, or management system standard.

A. Industry Standards and Verification

4.2 Many international industry certifications have been established, for example, for managing the world's forests and fisheries, encouraging businesses to market products and services that enhance environmental assets, improving the global supply chain, and reducing the environmental impact of production sites.

B. Sustainable Procurement Labels

4.3 Labels are useful when specifying SusPP requirements and can be used in two different ways in the context of technical specifications. Labels help bidders define the characteristics of the goods or services being procured, and to check compliance with these requirements, by accepting the label as one means of proof of compliance with technical specifications.

4.4 By providing a means of third-party verification, labels can help to save time while ensuring that high environmental standards are applied in public procurement. Standard certificates and labels are valuable tools for implementing SusPP. Certificates and labels can help borrowers overcome some of the challenges they face when trying to sensibly deliver social or environmental sustainability.

4.5 When applied appropriately, labels can be useful in preparing conformance specifications and award criteria. Borrowers may use criteria from labels to draft conformance specifications and verify compliance. For labels to be used appropriately the following should be considered:

- The label must be a credible, internationally recognized certification or accreditation scheme.
- The use of a particular label needs to be relevant to the subject matter of the procurement.

- Vendors should not be required to register under one label, and equivalent labels should be allowed.

C. Recognized International Standards

4.6 The International Standard ISO 14001 of the International Organization for Standardization (ISO) for Environmental Management Systems is the most common international standard and can provide assurances that environmental impacts are being measured and improved. Also of interest are more specific standards such as ISO 14020:2000 on Environmental Labels and Declarations, ISO 45001: 2018 - Occupational Health and safety Management, and ISO 20400:2017 on Sustainable Procurement, both of which establish guiding principles for the development and use of sustainable procurement practices and management.

4.7 Meanwhile, SA8000³⁵ on Social Accountability from Social Accountability International³⁶ and OHSAS 45001 on Occupational Health and Safety Management are growing in use and application for social sustainability criteria.

4.8 There are various international sustainability standards and certifications such as the Leadership in Energy and Environmental Design (LEED), FSC and the Marine Stewardship Council (MSC), which may apply to the borrower.

4.9 The Global Ecolabelling Network³⁷ (GEN) is a nonprofit association of third-party environmental performance recognition, certification, and labelling to search ecolabels by country and sector.

³⁵ Social Accountability International. SA8000 Standard. <https://sa-intl.org/programs/sa8000/>.

³⁶ Social Accountability International. <https://sa-intl.org/>.

³⁷ Global Ecolabelling Network (GEN). <https://globalecolabelling.net/>.

V. Sustainable Public Procurement and the Use of Technology and eProcurement

5.1 Advances in technology have helped many countries and companies with the implementation and realization of SusPP initiatives. The use of supply chain management systems, such as eProcurement, eSourcing, and others, has speeded up procurement processes and helped to eliminate waste.³⁸ Some of the technologies are as follows:

- **eProcurement systems.** Good procurement processes rely on information exchange, and e-procurement platforms are the best way to ensure the right information is available at the right time. Since an eProcurement process is effectively end user-driven and the actual user has the power to request any item or service from catalogs, it is important that catalogs are always updated with green ratings and product component information. Also, preferred and green suppliers need to be automatically suggested to the requester, in case no catalog is present.
- **eSourcing.** Modern sourcing solutions come with built-in processes and project management capabilities, which ensure proper due diligence and approvals at each step of evaluation in each product category, including sustainability requirements.
- **Contract management.** The use of a contract management solution helps implement mandatory SusPP and environment and social clauses during the authoring of the contract. Contract management can track milestones.

5.2 Visibility in supply chains is key in delivering sustainable public procurement. Ensuring suppliers source their products sustainably and that they are consciously working to minimize their environmental impact will only be possible through effective supplier management. The use of supplier relationship software helps to manage risks and improves visibility of supplier performance. Automatically generated reports can be created to help ensure suppliers are performing according to agreed sustainability standards and key performance indicators.

³⁸ For more information on e-Procurement please refer to ADB. 2018. *Guidance Note on E-Procurement*. <https://www.adb.org/documents/eprocurement>.

5.3 The use of eProcurement streamlines processes, speeds up timeframes, reduces overheads, and helps open marketplaces. A fully functioning eProcurement system enables the following:

- quicker, easier sourcing and engagement of new suppliers;
- easier and more direct access to sustainable products and services over a wider geographical area via e-cataloguing;
- automated management, better visibility, and more centralized control of existing suppliers;
- tighter ongoing management; review; and credentials-checking (of environmental policies, certification, and disclosures) of suppliers;
- automation of information and document exchange with suppliers;
- internal enforcement of SusPP policy using automated workflow and process management. The reduction of manual processes results in the use of fewer resources and lower energy consumption; and
- tracking and analyzing spending and savings more easily and accurately, enabling better price negotiation and management and helping to demonstrate the success and viability of sustainable public procurement.

VI. Sustainable Public Procurement in Other Lending Modalities

6.1 In addition to project loans, SusPP is also applied to other types of ADB loans.

A. Sector Loans

6.2 A sector project, financed under the sector lending modality, consists of several subprojects of similar nature but with varied sizes that are scattered over a wide geographical area. Environmental and social assessment is normally carried out for all subprojects, but ADB reviews and appraises only selected subprojects. Sustainable public procurement requirements for project loans should also be applied to sector projects. Broad SusPP requirements should be established from the environmental assessment of the selected subprojects and applied to all subprojects, as appropriate.

B. Program Loans

6.3 A program loan is usually focused on policy and institutional reforms. This type of loan should require an environmental and social assessment to strategically assess the environmental impacts of the proposed policy reform. Normally, a prohibited list³⁹ may be attached to the legal documentation to ensure that banned goods are not purchased with the proceeds of the loan.

6.4 The following language may be included in the loan agreement and technical specifications of the project's bidding documents "(refer to the User's Guide to Procurement of Goods)."

"Except as ADB may otherwise agree, goods must not contain products identified on ADB's Prohibited List. Suppliers should provide such reports or information as needed to ensure that this requirement is met."

³⁹ Appendix 5 (Prohibited Investment Activities List) in ADB. 2009. Safeguard Policy Statement. Manila. <https://www.adb.org/documents/safeguard-policy-statement>.

C. Policy-Based Lending and Results-Based Lending

6.5 For policy-based lending, there is an ADB checklist for environmental and social assessment, however there is no requirement for a procurement assessment to be conducted. Sustainable public procurement is not a requirement; however, SusPP can be encouraged as part of the project design to incorporate SusPP objectives or requirements, in particular to strengthen related governance, legal, and regulatory frameworks.

6.6 In results-based lending, there is a Program Fiduciary Systems Assessment which includes procurement system assessment. Some of the results that are defined when structuring the loan could include SusPP results and objectives.

D. Private Sector Lending

6.7 In general, investors around the world are increasingly integrating environmental, social and governance (ESG) investment into their investment decisions. SusPP practices for each of ADB private sector lending modality are outlined below.

- For project-type lending, SusPP requirements should be like those of project loans in the public sector.
- For equity investments in an ongoing business concern, SusPP opportunities should be explored as part of environmental and social due diligence. For equity investments in a new project, SusPP requirements are like those for project loans.
- For guaranteed operations, SusPP requirements for the companies receiving guarantees are confined to the procurement of environmentally and socially responsible materials and products. The Prohibited List must be applied.
- For credit lines through financial intermediaries, SusPP requirements for the companies receiving credit are confined to the procurement of environmentally and socially responsible materials and products. Again, the Prohibited List including both environmental and social activities shall be applied.

Box 10**Linkage to Country and Regional Strategy— Energy Saving in Armenia**

In June 2017, the ADB Board of Directors approved an \$80 million loan to Electric Networks of Armenia CJSC (ENA) to help improve electricity distribution and increase energy independence and efficiency in Armenia. The investment will help ENA improve private sector electricity distribution in Armenia by reducing distribution losses from around 10% in 2016 to around 8% by 2021.

The project is aligned with two operational priorities under ADB's Strategy 2030: operational priority 2 (accelerating progress in gender equality) and operational priority 4 (making cities more livable). Ensuring the supply of electricity will enable economic activity across the country and enhance the resilience of Armenian cities to sustain and support an effective response to the pandemic and limit its negative externalities. Access to electricity is a basic human need and all households and businesses across Armenia will benefit from the supply of uninterrupted electricity in all cities.

Source: ADB. 2017. ADB to Help Improve Electricity Distribution Efficiency in Armenia. <https://www.adb.org/news/adb-help-improve-electricity-distribution-efficiency-armenia>.

VII. Conclusion

7.1 Sustainable procurement is an approach that is under constant development. What began as green procurement incorporating only environmental product criteria has grown to encompass social performance criteria as well as economic and institutional goals to further the notion of sustainable development.

7.2 Sustainable public procurement is a strategic approach that promotes the integration of the pillars of sustainable development. It is a spending and investment process typically associated with public policy and involves a high degree of collaboration and engagement among all parties in a supply chain.

7.3 It is important to remember that procuring in a sustainable way involves looking beyond the short-term needs and considering the longer-term impacts. Organizations practicing SusPP meet their needs for goods, services, utilities, and works not on a private cost-benefit analysis, but with a view to maximizing net benefits for themselves and the wider world.

7.4 Beyond the mandatory consideration in the SPP process, the exact SusPP considerations to be applied vary from project to project and the use of sustainable procurement is at the borrower's discretion. The guidance note encourages the incorporation of sustainability considerations in different stages of procurement activities in ADB-financed projects and illustrates through references the possible sustainable procurement arrangements that can be adopted throughout the project cycle.

Appendix 1 – Environmental, Social, and Health and Safety Considerations

A. Background

A1.1 The lending of the Asian Development Bank (ADB) generates significant value through procurement each year. The associated activities could have considerable environmental, social, and economic impacts. In association with other multilateral development banks, ADB has sought to examine the integration of environmental and social aspects into the procurement process. An informal working group was formed in 2003 to craft ADB's EHS Guidelines¹ containing information on cross-cutting environmental, health, and safety issues potentially applicable to all industry sectors.

B. Environmental, Social, and Health and Safety Considerations and References

A1.2 Identifying environmental, social and health and safety (ESHS) risks and impacts as per ADB's Safeguard Policies² requires input from the borrower's specialists, including environment, social, health and safety, construction, legal, technical, and procurement. Specialists from other disciplines may contribute on specific aspects, for example, hydropower safety. ADB may advise the borrower on the types of expertise and information required and the levels of knowledge, skills, and experience needed by the specialists.

A1.3 Environmental, social, and health and safety risks and issues that are considered and identified as part of any safeguards assessment³ include those arising from the design and construction of the works, as described in project preparation documents such as Environmental and Social Impact Assessments, Environmental Management Plans or Environmental and Social Management Plans, Environmental and Social Commitment Plans, Resettlement Policy Frameworks, and Resettlement Action Plans; as well as permit or consent conditions or any form of regulatory authority conditions attached to any permit, approvals for the project and regulations, general specifications, sector-specific specifications, or standard operating procedures.

¹ ADB. 2003. ADB Environmental Assessment Guidelines. <https://www.adb.org/documents/adb-environmental-assessment-guidelines>.

² ADB. Safeguards. <https://www.adb.org/who-we-are/safeguards/main>.

³ ADB. Safeguards Documents. <https://www.adb.org/site/safeguards/safeguards-documents>.

A1.4 In addition, the Borrower's environmental and social specialists should consider contextual issues and risks that may be specific to the sector, country, or region; or operating and regulatory regime such as the availability of mitigation measures (such as traffic control or waste facilities), the traditionally accepted methods of work, and the application of international industry best practice.

A1.5 ADB's environmental and social specialists⁴ may advise the borrower during the preparation of the Borrower's ESHS policy on content appropriate to the risks of the project.

C. Core Labour Standards

A1.6 ADB's core labour standards are detailed in ADB's handbook on *Core Labour Standards*.⁵

A1.7 Labour standards are simply the rules that govern how people are treated in a working environment. They come in a variety of forms and originate at the local, national, and international levels. Taking account of the spirit of labour standards does not necessarily mean applying complex legal formulae to every situation; it can be as simple as ensuring that basic rules of good governance have been considered.

A1.8 Labour standards cover a very wide variety of subjects, mainly concerning basic human rights at work, respect for health and safety, and ensuring that people are paid for their work. They also extend to questions of good governance, such as labour inspection and basic labour administration. In an economic context, they are important for raising productivity and competitiveness over the long term.

A1.9 At the national level, labour standards are usually set by laws and regulations. Some can also be found in collective agreements. Normally, these bind only the contracting parties, trade unions, and employers, but once accepted in some countries, they acquire the force of law for the entire country or economic sector.

A1.10 At the international level, labour standards are found in international conventions and recommendations. International Labour Standards (ILS) are important for two reasons. First, they represent the international consensus on minimum best practices, whether on human rights generally or more precisely on labour matters. Second—and more immediately important in many cases when they have been ratified by ADB members—they constitute binding legal obligations in national and international law and may even be incorporated in national law.

A1.11 Most ADB project documents require governments to apply their own laws, and that usually includes ratified international human rights conventions.

⁴ ADB. Safeguards. <https://www.adb.org/who-we-are/safeguards/main>.

⁵ ADB. 2006. *Core Labor Standards*. <https://www.adb.org/sites/default/files/institutional-document/33480/files/cls-handbook.pdf>.

A1.12 ADB's core labour standards are a set of four fundamental, universal, and indivisible human rights of freedom from forced labour, freedom from child labour, freedom from discrimination at work, and freedom to form and join a union, and to bargain collectively.

A1.13 These four rights are enshrined in eight International Labour Organization (ILO) conventions.

A1.14 They are the minimum "enabling rights" people need to defend and improve their rights and conditions at work, to work in freedom and dignity, and to develop in life.

A1.15 Implementing these rights internationally will ensure that globalization benefits the majority, rather than the minority.

Appendix 2 – Life Cycle Analysis

A. Purpose of Life Cycle Cost Analysis

A2.1 Conducting a life cycle cost analysis helps estimate how much an asset will cost over the course of its life. Below are some of the reasons why knowing an asset's total cost can guide business decisions.

1. Choose Between Two or More Assets

A2.2 Using life cycle costing helps make purchasing decisions. If the initial cost of an asset is the only factor, it could end up more over the life of the asset. For example, buying a used asset might have a lower price tag, but it could cost more in repairs and utility bills than a newer model.

A2.3 Life cycle cost management depends on the ability to make a smart investment. When deciding between two or more assets, consider their overall costs, not just the price.

2. Determine the Asset's Benefits

A2.4 Generally, the pros and cons of the purchase should be considered. But if only the initial, short-term costs are considered, it cannot be known if the asset will benefit the business financially in the long run.

A2.5 Using life cycle costing can be more accurately predict if the asset's return on investment (ROI) is worth the expense. If the asset's current purchase cost is only looked at without factoring in future costs, ROI is overestimated.

3. Create Accurate Budgets

A2.6 When it is known how much an asset's total price is, budgets can be created that represent the actual expenses of the business. That way, the budget does not underestimate the business' costs.

A2.7 A budget is made up of expenses, revenues, and profits. If an asset's cost is underestimated, it overestimates profits. Failing to account for expenses can result in overspending and negative cash flow.

B. Life Cycle Assessment Ecolabels

A2.8 It is often stated that ecolabels are based on life cycle assessments, or that they consider the negative impacts on the environment at every moment of the life cycle of a product.

A2.9 Life cycle assessment is the application of the concept of life cycle to environmental impacts such as greenhouse gas emissions, water use, air pollution, use of nonrenewable resources, chemical emissions, and waste amounts. ISO has developed requirements and guidelines also for life cycle assessments (ISO 14044:2006 and 14040:2006).

A2.10 The two concepts of life cycle costing and life cycle assessment have a connection, as the reduction of environmental impacts leads usually to economic savings in the short to medium term. Life cycle costing techniques contribute to exposing the hidden costs of ownership that are too often neglected in favor of the investment costs. Purchased products will consume energy, water, and other resources, and even the costs of disposal that must be met sooner or later are easily forgotten. The purchase of a product with reduced energy consumption or other negative environmental impacts therefore has a justification in economic terms.

A2.11 Ecolabels base their certification criteria on the whole life cycle of products. The product criteria, available on the labelling scheme websites, can provide useful data on resources consumption, end-of-life, and disposal requirements, and this information can be used to calculate life cycle costs.

A2.12 The following internationally recognized life cycle cost tools, namely, Life Cycle Cost, green public procurement,¹ SMART Sustainable Procurement Tool,² and ISO 15686-5 on Buildings and Constructed Assets – Service-Life Planning and Life Cycle Costing,³ are available and should be considered.

¹ European Commission. Life Cycle Costing. <http://ec.europa.eu/environment/gpp/lcc.htm>.

² SMART SPP. <http://www.smart-spp.eu>.

³ ISO. Online Browsing Platform. <https://www.iso.org/obp/ui/#iso:std:iso:15686:-5:ed-2:v1:en>

Appendix 3 – Environmental and Social Impact Assessment and Environmental Monitoring Plan with Sustainable Public Procurement

A. Environmental and Social Impact Assessment

A3.1 During the project preparation stage, as part of the feasibility study, an environmental and social impact assessment¹ (ESIA) is conducted to examine potential environmental and social impacts associated with project design and construction, operation, and maintenance, as well as decommissioning activities. Environmental and social impacts of alternative sites, technologies, designs, and operating procedures as well as land development and resource use for regions are compared and evaluated to a certain degree as an integral element of the planning process, in parallel with the economic analysis, and are considered in developing detailed mitigation measures and an environmental management plan (EMP).

A3.2 Proposed projects are screened by the Asian Development Bank (ADB) according to type, location, scale, and sensitivity; as well as the magnitude of their potential environmental impacts, including direct, indirect, induced, and cumulative impacts.

A3.3 Projects are classified into the following four categories (Figure A3.1).

Figure A3.1: Safeguard Categories

Category A	A proposed project is likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works. An EIA, including an EMP, is required.
Category B	The proposed project's potential adverse environmental impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A projects. An initial Environmental Examination, including an EMP, is required.
Category C	A proposed project is likely to have minimal or no adverse environmental impacts. An EIA or IEE is not required, although environmental implications need to be reviewed.
Category FI	A proposed project involves the investment of ADB funds to or through a financial intermediary. The financial intermediary must apply and maintain an environmental and social management system unless all the financial intermediary's business activities have minimal or no environmental impacts or risks.

Source: Asian Development Bank.

¹ ADB. 1997. Environmental Impact Assessment for Developing Countries in Asia. <https://www.adb.org/publications/environmental-impact-assessment-developing-countries-asia>.

A3.4 The purpose of an ADB environmental impact assessment (EIA) is to provide information to decision makers and the public about the environmental implications of proposed actions before decisions are made. An EIA, following ADB's guide² is carried out usually during the feasibility study or early design stage to (i) identify and assess positive and negative impacts; (ii) assess alternative locations, goods, materials, and equipment that produce less pollution and are less harmful to health and the environment; and (iii) develop mitigation measures, a monitoring plan, and other measures for environmental management. Potential impacts may be project design-related or related to contract implementation. Identifying sustainable procurement opportunities during the environmental assessment stage will enhance safe use of hazardous substances, resource efficiency, waste management, workplace health and safety, and construction practices.

B. Environmental Management Plan

A3.5 Part of the process of planning any project should include an environmental management plan (EMP). However, even a comprehensive project based EMP is of little value if the project's underlying environmental assessment and management are fundamentally flawed. Infrastructure projects have major and usually irreversible environmental impacts and must be carefully planned and constructed to minimize negative outcomes.

A3.6 ADB's Environment Policy recognizes the linkages between SusPP and calls for the integration of SusPP in the environmental, social, and economic assessment process. To implant environment, social, or economic policy into its operations, ADB encourages borrowers and executing agencies to ensure, whenever possible, that the goods and services procured under ADB-financed projects have been produced in a responsible manner with a view to resource efficiency, waste minimization, and environmental, social, and economic consideration.

A3.7 During the project preparation stage, as part of the feasibility study, an ESIA,³ as detailed later, is conducted to examine potential environmental and social impacts associated with project design and construction, operation, and maintenance, as well as decommissioning activities. Environmental and social impacts of alternative sites, technologies, designs, and operating procedures as well as land development and resource use for regions are compared and evaluated to a certain degree as an integral element of the planning process, in parallel with the economic analysis, and are considered in developing detailed mitigation measures and a monitoring plan or EMP.

A3.8 ADB's Environment Policy requires the development of EMPs that outline specific mitigating measures, environmental monitoring requirements, and related

² ADB. 1997. Environmental Impact Assessment for Developing Countries in Asia. Volume 1 – Overview. <https://www.adb.org/sites/default/files/publication/29779/eia-developing-countries-asia.pdf>.

³ ADB. 1997. Environmental Impact Assessment for Developing Countries in Asia. <https://www.adb.org/publications/environmental-impact-assessment-developing-countries-asia>.

institutional arrangements for category A⁴ and environmentally sensitive category B projects. The policy further requires inclusion of the EMP in the loan covenant, periodic reporting, and fielding of review missions to monitor implementation of the EMP. Sustainable public procurement can strengthen EMP implementation through awareness and professional training of planners and engineers involved in developing and implementing the EMP as well as through making changes in standard practices involved in preparing procurement documents incorporating the requirements of the EMP. Changes in standard practices would involve (i) avoiding the use of materials prohibited for environmental reasons; (ii) minimizing the use of materials scheduled for phasing out; (iii) encouraging the use of materials that could be reused or recycled; and (iv) minimizing wastage, overstocking, and redundancy through improved inventory, purchasing, and warehousing practices, and the use of specialized suppliers and contractors.

A3.9 Sustainable public procurement is best integrated into the environmental assessment as early as possible in the planning process. SusPP assists in improving project design through the procurement of (i) nontoxic material to significantly lower if not eliminate the cost of collection and disposal of environmentally harmful residues during construction, operation, and decommissioning; (ii) environmentally friendly construction and operation processes; and (iii) appropriate personnel or groups to implement the mitigating measures efficiently. In planning the procurement of materials for construction and those needed for project operation, life cycle analysis may be considered to reduce the overall magnitude of the waste stream and to maximize potential reuse and recovery once the material or equipment has exceeded its usefulness.

A3.10 Significant factors may constrain the implementation of SusPP in the environmental assessment process, including availability, costs, technical limitations, lack of capacity, absence of enabling markets, and trade discrimination. Therefore, a rapid environmental assessment of the project is first carried out, based primarily on the project concept such as the project location, the environmental characteristics of the location, the size, and resources required for the project, and using this information to identify the potential environmental impacts and mitigating measures. While procurement of the civil works, equipment, and services for the project is done mostly after the detailed engineering design, the initial decision to incorporate ERP at this stage could significantly affect later decisions, such as the alternatives to be considered in the feasibility study, orientation and project alignment, specifications of the equipment, and the extent of the environmental mitigation process.

⁴ For category A and sensitive category B projects, the Environment Policy requires the executing agency to submit to ADB two reports every year, summarizing the implementation of the EMP; and requires ADB to conduct a detailed review of the environmental aspects to ascertain that the borrower or executing agency is implementing the EMP and fulfilling the environmental covenants. Before construction activities are started, the contractor, construction management team, and executing agency should agree on the reporting format, duties and responsibilities of the parties, and flow of information. The reporting format will track the progress of implementation of the mitigating measures, the problems encountered, and the proposed and agreed-upon solutions.

Appendix 4 – Sustainable Public Procurement Aspects for Terms of Reference

A4.1 The following sustainable public procurement (SusPP) aspects should be considered in the terms of reference.

- (i) Laws, Regulations, and Policies on Sustainable Public Procurement**
 - (a) Use of hazardous substances (cross-checking ADB's Prohibited List)
 - (b) Waste management (reduce, reuse, recycling, and disposal)
 - (c) Workers' health and safety
 - (d) Resource efficiency
- (ii) Use of Hazardous Substances**
 - (a) Use of alternative substances to avoid procurement of hazardous materials
 - (b) Recommendations on handling, storage, and disposal of hazardous materials if hazardous materials are to be procured
- (iii) Waste Management**
 - (a) Design and planning to reduce excess materials, construction, and hazardous wastes on-site and off-site, including precast and precut construction materials; efficient use of packaging and material transportation; reuse of recovered materials such as asphalt, cement, and concrete; and recycling of wastes such as used oil and scrap metals
 - (b) Handling and disposal of solid and hazardous wastes
- (iv) Workers' Health and Safety**
 - (a) Design of adequate health and safety measures such as water, food, sanitation, and medical facilities, and of training and awareness-raising programs including manuals on environmental protection and safety
- (v) Construction Practices**
 - (a) Design and management of site and work camps that reduce air, water, and noise pollution and wastes, to protect workers' health and prevent transmission of diseases and to reduce the risks of disturbance of local traffic and communities
 - (b) Local employment for workers
 - (c) Mechanisms to enforce contractual obligations and prevent illegal hunting and poaching by the contractors and workers

(vi) Resource Efficiency

- (a) Examination of alternative technology, materials, goods, and equipment that (a) consume less energy and water, (b) produce less pollution (e.g., fuel that burns more cleanly), (c) contain less harmful and more degradable substances, and (d) can be sourced sustainably
- (b) Design modifications that could apply more efficient technologies and optimize the use of raw materials

(vii) Monitoring and Reporting

- (a) Identification of duties and responsibilities of responsible reporting parties, and agreement on the reporting format and frequency
- (b) Use of an environmental management advisor and/or third-party monitoring for environmentally sensitive projects

Appendix 5 – Country Sustainable Procurement System Case Studies

CHINA, PEOPLE'S REPUBLIC OF

1. Sustainable Public Procurement Policy

A5.1 **Measures developed:** Legislation, policy, guidelines, and programs.

2. Description

A5.2 The sustainable public procurement (SusPP) policy started in the People's Republic of China (PRC) in the 1990s. The Government Procurement Law and the Clean Production Law are the centerpieces of the sustainable procurement initiative. Development of the PRC's policy involves three main stages:

- Embryonic stage (1993–2004)
- Development stage (2004–2007)
- Comprehensive development stage (2007 to present)

A5.3 At the end of the first stage, The Government Procurement law was enacted and implemented. Since 2004, the protection of the environment has played an important role in the activities of the government, emphasizing people's environmental responsibility and sustainable development.

A5.4 The Ministry of Finance (MOF) has published a procurement policy to promote energy conservation and environmental protection in other relevant departments, and has worked out two lists of environmental designated products: (i) The Governmental Procurement List for Energy Efficient Products and (ii) The Governmental Procurement List for Environmental labeling products. Additionally, during the third stage, the PRC made an important effort to meet the requirement of the World Trade Organization's Agreement on Government Procurement, and enacted various laws to further promote sustainable public procurement.

A5.5 Several SusPP initiatives have been developed by the PRC:

- The Purchasing List includes different kinds of certification in several areas, including quality, energy efficiency, energy conservation, water conservation, environment, etc.

- The Life Cycle Costing in Sustainable Public Procurement focuses on parameters such as control of total cost and transparency of operational cost, and improves awareness and performance of the supply chain.
- The Environmental System GB/T24000 – TSO14000, which officially turns several ISO standards into Recommendation Standards.

A5.6 The MOF, with the support of institutions for SusPP such as the China Quality Certification Center, the central government, and local governments, has conducted training programs for suppliers where they are introduced to the requirements of governmental procurement and are assisted to get involved in sustainable public procurement.

3. Legal Framework

A5.7 Sustainable public procurement in the PRC is based on a series of laws detailed in the following Table A5.1. Development of SusPP in the PRC started with the Clean Production Law of 2002, and the Government Procurement Law of 2003 that states the government cannot procure a product whose production environment does not meet environment standards, and cannot procure products that do not meet environment protection standards. The State Council has drafted a set of implementing regulations under the laws listed. However, none of these have been enacted, creating a regulatory gap preventing the implementation of the laws, for instance, the Implementing Regulation on the Bidding Law and the Implementing Regulation on the government procurement law (GPL), drafted by national development and reform commission (NDRC) and Ministry of Finance (MOF) respectively.

Table A5.1: Legal Framework

Year	Legislation/Regulation	Relevance
1999	Bidding/Tendering Law	Procurement regulation by state-owned enterprises and for stand-alone infrastructure projects. Only related to tender procedures.
2002	Government Procurement Law	Central piece of legislation for government procurement, initiated by the National Procurement Centre (NPC). Introduced the definition of “government procurement.” Applied in construction works, goods, and services listed in certain catalogues or above certain thresholds.
2002	Promotion of Clean Production Law	Government required to give preferential consideration in its procurement for those energy-conservation, water-conservation, and waste-utilization products.
2004	Ministerial Regulation for Implementation of Government Procurement for Energy Conservation Products (ECPs)	Issued by MOF and NDRC giving higher preference to ECPs (certified by CSC) in government procurement.

continued on next page

Table A5.1: *continued*

Year	Legislation/Regulation	Relevance
2006	Ministerial Regulation of Government Procurement for Environmental Labelled Products (ELPs)	Issued by MOF and Ministry of Ecology and Environment, formerly the Ministry of Environmental Protection of the People's Republic of China (MEP), giving higher preference to ELPs (labelled by CEUCC) in government procurement.
2007	Revision of the Law on Energy Conservation	Public entities are required to give preferential treatment in their procurement to products and equipment that are on the government procurement list of ECPs and equipment.
2007	Regulation on Compulsory Government Procurement for Energy Conservation Products by the State Council	Established compulsory government procurement for energy conservation products. Products concerned: air conditioners, fluorescent lamps, televisions, electric heaters, computers, printers, monitors, urinals, and water faucets.
2008	Promotion of Circular Economy Law	Government procurement policy that is advantageous to the development of a recycled economy. Products that are energy-, water-, and material- saving; environmentally friendly products; and renewable products are granted preferential procurement status.
2011	Implementing Regulations for the Tendering and Bidding Law	Grants greater oversight to MOF regarding budgetary control and overall policy in the government and procurement of construction.

4. Categories

A5.8 The following Table A5.2 details the categories and products, where environmental criteria are established in the PRC, which are included in the database of products and categories. All criteria can be found at <http://www.cccp.gov.cn>.

Table A5.2: Categories and Products

Categories	Products
Construction, maintenance, and renovation of public buildings	Water
	Building materials
Office products with energy efficiency	Printers
	Photocopiers
	Monitors and screens
	Light bulbs, light tubs
	PCs and laptops
	Fridges
	Water heaters, coolers, dispensers
	Projectors

continued on next page

Table A5.2: *continued*

Categories	Products
Office supplies	Ink and toner cartridges
	Standard batteries
Office paper	Paper
Office furniture	Desks and bookcases
	Chairs
Transport	Official vehicles (lightweight cars <2 to 5 tons)
	Medium weight cars

Source: PRC government procurement platform, Ministry of Finance, PRC. <http://www.ccgp.gov.cn>.

A. Certification and Standards

1. Environment Labeling Product List

A5.9 In October 2006, the State Environment Protection Administration (succeeded by the Ministry of Environmental Protection) and the Ministry of Finance jointly published the Recommendations on the Implementation of Environment Labeling Products (ELPs) in Government Procurement and the ELPs list. The launch was a milestone for Sustainable Public Procurement in the PRC. Standards are developed and published by MEP and the Environmental Development Center (EDC), which is affiliated with the Ministry of Ecology and Environment. The 2006 document indicated that, having considered the progress of public purchasing reform, the technology, and the market maturity of ELPs, ELPs with national certification in the form of “environment labelling product public purchasing lists” should have priority in purchasing. Thus, it is voluntary for procuring entities to procure products on the ELP list. This nonmandatory approach arguably leads to lower effectiveness compared to a policy that foresaw a legal obligation to purchase from the list, as is the case with energy conservation products.

A5.10 The ELP list is drawn from products that meet the China Environmental Labelling standards, which are managed by the China Environmental United Certification Center. The labelling program was initiated in 1993 as a response to the 1992 Rio Conference on Environment and Development. As of December 2014, it covered cover 91 product categories.

Products list	Biannually updated Last updated version: 14 December 2014
Available at	www.ccgp.gov.cn/qyycp/jnhb/jnhbqd/hbqd/
Criteria/Standard	China Environmental Labelling
Certification Authority	China Environmental United Certification Center, EDC
Relevant Ministries	MOF, MEP

2. Energy Conservation Products List

A5.11 The current system of government procurement of ECPs was formally implemented in December 2004, after 6 years of being voluntary, when MOF and NDRC jointly published the Circular on Opinion on Implementing Government Procurement of ECPs (MOF and NDRC 2004), which indicated that energy-saving products should have priority in procurement bidding by government agencies.

A5.12 The later Circular on Establishing a System of Compulsory Government Procurement of ECPs (State Council of the People's Republic of China 2007) further requires authorities to formulate the ECP list by a scientific process and lays down the conditions for inclusion. It indicates that energy-saving products must be certified by the central government's authorized certification agencies and must have a verifiable energy-saving effect.

Products list	Biannually updated Last updated version: 16 December 2014
Available at	www.ccgp.gov.cn/qyycp/jnhb/jnhbqd/jnqd/
Criteria/Standard	Energy conservation and water conservation
Certification Authority	CQC
Relevant Ministries	MOF, NDRC, AQSIQ

A5.13 The ECP list is divided into products with and without energy efficiency standards. When national energy standards exist for a specific product category (to define rights for market entry), they are used as certification criteria, with Tier 2 being the minimum requirement for Energy Conservation Certification. These two lists are supervised by two institutions: the Chinese Quality Certification Center (CQC), which acts to establish certification rules; and the China National Institute of Standardization (CNIS), which acts to establish national energy standards. This interaction is carried out under the umbrella of the General Administration of Quality Supervision, Inspection and Quarantine of China (AQSIQ). While the certification itself is voluntary, in the scope of public procurement, for some categories, procurement from the ECP list is compulsory.

3. Government Sustainable Public Procurement

A5.14 The PRC has built SusPP on a planned economy approach. The public procurement system has a hierarchical top-down structure where the central government formulates the national framework for public procurement. Subcentral government bodies undertake the actual budget allocation and carry out public procurement through specification and customization including training of procurement officers. Public procurement centers (PPCs) are responsible for implementing the public procurement plans. The main instruments for SusPP are two public procurement lists with environmentally friendly and energy-efficient products.

INDONESIA

1. Sustainable Public Procurement Policy

A5.15 **Measures Developed:** Strategies and Policy

2. Description

A5.16 The concept of sustainable public procurement (SusPP) was entered in Article 105 of Indonesian Presidential Decree 54/2010 on Governmental Goods/ Services Procurement. Article 105 states:

- The Environment Friendly Concept comprises a process of complying with the needs for Goods/Services, as well as minimizes the impact on environmental damage.
- The Environment Friendly Concept may be applied in the Selection Document in the form of specific requirements in relation to the utilization of natural resources.

A5.17 To ensure the success of SusPP in Indonesia, the government has based its strategy on increasing awareness around purchasing of green products, as well as the integration of knowledge, skills, and communication of good behaviors in daily life to a new integrated process.

A5.18 Concerning ecolabels, Indonesia implemented a Type-I ecolabeling program. It has a trademark-registered logo based on preset criteria that are third-party certified. This measure makes these logos, labeled products, and services easy for consumers to recognize.

A5.19 In addition, Indonesia is aware about problems of unsustainable and illegal practices in exports between economies. Because of these kinds of difficulties, additional targeted measures, like dialogues between Indonesia and the United States, were established to combat illegal logging and illegal trade in endangered species.

3. Categories

A5.20 Indonesia has environmental considerations, but there is no specific information about how they are implemented.

A. Certification and Standards

1. Ekolabel Indonesia

A5.21 Ekolabel was established in 2004 by Indonesia's Ministry of Environment and is a certificate for Indonesian products deemed as environmentally friendly based on having a reduced environmental impact over the product's life cycle compared to products that do not meet an equivalent standard.

2. Sustainable Public Procurement

A5.22 The Ministry of Environment and Forestry, Indonesia on the occasion of the GPP Nationwide Promotion Conference on 29 August 2017 introduced the Green Public Procurement regulations covering three product lists, namely, copy paper, lamps, and green hotels. These SusPP regulations are currently being implemented in government agencies and adoption by the private sector is being encouraged.

A5.23 The implementation of the Government Procurement of Goods and Services policy is now reinforced by the President's Regulation Number 59 of 2017 to achieve Sustainable Development in Indonesia.

3. Market Readiness Analysis on Wooden Furniture and Paper Industries

A5.24 Over the past decade, Indonesia has played an active role in mainstreaming sustainable consumption and production (SCP) both in policies and implementation, accelerating and strengthening its green or SusPP system.

A5.25 Together with its partners from concerned government agencies, industry associations, and stakeholders, SCP was incorporated into the National Medium-Term Development Plan, 2015–2019 focusing on three key approaches:

- collective investment on SCP knowledge at the national level,
- innovative collaboration approach to showcase and upscale SCP best practices, and
- creation of a critical mass of SCP practitioners.

A5.26 The Indonesian Roundtable on Greening the National Development Plan was also initiated in 2013.

A5.27 Nine pilot projects in Indonesia have been implemented and completed focusing on supporting SMEs on sustainable value chain and production systems of selected products (agri-food, wood, and textiles), lead paint elimination, financial schemes for eco-innovation, and two projects on energy efficiency.

A5.28 To attain the SCP and sustainable public procurement objectives outlined in the Indonesian National Medium-Term Plan and the G/SPP Roadmap, the

SWITCH-Asia SCP Facility and GIZ Advance SCP are supporting the Ministry of Environment and Forestry through the project “Enhancing SCP Through the Implementation of G/SPP” and the preparation of a long-term action plan for G/SPP in Indonesia. This project was launched on 24 July 2020 and 25 participants from the Ministry of Environment and Forestry, National Procurement Agency (LKPP), Paper Industry Association, Furniture Industry Association, SWITCH-Asia Experts, GIZ Advance SCP, and the European Union Delegation to Indonesia attended the meeting.

A5.29 The Ministry of Environment and Forestry, National Procurement Agency, and paper and furniture industry associations all expressed their willingness to support SWITCH-Asia activities by actively participating in the data gathering process for the market analysis study.

Source: Asian Development Bank.

MALAYSIA

1. Sustainable Public Procurement Policy

A5.30 **Measures Developed:** Strategy

2. Description

A5.31 Malaysia has set on the path toward a low-carbon economy and sustainable public procurement (SusPP), devising instruments to support its efforts to transform its economy into a greener economy.

A5.32 Currently, there is no official ecolabeling scheme in Malaysia. To assist the public and private sectors in the identification of green products and services, incorporation of environmental specifications in government tenders, and life cycle approach, the development of ecolabeling programs in public purchasing is imperative. The government is accelerating this process through the following measures:

- Require potential suppliers to fully describe the positive environmental attributes of their products, processes, services, and environmental-management systems.
- Award certification for those products that have been reused, or are made in a way that improves energy efficiency, reduces hazardous by-products, or uses recycled materials.
- Establish criteria or guidelines in green public decisions.

A5.33 Regarding capacity building in green purchasing, training in government green procurement is an important step in promoting green growth. Action plans and training programs engage employees in the process and encourage officers’ responsibility for the environment.

3. Categories

A5.34 There is as yet no official list of categories and products with established environmental criteria.

4. Government Green Procurement

A5.35 Malaysia has formulated a long-term national action plan for Green Government Procurement (GGP) that is firmly linked with the country's development plan. Government green procurement is defined as procurement of products, services, and works that consider environmental criteria and standards for protecting the environment and natural resources, and minimize or mitigate the negative effects of human activities.

A5.36 The GGP is a cornerstone of Malaysia's pursuit of green growth as formulated in the Eleventh Malaysia Plan, 2016–2020 and corresponding National SCP Blueprint, 2016–2030. The 11th Malaysian Plan has set a target of 20% GGP by 2020. More information is provided in the Government Green Procurement (GGP) Guidelines for Government Procurers Version July 2014⁵.

A5.37 The government hopes to lead by example in changing patterns of consumption that will simultaneously lead to changes in production and to a growing green market. For selected product groups, GGP will become mandatory for all public entities by 2030 as all national, state, and local governments are gradually required to apply GGP. The volume of green purchasing is targeted to increase up to 20% in 2020, to 50% by 2025, and to 100% by 2030 for selected product groups, which are tendered with technical specifications based on green core criteria.

A5.38 The Ministry of Finance and the Ministry of Energy, Green Technology and Water ministries are spearheading the change in pursuit of smart and prudent spending, to increase Malaysia's global competitiveness, employment, and business opportunities in green sectors, and to achieve a low-carbon economy that is inclusive and based on innovation.

A5.39 Since 2017, GGP implementation has been expanded to all government agencies with each ministry required to incorporate green specification in the procurement of GGP product groups.

A5.40 The progress of GGP can be shown as milestones in Figure A5.1 below:

⁵ Government Green Procurement (GGP) Guidelines for Government Procurers Version July 2014. <http://hsgm.moh.gov.my/v3/uploads/pekeliiling/ggp/GGP%20GUIDELINES%20-%20FINAL.pdf>.

Figure A5.1: Green Procurement Programs

Source: Asian Development Bank.

PHILIPPINES

1. Sustainable Public Procurement Policy

A5.41 **Measures Developed:** Strategy and Policy

2. Description

A5.42 The Green Procurement Program of the government was established by Executive Order No. 301 issued in 2004. In January 2012, the Department of Environment and Natural Resources announced the signing of a Memorandum of Understanding (MOU) on Sustainable Public Procurement with other ministries, namely, Department of Budget and Management, Department of Trade and Industry, Department of Energy, Industrial Technology Development Institute, Department of Science and Technology, Philippine Center for Environmental Protection and Sustainable Development, Philippine Economic Zone Authority, Development Academy of the Philippines, and Quezon City local government.¹⁰

A5.43 The Green Procurement Program of the Philippines involves goals and activities such as the following:

- Develop incentive program for suppliers related to products and services.
- Promote ecolabeling as an instrument to identify products and services.
- Purchase products and services in compliance with government procurement policy and international standards, such as the World Trade Organization Agreement.

A5.44 The abovementioned departments are also members of the National Ecolabeling Program – Green Choice Philippines (NELP-GCP), which is one of the economic initiatives to exercise the fundamentals of sustainable development. This program targets to change current behaviors in consumption and production that tend to abuse and degrade the environment.

3. Categories

A5.45 The Philippines has drafted Initial Technical Guidelines to provide criteria on selection of products and services that reduce environmental impacts throughout their life cycles. One of requirements of the technical guidelines indicates that domestic ecolabeling type I program shall be the basis to certify environmentally preferable products.

A5.46 The categories of products recognized with the domestic Eco-Labeling type I are personal computers and laptops, ink and toner cartridge, standard batteries, paper, office cleaning services, desks and bookcases, building materials, cooling and heating systems, printers, photocopiers, monitors and screens, light bulbs, and light tubs.

A. Certification and Standards

1. Green Choice Philippines

A5.47 The National Ecolabelling Program – Green Choice Philippines is a country initiative to exercise the fundamentals of sustainable development. It aims to change the behavioral patterns in consumption and production that tend to misuse, abuse, and degrade the environment. NELP-GCP is a voluntary third-party environmental declaration, which is guided by principles and procedures of ISO 14024.

2. Green Public Procurement Roadmap

A5.48 The Philippine Sustainable Public Procurement Roadmap is inspired by the logic that governments must lead by example in transforming the market. The strategy of sustainable public procurement in the Philippines is to integrate green practices harmoniously into the existing procurement processes. Over a short- to medium-term period, procuring green will become the norm for an increasing number of commonly and not commonly used supplies and equipment; the long-term perspective being to achieve sustainable public procurement. The Sustainable Public Procurement Roadmap describes a circumspect approach that reflects issues and concerns such as value for money, suppliers' readiness, capacity, and awareness. The road map was formulated with the broadest participation of stakeholders; this has prepared the groundwork for its implementation through joint efforts of government agencies in cooperation with the private sector and civil society.

3. Government Green Procurement

A5.49 The Philippine Government Electronic Procurement System (PhilGEPS) managed by the Department of Budget and Management – Procurement Service serves as the primary and definitive source of information on all government procurement; it also has other features such as electronic bulletin board, matching of procurement opportunities with the appropriate supplier, Registry of Suppliers, and Electronic Catalogue. Reference to brand names including green labels or other tags as a requirement for the item to be purchased in the bidding documents is not allowed since this limits competition; the procuring entity must formulate the specifications to be as generic as possible to allow for more competition among suppliers.

Source: Asian Development Bank.

VIET NAM

1. Sustainable Public Procurement Policy

A5.50 **Measures Developed:** Plans Year: In Progress

2. Description

A5.51 Despite the absence of direct procurement policies to catalyze green industrial growth, Viet Nam has made considerable progress in formulating legislation that is aimed at “greening” procurement. However, there are still shortcomings in the content and implementation of existing, indirect green procurement policies.

A5.52 Regarding the promotion of green public purchasing and green purchasing practices, the establishment of the Green Purchasing Network would encourage the enhancement of this policy. The Green Purchasing Network was officially launched in late 2010 with the following purposes:

- Raise awareness of different groups (organizations, businesses, consumers) in the selection and use of green products.
- Advertising and promotion of the application of scientific and technical advances in the research, production, manufacture, and use of environmentally preferable products.
- Expand opportunities for cooperation and employment between local businesses—Vietnamese enterprises—and businesses in developed countries and economies.
- Build a network of shared experiences and improve the ability to apply scientific and technical knowledge in production network activity.

3. Categories

A5.53 There is as yet no official description about categories and products with established environmental criteria.

4. Legal Framework for Sustainable Public Procurement

A5.54 As per Decree No. 1658/QĐ-TTg of the Prime Minister dated 1 October 2021, a target of 35% of total public procurement by 2030 being green procurement, and 50% of total public procurement by 2050 being green procurement was established.

A5.55 There is also a relevant legal basis for preferential purchasing of environment-friendly products, arising from the Law on Environmental Protection and the Decree of the Law on Environmental Protection, which are managed by the Ministry of Natural Resource and Environment (MONRE).

5. Circular on Implementing Public Procurement of Ecolabeled Products

A5.56 To fulfill the requirements of the law on procurement and related laws on Environmental Protection, MONRE and the Ministry of Finance jointly publish and publicize the public procurement list of EcoLabel Products (ELP). The ELP promotes implementation in public procurement of governmental ordinance 19/2015/ND-CP. According to this enforcement regulation, MOF and MONRE shall determine the range of preferential procurement in accordance with certified ELP by using a certification institution approved by the government. This “ELP list” will be developed in consideration of market maturity, progress toward public procurement reformation, and level of technical development for each product.

A5.57 Government agencies at all levels must consider ELPs in their public procurement, instead of procuring products hazardous to the environment and to human health. If the type of products to be purchased by the government is featured on the list, preference should be given to those listed products, provided that the performance, technology, service, and other indexes are the same.

A. Regulations Related to Pollution

1. Law on Environmental Protection

A5.58 The Law on Environmental Protection (No. 55/2014/QH13) provides policies, measures, and resources for environmental protection. It establishes the rights, obligations, and responsibilities of agencies, organizations, households, and individuals on environmental protection. Clause 2 of Article 44, Environment-friendly production, and consumption, stipulates that the head

of agencies and units funded by the state budget shall prioritize the use of environment-friendly products and services that have been ecolabeled in accordance with law.

2. Decree of Law on Environmental Protection

A5.59 Article 37 of the Decree No.19/2015/ND-CP, Principles of Providing Incentives and Supports, in the Law on Environmental Protection, stipulates grounds for supporting the production and consumption of environment-friendly products in association with Article 151 of the Law on Environmental Protection. Annex 3 of the Decree specifically presents 15 types of environmental protection activities that are entitled to incentives and support. Among these, the 12th item specifically enables incentives to produce environment-friendly products certified with Vietnam Green Label, and products from waste recycling and treatment as certified by competent state agencies.

Source: Asian Development Bank.

THAILAND

1. Sustainable Public Procurement Policy

A5.60 **Measures Developed:** Policy, strategy, plan, and guidelines

2. Description

A5.61 After approval in 1992 of the Law on Environmental Conservation and Promotion, the Government of Thailand started its green procurement strategies. In 1993, the Thailand Business Council for Sustainable Development initiated the Thai Green Label Scheme, which was launched in 1994 by the Thailand Environmental Institute and the Thailand Industrial Standards Institute in consultation with the Federal Environmental Agency of Germany.

A5.62 To promote and implement Green Public Procurement in Thailand, the Government executed the follows consecutive plans, the Green Public Procurement Promotion Plan (2008–2012) and the Green Public Procurement Promotion Plan (2013–2016).

3. Categories

A5.63 Table A5.3 details the categories and products where environmental criteria are established in Thailand, and which are considered in the database of products and categories in this study.

Table A5.3: Categories and Products

Categories	Products
Office products with energy efficiency	Printers
	Photocopiers
	Light bulbs and light tubs
Office supplies	Ink and toner cartridges
	Standard batteries
Paper	Paper
Office cleaning	Office cleaning services
Office furniture	State other products as metal furniture
Events organization	Hotels

Note: Information and database for environmentally friendly products and services are available at <http://gp.pcd.go.th>.

A. Certification and Standards

1. Thai Green Label

A5.64 The Thai Green Label is an environmental certification awarded to specific products that are shown to have minimum detrimental impact on the environment, compared to other products serving the same function.

A5.65 The Thai Green Label Scheme was initiated by the Thailand Business Council for Sustainable Development and formally launched in August 1994 by The Thailand Environment Institute in association with the Ministry of Industry.

2. Green Industry

A5.66 The Ministry of Industry established the green industry project to support and enable the industrial sector to operate in an environmentally and community-friendly manner with integrity, to create a green economy.

Level 1: Green Commitment, which demonstrated intention, as shown by establishing clear policies, goals and workplans that would reduce environmental impact within an organization.

Level 2: Green Activity, where the organization would successfully operate under the policies, goals, and workplans that would reduce environmental impact.

Level 3: Green System, which occurs when businesses have systematic practices for environmental management, including evaluating and reviewing for consistent improvement. The level is also reflected by being recipients of environmental awards and standards.

Level 4: Green Culture, which occurs when all members of the organizations show an environmental preservation consciousness and cooperate in all aspects of environmentally friendly business practices to the point that it becomes an organizational culture.

Level 5: Green Network, the expansion of green industry from within the organization to a wider base throughout the supply chain by supporting clients and partners to become a green industry as well.

B. Regulations Related to Pollution

1. Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (1992)

A5.67 To specify the types and sizes of the project or activity that require mandatory reporting of environmental impact assessment and guidelines for the preparation of the environmental impact assessment report in consistent with the change in government agencies under the Royal Thai Ministry and Department Adjustment Act B.E. 2558.

2. The Navigation in Thai Water Act. B.E. 2546

A5.68 To ensure safety in marine shipment and transportation, as well as marine environment and the prevention of illegal waste dumping in public water resources and sea of Thailand under the principal of good governance.

3. Hazardous Substances Act B.E. 2535 (1992)

A5.69 To issue exemption to the Hazardous Substances Act B.E. 2535, regarding hazardous substances on list 5.6; responsibility of the Department of Industrial Works. To establish the criteria and method of transportation of hazardous substance to ensure its safety and efficiency.

4. Marine and Coastal Resources Management Act. B.E. 2558

A5.70 Currently, the management of marine and costal resources does not have unity and participation from the local communities. Additionally, there has been intrusion in use of coastal and marine resources, which has caused environmental degradation that the existing regulation does not sufficiently address. Therefore, it is necessary to have a criterion for the conservation and rehabilitation of the coastal and marine environment, as well as a prevention of erosion that include residents' participation, to ensure a sustainable rehabilitation of marine and coastal resources.

5. Fisheries Acts B.E. 2558

A5.71 Regulations on fisheries have been in effect for a long time and some articles are now outdated, as marine resources have significantly declined, while fisheries technology has improved greatly, which subsequently caused further decline in marine resources. Therefore, improvement of fisheries-related regulations to better reflect international standards and laws, as well as current technology and social context, are necessary. The act established measures to support the management and conservation of marine resources as well as other related management. The act would enable the public or local community to participate in the sustainable management, conservation, and utilization of marine resources to ensure that the current resources can be utilized sustainably.

6. Factory Act B.E. 2535

A5.72 To specify the types of factories that are required to submit a report, as well as the format of the reports regarding the types and amount of toxins released from the factories. The report must be constructed in an academically correct manner and can be utilized.

7. Regulations of the Office of the Prime Minister on the Enforcement of Environment-related Laws B.E. 2550

A5.73 Laws on environment should be established in conjunction with the committee on the Cooperation to Enforce the Environment-related Laws to clarify cooperation on environmental law enforcement.

Source: Asian Development Bank.

Appendix 6 – Industry Standards and Verification

Standard for Sustainable and Resilient Infrastructure

The Standard for Sustainable and Resilient Infrastructure is a global voluntary standard that integrates key criteria of resilience and sustainability into infrastructure development, through various criteria across governance, social, and environmental factors. It is currently developed under International Social and Environmental Accreditation and Labeling (ISEAL) guidelines by the Swiss Global Infrastructure Basel Foundation (GIB) and the French bank Natixis. GIB and Natixis launched the SuRe® standard on 9 December 2015.

Eco-Management and Audit Scheme

The Eco-Management and Audit Scheme (EMAS) is a voluntary environmental management instrument, which was developed in 1993 by the European Commission. It enables organizations to assess, manage, and continuously improve their environmental performance. The scheme is globally applicable and open to all types of private and public organizations. To register with EMAS, organizations must meet the requirements of the EU EMAS-Regulation. Currently, more than 4,600 organizations and more than 7,900 sites are EMAS-registered.

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Health and Safety Management (OHSAS 18001)

OHSAS 18001 is one of the International Standards for Occupational Health and Safety Management Systems. It provides a framework for the effective management of occupational health and safety, including all aspects of risk management and legal compliance. It addresses occupational health and safety rather than any specific product safety matter.

Environmental Management (ISO 14001)

ISO 14001 sets out the criteria for an environmental management system and can be certified under. It maps out a framework that a company or organization can follow to set up an effective environmental management system.

Designed for any type of organization regardless of its activity or sector, ISO 14001 can provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved.

A6.1 The Standard for Sustainable and Resilient Infrastructure (SuRe[®]) is critical for the management of contracts of the Asian Development Bank (ADB), which is detailed in ADB's *Guidance on Quality Infrastructure Principles*.¹

A6.2 More examples of Industry Standards covering different sectors are provided in Appendix 8.

A. Government Policy and Targets

A6.3 Government targets should be considered as an alternative for (i) companies or products that may not be able to afford to get a particular accreditation; and (ii) supply chains or practices that have a significant impact but as yet do not have a standard, i.e., sand producers and suppliers.

¹ ADB. 2020. Building the Future of Quality Infrastructure. <https://www.adb.org/publications/building-future-quality-infrastructure>.

A6.4 Borrowers may also decide to require vendors to sign their own sustainability code of conduct or charter to be included in the contract as a key performance indicator. This may also include criteria relating to industry supplier databases or other reliable pre-established external databases containing supplier data, such as trade bodies.

B. Trade Bodies

A6.5 Trade bodies maintain their own supplier qualification database or vendor registration systems online, or employ supplier risk and performance management vendors that maintain databases on their behalf. Other sources include public lists of vendors of certified and/or labelled products, local networks, United Nations Global Network (UN-specific), UN Global Compact, or Global Reporting Initiative.

C. Technical Capability

A6.6 Technical capability is key to determining the ability to meet social and environmental requirements. The borrower could, for example, require appropriate qualifications to ensure that the necessary health and safety measures are implemented. In accordance with the principle of proportionality, the sustainability criteria must be directly linked to the performance of the contract, i.e., in the bidder prequalification phase certifications or equivalent verification of industry-specific environmental or social standards, codes of supplier conduct, or a certain management system can be required (e.g., OHSAS 18001, EMAS, ISO 14001, BSCI/ SA8000, ISO 50001). This type of independent certification can therefore be an important verification of the necessary technical and professional qualification of a supplier.

A6.7 Consideration should be made for the scope of coverage along the supply chain. This should be informed by the industry sector and sustainable risk profile of the project. Table A6.1 contains sample questions a borrower may use to validate these types of considerations.

Table A6.1: Sample Questions for Validation of Technical Capability

Sample Question	Verification
Is the company a member of an independent monitoring organization (e.g., Social Accountability International corporate program)?	Membership Verification
As an audit of your supply chain been conducted in the last 2 years?	Audit Report
Is there a code of conduct including International Labour Organization working conditions and standards available?	Code of Conduct
Are working conditions in the supply chain regularly audited?	Audit Report

Appendix 7 – Sustainable Procurement Labels

A. Using Ecolabels or Social Labels

A7.1 An ecolabel is basically a label that identifies overall environmental preference of a product or service based on life cycle considerations. This environmental preference is guaranteed by the fact that the ecolabel is granted by an independent third party, not influenced by the company who seeks certification. Therefore, an ecolabel is a tool that helps procurers differentiate between several products and services, often accompanied by unverified claims about their supposed ecological advantages, and recognize those that offer a better environmental performance.

A7.2 There are several definitions of the word “ecolabel,” and all of them highlight aspects and characteristics that are considered important to mark the difference between a simple logo or product declaration and a proper ecolabel.

A7.3 The following considers the essential features that trustworthy ecolabelling schemes must have:

- Participation is voluntary. Ecolabels do not aim at replacing the existing legislation, but they provide recognition (and a competitive advantage) to products that achieve higher standards of environmental protection than the minimum level imposed by law. Therefore, participation in an ecolabelling scheme cannot be imposed upon suppliers. Suppliers should never require bidders to register under an ecolabelling scheme without accepting equivalent means of proof.
- The label should clearly communicate that the awarded product has reached distinction in environmental performance in comparison to average products in the same category.
- A reliable ecolabelling scheme is based on sound scientific evidence. Ecolabels are aimed at simplifying the transmission of technical information about environmental performance to the broad public; still, the information upon whom the labels are based must respect stringent, measurable, and state-of-the-art scientific data. It is good practice that criteria are regularly updated to reflect the latest technological developments.
- Ecolabels are based on life cycle considerations, meaning that all aspects of the “life” of a product, from design, production, operation, and maintenance up to disposal are taken into consideration. Considering the whole life cycle of a product helps ensuring that the most advantageous offer is identified, revealing costs of resources use that otherwise may not receive proper attention.

- The certifying scheme should be third-party and independent from the certified company. The transparency of the certification process differentiates an ecolabel from an environmental logo or an internal company certification, whose accuracy has not been autonomously assessed.
- The objectivity of the ecolabelling scheme is usually guaranteed by a large participation of stakeholders in the definition of the environmental criteria. Representatives of industry, government, retailers, consumer, and environmental associations are usually involved.

A7.4 Though not as numerous as ecolabels, some social labels are beginning to emerge in several market sectors. Social labels can cover different types of socioeconomic issues, such as human rights, workers’ rights, disability inclusiveness, a ban on child labour, and payment of a fair price to developing country producers. Some labels also incorporate both environmental and social aspects. Others focus on a single issue, for example GoodWeave,¹ which is dedicated to ending illegal child labour in the carpet industry, or the Forest Stewardship Council² for sustainable forestry.

A7.5 When writing specifications and developing evaluation criteria, borrowers need to make sure that the specifications related to the social performance of the suppliers are relevant to what is being procured.

A7.6 Some examples on labels and certification schemes available worldwide is outlined below.

Ecolabel Index.³

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Ecolabel Index is the largest global directory of ecolabels, currently tracking 456 ecolabels in 199 countries, and 25 industry sectors.

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¹ Goodweave. <https://goodweave.org/>.
² Forest Stewardship Council. <https://www.fsc.org/en>.
³ Ecolabel Index. <http://www.ecolabelindex.com/>.

Global Ecolabelling Network.⁴

The Global Ecolabelling Network (GEN) is a nonprofit association of third-party, environmental performance recognition, certification, and labelling organizations founded in 1994 to improve, promote, and develop the ecolabelling of products and services. Only environmentally friendly products and services proven to have lower environmental impact may carry a GEN member ecolabel.

The EU GPP Criteria.⁵

The European Union Green Public Procurement (EU GPP) criteria were developed to facilitate the inclusion of green requirements in public tender documents. While the adopted EU GPP criteria aim to reach a good balance between environmental performance, cost considerations, market availability, and ease of verification, procuring authorities may choose, according to their needs and ambition level, to include all or only certain requirements in their tender documents.

International Trade Centre.⁶

Comprehensive, verified, and transparent information on standards for environmental protection, worker and labour rights, economic development, quality, and food safety and business ethics.

⁴ Global Ecolabelling Network. <http://www.globalecolabelling.net/eco/eco-friendly-products-by-category>.

⁵ European Union. EU GPP Criteria. http://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm

⁶ ITC Standards Map. Standards Map Free Toolkit. <http://www.standardsmap.org/>.

The Fairtrade Marks⁷

A globally recognized ethical label. Products with these Marks are traceable and meet the internationally agreed social, environmental, and economic Fairtrade Standards.

B. Environmental Labels Classification

A7.7 The International Organization for Standardization (ISO) has classified the existing environmental labels into three typologies and has specified the preferential principles and procedures for each. Figure A7.1 outlines this taxonomy and gives some examples of ecolabels.

1. Type I – Ecolabels (ISO 14024:1999)

A7.8 Only independent and reliable labels that consider the life cycle impact of products and services are called “ecolabels,” even if this term is commonly used in a broad and not always correct way.

A7.9 This group is the most useful for procurement professionals and the ecolabels are based on ambitious criteria of environmental quality, and they guarantee that the awarded products respect the highest environmental standard in that market segment. The criteria are usually developed through the involvement of a large number of stakeholders and awarded after an independent process of verification.

A7.10 Ecolabels labels take into account all adverse environmental impacts of a product throughout its life cycle, for example energy and water consumption, emissions, and disposal.

2. Type II – Self-Declared Environmental Claims (ISO 14021:1999)

A7.11 Labels belonging to this group do not share some of the usual characteristics of environmental labels, the main difference being that they are not awarded by an independent authority. These labels are developed internally by companies and can take the form of a declaration or a logo referring to a company’s product.

⁷ Fairtrade International. <https://www.fairtrade.net/about/fairtrade-marks>

Figure A7.1: International Organization for Standardization Environmental Labels Classification

Source: Asian Development Bank.

A7.12 Companies have developed their own environmental label or claim as consumers and procurement professionals are increasingly attentive to the environmental impact of what they procure. Therefore, providing information on the environmental performance of products and services is becoming a commercially interesting option for many firms. The self-declaration that a company voluntarily makes

- refers to an environmental aspect of a product, to a component of the product, or to its packaging; and/or
- is made on the product, on product packaging, in product literature, or in advertisement.

A7.13 This kind of producer declaration can provide useful information for procurers, if all green claims are accurate and true. If the information conveyed in claims is vague, misleading, or inaccurate, the consequence can be loss of trust in claims and labels in general.

3. Type III – Environmental Impact Labels (ISO 14025:2006)

A7.14 Type III labels consist of qualified product information based on life cycle impacts. Environmental parameters are fixed by a qualified third party and then companies compile environmental information into the reporting format, which is independently verified. The impacts are expressed in a way that makes it easy to compare different products and sets of parameters for public procurement purposes.

A7.15 Type III labels do not assess or weight the environmental performance of the products they describe. This type of environmental labels only shows the objective data, and their evaluation is left to the procurer. Type III labels require exhaustive life cycle data sheets called environmental product declarations.

Appendix 8 – Sustainable Public Procurement Sector/Thematic Considerations

Sector/Thematic	Policies/ Regulations/ Guidance/ Standards/ Labels/Tools	Type	Website
Agriculture	Forest Stewardship Council (FSC)	Certification	https://fsc.org/en
	Fairtrade Label	Label	https://www.fairtrade.net/
	Rainforest Alliance	Certification	https://www.rainforest-alliance.org/
	Global GAP	Standards	https://www.globalgap.org/uk_en/
Energy	Energy Star	Program	https://www.energystar.gov/
	Performance Excellence in Energy Renewal (PEER)	Rating System	https://peer.gbci.org/
	International Energy Conservation Code (IECC)	Standard	https://codes.iccsafe.org/content/IECC2018P3
	Hydropower Sustainability Assessment Protocol	Assessment	http://www.hydrosustainability.org/
	E0100 Standard for Responsible Energy	Standard	https://www.equitableorigin.org/eo100-for-responsible-energy/overview/
Environment	European Eco-Label	Label	https://ec.europa.eu/environment/ecolabel/
	Oeko-Tex Standard 100	Standard	https://www.oeko-tex.com/en/our-standards/standard-100-by-oeko-tex
	ISO 14001	Standard	https://www.iso.org/iso-14001-environmental-management.html
	Eco-Management and Audit Scheme	Audit	https://ec.europa.eu/environment/emas/index_en.htm

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Table continued

Sector/Thematic	Policies/ Regulations/ Guidance/ Standards/ Labels/Tools	Type	Website
	Thai Green Label	Label	http://www.ecolabelindex.com/ecolabel/thai-green-label
	World Bank Environment and Social Framework	Framework	https://www.worldbank.org/en/projects-operations/environmental-and-social-framework
Financial	Financial Valuation Tool	Financial Tool	https://www.fvtool.com/
Transport	International Accreditation Service	Accreditation	https://www.iasonline.org/
	TREDIS	Analysis	https://tredis.com/
	Greenroads Rating System	Rating System	https://greenroads.org/publications
	Sustainable Transportation Analysis and Rating System	Rating System	https://www.sccrtc.org/wp-content/uploads/2014/02/STARS-Pilot-Project-Application-Manual.pdf
	Road Lighting LCC Tool	Life Cycle Costing	https://ec.europa.eu/environment/gpp/lcc.htm
Urban Development	SuRe®	Standard	https://sure-standard.org/
	LEED	LEED	https://www.usgbc.org/leed
	Living Building Challenge (LBC)	Certification	https://living-future.org/lbc/
	BEAM		
	CASBEE	Assessment	https://www.ibec.or.jp/CASBEE/english/
	ISO 15392:2019	Standard	https://www.iso.org/standard/69947.html
	EDGE	Certification	https://edgebuildings.com/
	International Green Construction Code	Code	https://www.iccsafe.org/products-and-services/i-codes/2018-i-codes/igcc/
	Sustainability Assessment Method for Civil Engineering Works	Assessment	https://www.fccco.com/en/sustainability/responsible_construction/sustainability-system-assessment

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Table continued

Sector/Thematic	Policies/ Regulations/ Guidance/ Standards/ Labels/Tools	Type	Website
	True Zero Waste	Certification	https://true.gbci.org/
	GRESB	Benchmarks	https://gresb.com/about/
	Sustainable Asset Valuation (SAVi)	Valuation	https://www.iisd.org/project/SAVi-sustainable-asset-valuation
	GIZ - Sustainable Infrastructure Tools	Tool	https://sustainable-infrastructure-tools.org/
Water	Marine Stewardship Council (MSC)	Standard	https://www.msc.org/
	ISO 24518 (2015)	Standard	https://www.iso.org/standard/64118.html
	ISO 24521 (2016)	Standard	https://www.iso.org/standard/64679.html
	ISO 30500 (2018)	Standard	https://www.iso.org/standard/72523.html
	Developing drinking-water quality regulations & standards (WHO)	Regulations	https://www.who.int/publications/item/9789241513944
	Safe use of wastewater, greywater, and excreta (WHO)	Guide	https://www.who.int/teams/environment-climate-change-and-health/water-sanitation-and-health/sanitation-safety/guidelines-for-safe-use-of-wastewater-greywater-and-excreta
Universal Design and Disability Inclusiveness	Accessibility Design Guide: Universal design principles for Australia's aid program 2012	Guide	https://www.dfat.gov.au/sites/default/files/accessibility-design-guide.pdf

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Table continued

Sector/Thematic	Policies/ Regulations/ Guidance/ Standards/ Labels/Tools	Type	Website
	USAID Policy on Standards for Accessibility for the Disabled in USAID-Financed Construction	Guide	https://pdf.usaid.gov/pdf_docs/Pdacg011.pdf
	Disability Inclusion and Accountability Framework 2018	Guide	https://documents1.worldbank.org/curated/en/437451528442789278/pdf/126977-WP-PUBLIC-DisabilityInclusionAccountabilitydigital.pdf
	UN Disability Inclusion Strategy Guidelines on the Implementation of Indicator 8 - Procurement	Guide	https://www.un.org/sites/un2.un.org/files/2020_un_disability_inclusion_strategy_guidelines_indicator_8.pdf
Gender Responsiveness	Rethinking gender-responsive procurement: Enabling an ecosystem for women's economic empowerment (UN Women)	Guide	https://www.unwomen.org/en/digital-library/publications/2021/07/rethinking-gender-responsive-procurement
	The Gender-Responsive Procurement Guidance Note (UN Women)	Guide	https://www.weps.org/resource/gender-responsive-procurement
	The power of procurement: How to source from women-owned businesses	Guide	https://www.unwomen.org/en/digital-library/publications/2017/3/the-power-of-procurement#view
	Gender – Responsive Procurement Playbook	Guide	https://s3.amazonaws.com/thinkific-import-development/277409/GenderResponsiveProcurementPlaybook1-201014-140554.pdf

Appendix 9 – United Nations Sustainable Procurement Indicators

A9.1 Table A9.1 lists the Sustainable Procurement indicators included in the Sustainable Procurement Indicators framework, along with details regarding what these indicators represent. For a tender to be identified with the Sustainable Procurement icon, it must have at least one indicator in each of the three pillars: Environmental, Social, and Economic.

Table A9.1: UN Sustainable Procurement Indicators

Pillar	Sustainable Procurement Indicator		Examples of Tender Requirements
Environment	1.	Prevention of pollution to air, land, and water	Environmental Management System, corporate environmental policy, waste management, policy on hazardous materials and chemicals
	2.	Sustainable resource use	Ecolabels: circular design, energy-saving, recycling, bulk packaging
	3.	Climate change mitigation and adaptation	Energy efficiency, renewable energy purchasing, greenhouse gas reporting, offsetting, clean transportation and logistics, resilient infrastructure
	4.	Protection of the environment, biodiversity, and restoration of natural habitats	Ecolabels: sustainable or organic agriculture, forestry, fishing
Social	5.	Human rights and labour issues	Universal Declaration of Human Rights, International Labour Organization core conventions, freedom of association and collective bargaining, elimination of child and/or forced labour and discrimination at work, health and safety, fairly traded goods, inclusion of disadvantaged groups such as people with disabilities, inclusiveness and accessibility considerations in design
	6.	Inclusion of persons with disabilities	Requirements accessible for persons with disabilities, disability-inclusive suppliers

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Table A9.1: continued

Pillar	Sustainable Procurement Indicator		Examples of Tender Requirements
7.	Gender equality and women's empowerment	Gender mainstreaming, reserved procurement for women-owned businesses
	8.	Social health and well-being	Avoidance of hazardous chemicals, labelling of chemicals
	9.	Whole life cycle cost	Total cost of ownership, life cycle costing
	10.	Local communities and small and medium-sized enterprises	Reserved labour for local communities; local materials and services; local micro, small, and medium-sized enterprises
11.	Promoting sustainability throughout the supply chain	Extend sustainability requirements to tier 2 suppliers, identify and approve primary subcontractors
	<i>The following two indicators only serve for informational purposes and do not factor toward the classification of a sustainable procurement tender</i>
12.	Global compact	Considerations promoting vendors' participation in the UN Global Compact
	13.	Suppliers' monitoring and auditing	Contract conditions and/or key performance indicators that stipulate verification of suppliers' environmental and social claims through "spot checks" and audit provisions

Appendix 10 – STEEP

A10.1 The Screening Tool for Energy Evaluation of Projects (STEEP) is a free Excel-based reference guide that can be used to make system assessments and identify potential areas for energy use savings in existing or planned water supply and wastewater facility projects.

A10.2 Since 2017, STEEP has been continuously developed based on lessons and experiences from pilot assessments carried out in various water and wastewater investment projects financed by ADB.

A10.3 STEEP is flexible and is designed to adjust to a specific project or system application. With this flexibility, it can be used to (i) assess the need for replacement or upgrading of an existing system (brownfield); (ii) guide the installation of a system, where one currently does not exist (greenfield); and (iii) compare existing systems to benchmarks and best practices, or simply to identify potential energy savings opportunities within a water supply and/or wastewater management system facilities.

- In a **brownfield system**, STEEP can evaluate the existing system, particularly if a retrofit or upgrading is necessary. In general, some of the common inefficiencies found in brownfield systems are related to (i) deteriorated assets; (ii) outdated or inefficient electrical and mechanical systems; (iii) high nonrevenue water; (iv) lack of automation; and (v) inefficient wastewater treatment regimens (i.e., biological, chemical, and/or physical).
- In a **greenfield system**, STEEP can help assess a proposed project's system design. For new projects, the frequent causes of energy inefficiencies, based on the pilot assessments, are (i) too much emphasis on the lowest capital cost, without optimization of operating costs; (ii) too much focus or redundancy included for continuous supply, such as over pumping, and lifting of excess supply to the highest pressure or storage; (iii) lack of consideration for energy reduction methods, such as zoning, smart systems, and electrical devices (e.g., variable frequency drives, capacitors, etc.); and (iv) lack of understanding on the future cost and impact of energy on systems.

Appendix 11 – Sustainable Public Procurement Project Case Studies

A. Case Study One: Approaches to Responsible Timber Sourcing in Infrastructure and Construction

A11.1 Illegal logging is the harvesting, processing, transporting, buying, or selling of timber in contravention of national and international laws. According to a joint report produced by the United Nations Environment Programme (UNEP) and the International Criminal Police Organization, illegal logging by organized crime groups is estimated to be worth between \$51 and \$152 billion annually. Illegal logging is estimated to make up 80% of log production in Brazil, 73% in Indonesia, and 50% in Cameroon. Illegal logging has a long-term negative impact on the livelihoods of forest-dependent people.

A11.2 The environmental effects of illegal logging include deforestation, biodiversity loss, and greenhouse gas emissions. The public sector is often a country's largest single consumer of wood products for construction and public works. For example, in Indonesia, the government is estimated to account for 30% of timber product demand.

1. Risks in Material Supply

A11.3 Understanding risk in material supply chains should be based on supply volume, location risks of known environmental concerns in the country and region, and supplier information on sustainability policies and/or involvement in relevant certification schemes or standards.

A11.4 In comparison to some materials, there has been a concerted focus on addressing illegal logging in supply chains. Timber use can be verified by several third-party independent Forest Certification Schemes such as the Forest Stewardship Council and the Program for the Endorsement of Forest Certification. Alternative approaches that include full chain of custody from forest source(s) to the end user, such as the Forest Law Enforcement, Governance and Trade (FLEGT) and the Voluntary Partnership Agreement (VPA) licensed timber, can also be used.

A11.5 Indonesia was the first country in the world that started issuing Forest Law Enforcement, Governance and Trade Licenses and the European Union has been in discussion with the Lao People's Democratic Republic, Thailand, and Viet Nam on similar schemes.

A11.6 The International Finance Corporation (IFC) has produced a tool, known as the Global Map of Environmental and Social Risks in Agro-Commodity Production (GMAP). GMAP is an online tool based on a unique methodology aligned with the supply chain requirements of the IFC Performance Standards on Environmental and Social Sustainability. Using publicly available data, GMAP analyzes environmental and social supply chain risks for approximately 250 country-commodity combinations in emerging markets and facilitates rapid agro-commodity trade financing and sourcing decisions.

A11.7 The Global Map of Environmental and Social Risks in Agro-Commodity Production was originally piloted in 2013 and again in 2017, with feedback from both pilots incorporated into the update and expansion of GMAP to an online platform. As of May 2019, GMAP also integrates data from Sustainability Map, developed by ITC, allowing users to identify applicable certification schemes covering risks flagged in GMAP. Forthcoming planned upgrades include expanding data related to low income and fragile and conflict-affected countries.

A11.8 It also integrates data allowing users to identify applicable certification schemes covering risks flagged in GMAP, while the Accountability Framework provides information on effective goal setting, implementation, and monitoring for supply chains in agriculture and forestry.

A11.9 Interest in landscape and jurisdictional approaches to address complex sustainability issues has also increased greatly since 2010 when Consumer Goods Forum companies committed to working toward achieving zero net deforestation in their supply chains. Through this approach, contractors can make the commitment to source preferentially from jurisdictions, effectively implementing programs that reduce deforestation and associated emissions.

2. Impact

A11.10 To have real impact, responsible sourcing should emphasize measures that are targeted to achieve collaborative or integrated initiatives beyond the project. This may involve support for community or smallholder programs, and projects to improve and restore habitat connectivity and/or partnerships to protect or restore large remaining ecosystems or protected areas. Public contractors can also share with others the following:

- risk assessment methodologies and results to promote consistent and comparable risk characterization in sourcing areas,
- supply chain mapping and traceability information,
- information regarding supplier noncompliance,
- resources for investigation of new deforestation alerts and related actions to halt new clearing.

B. Case Study Two: Developing Sustainable Fiber Standard in Mongolia

1. Introduction

A11.11 The Asian Development Bank (ADB) is increasing focusing on providing financial support to private sector businesses, especially where private sector businesses have opportunities to contribute to achieving a country's economic development goals. ADB is also increasing its support to companies to improve their sustainability performance, environmental performance, care for their employees and community, and production of safe products. ADB's support to companies for improving sustainability assists in a country's attainment of the United Nations' Sustainable Development Goals (SDGs).

A11.12 ADB's strategy includes key operational priorities aimed at improving sustainability in the private sector, which includes the following:

- (a) Addressing remaining poverty and reducing inequalities (including generating quality jobs).
- (b) Accelerating progress in gender equality (including promoting women's economic empowerment).
- (c) Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability (including improving environmental management and investing in conservation and restoration of natural capital).
- (d) Promoting rural development and food security (including increasing agricultural productivity).

A11.13 This case study details the development of a sustainability strategy and an initial rolling 3-year operating plan for Gobi Cashmere Ltd, (Gobi) a large cashmere garment manufacturer in Mongolia. Development of a Gobi sustainability strategy was supported by ADB as part of TA 9093 REG, Project 49354-001: Scaling Up Private Sector Participation and Use of Market-Based Approaches for Environmental Management, Corporate Sustainability Planning with Green Supply Chain Management.

2. Gobi Cashmere Ltd.

A11.14 Gobi is a joint stock company incorporated in Mongolia and publicly listed on the Mongolian Stock Exchange. Gobi is a vertically integrated manufacturer and the largest cashmere garment manufacturer in Mongolia. Gobi was founded as a state-owned enterprise in 1981 with technical and financial support from the Government of Japan and was privatized in 1993. Gobi procures raw cashmere; conducts primary and secondary processing in its own plants; and sells end-products such as cashmere sweaters, coats, and scarfs to domestic and foreign customers. As one of the leading nonmining exporters of Mongolia, Gobi currently employs over 1,700 people (about 74% of whom are women), and operates 10 stores in Mongolia, with 50 franchise stores and five branch stores overseas.

A11.15 About 60% of Gobi's sales are domestic, but almost half of these are to foreign tourists, while 40% of Gobi's sales are exports. Gobi also produces finished goods for over 200 companies from 32 countries in accordance with the companies' design specifications. Gobi's midterm strategy is to expand its international sales, and prioritize marketing and selling of its own-branded products abroad through its international branches, franchise stores, and online channel.

A11.16 Gobi wanted to expand its primary cashmere processing capacity from 750 tons per annum (tpa) to 2,000 tpa by building a new primary processing and storage facility in Tuv aimag. Gobi wanted to increase its spinning capacity from 350 tpa to 700 tpa and sewing capacity from 100,000 to 250,000 pieces per annum by purchasing equipment and building a new secondary processing facility in its existing manufacturing site in Ulaanbaatar, creating an additional 500 jobs.

A11.17 The expansion of the primary processing and secondary processing facilities was estimated to cost about \$31.4 million, financed with a \$9 million loan from ADB, a \$9 million loan from the Japan International Cooperation Agency, \$6 million from the European Bank for Reconstruction and Development, and \$7.4 million from Gobi operating cash flows.

3. Corporate Sustainability

A11.18 A large and growing number of manufacturers across a variety of industries are realizing substantial financial and environmental benefits from sustainable business practices. Sustainable manufacturing is the creation of manufactured products through economically sound processes that minimize negative environmental impacts while conserving energy and natural resources. Sustainable manufacturing also enhances employee, community, and product safety.

A11.19 Companies treat "sustainability" as an important objective in their strategy and operations. This trend has reached well beyond the small niche of those who traditionally positioned themselves as "green," and now includes many prominent businesses across many different industry sectors.

A11.20 There are several reasons why companies are pursuing sustainability:

- (a) Increase operational efficiency by reducing costs and waste.
- (b) Respond to or reach new customers and increase competitive advantage.
- (c) Protect and strengthen brand and reputation; build public trust.
- (d) Achieve long-term business viability and success.
- (e) Respond to regulatory constraints and opportunities.

A11.21 Companies in the international fashion and garment manufacturing industry have undertaken sustainability efforts. In 2010, the Sustainable Apparel Coalition (SAC) was formed. This international industry group developed the Higg Index, a way for SAC members to measure their performance in sustainability in product and design, facilities and manufacturing, and brand. By 2019, over 10,000 manufacturers around the world have used the Higg Index as the basis to improve their sustainability performance.

4. Overview of Sustainability Strategy for Gobi Cashmere Ltd

A11.22 The recommended sustainability strategy developed for Gobi was built around four pillars of sustainability:

- improving the environment,
- caring for people (employees and community),
- providing safe products, and
- achieving strong financial performance and business competitiveness over the long term.

A11.23 These pillars were derived from sustainability initiatives in different manufacturing industries, and sustainability initiatives in the international fashion and garment manufacturing industry.

A11.24 A rapid assessment of Gobi's sustainability was completed in November 2018. This assessment classified sustainability into three components: environmental, social, and financial and the key findings are as follows.

- (a) Gobi had already adopted many sustainability practices, particularly in the social dimension, but also in environment. However, Gobi management had not explicitly "packaged" the existing Gobi sustainability practices into a discrete sustainability program. By doing so and adding a small number of new initiatives on sustainability, the sustainability strategy can contribute more explicitly to Gobi's financial performance and business competitiveness.
- (b) Gobi had minimal negative environmental issues, and its social program was already far-reaching.
- (c) The Gobi business model is quite different from the business model used by much of the international garment manufacturing industry as it offers an opportunity to achieve sustainability to a level that is much more difficult and costly for other garment companies. The heart of the difference in business models is that Gobi owns and operates its own factories, which are all in the Gobi home country of Mongolia, unlike other international garment companies that are headquartered in developed countries but contract production to factories owned by third parties in developing countries.

A11.25 Based on the results of the rapid assessment conducted, the recommended sustainability strategy was tentatively called the Gobi Cashmere 4P Program (product and design, production, people, profits). The Gobi sustainability strategy is focused mainly on developing sustainability performance indicators and targets; and associated environmental and social sustainability initiatives around product, production, and people. It was recommended that the sustainability strategy contain an initiative to track Gobi investments in sustainability and the resulting financial benefits that accrue to Gobi from the sustainability strategy.

A11.26 It is important to note that the sustainability strategy was not an initiative to load costs onto Gobi to achieve nonfinancial environmental and social goals. Neither was it a cost-cutting initiative. The Gobi sustainability strategy was designed as a series of investments that would collectively realize a financial return for Gobi, in addition to achieving environmental and social goals.

A11.27 The recommended Gobi sustainability strategy consisted of two parts.

- (a) “codifying” their current initiatives in both environmental and social sustainability, and in particular initiatives in Gobi’s social program; and
- (b) introducing targeted new sustainability initiatives over the next 3 years. Notably, these include further actions on existing Gobi initiatives to ensure sustainable practices by herders in managing their goats and grazing practices; ensuring sustainable practices in the Gobi’s processing of raw cashmere into finished garments; and introducing a carbon footprint and carbon offsets initiative.

A11.28 Through its membership in the SFA, Gobi has supported the development of a Mongolian national standard for the sustainability of herder practices. Herders can demonstrate that they meet this standard through an independent audit of herder practices. The Gobi sustainability strategy included an initiative for Gobi to require that herders who sell raw cashmere to Gobi meet the national standard, with herder sustainability being certified via third party auditors.

A11.29 The SFA is also developing a national standard in raw cashmere processing and Gobi’s sustainability strategy includes an initiative to ensure that its production processes meet the national standard for sustainability of cashmere processing. As an interim measure, the Gobi sustainability strategy included an initiative for Gobi to measure its sustainability performance in processing against the Higg Index.

5. Initiatives for Gobi’s Sustainability Strategy

A11.30 The recommended Gobi sustainability strategy was a 3-year strategy, from which annual operating plans are developed. The Gobi sustainability strategy was developed in a manner to make it easy to incorporate into the overall strategic plan and annual operating plans, and the sustainability strategy was for 3 Gobi financial years (calendar years), with rolling annual operating plans.

A11.31 The Gobi sustainability strategy would allow Gobi managers to measure progress toward the company operating sustainably. Shareholders and other stakeholders can evaluate company performance on environment and social dimensions as well as financial performance and customers can evaluate the sustainability of products and the sustainability of Gobi’s overall business.

A11.32 The SFA sustainability standard for primary cashmere processing and secondary production of garments include standards for discharges to air, water,

and land; chemical use and handling; energy efficiency; and social conditions for the work force. Thus, except for energy efficiency, these items have not been included as initiatives in the Gobi sustainability strategy. Two energy efficiency initiatives have been included in the Gobi sustainability strategy because they link to the initiative on carbon footprint and carbon offsets.

A11.33 The implementation of the sustainability strategy initiatives was delegated to several Gobi teams following the principles of the Amoeba Management System that Gobi adopted in 2014. The key principle of the Amoeba Management System is the creation of groups of 5 to 50 people, or “amoebas,” with each amoeba being measured and rated on its profitability.

A11.34 To ensure each team made progress on achieving its sustainability initiatives, Gobi appointed, following recommendation from ADB, an overall sustainability manager to oversee implementation of all strategy initiatives, essentially the leader of the Gobi Sustainability Amoeba.

6. Other Initiatives Identified for Gobi’s Sustainability Strategy

A11.35 In addition to the core Gobi 4P sustainability program, there were two other initiatives identified that Gobi could initiate alongside its sustainability program: (i) a communications program about the Gobi 4P sustainability strategy and performance; and (ii) a governance program on Gobi sustainability.

A11.36 Gobi could regularly communicate about the performance of their sustainability strategy to different audiences and shareholders (through annual reports), managers (as part of their regular performance reviews), employees, and customers.

A11.37 Key performance indicators were introduced into each manager’s written and annual targets and included indicators and targets from the Gobi 4P sustainability strategy for a manager to achieve. In addition, it was recommended that Gobi 4P strategy and performance could be a regular agenda item for senior manager meetings, department meetings, and team meetings.

A11.38 Communicating with customers helps focus Gobi’s 4P sustainability program to try to achieve the desired increase in revenues, either from premium pricing or increased sales volume. For the end users or customers who purchase a Gobi product direct from Gobi, or for retailers outside of Gobi who sell Gobi products to end users or customers, it was recommended that communications might include communicating elements of the 4P sustainability strategy through product labels, product information sheets, product warranties, and other product information that is aimed at the end user.

A11.39 The introduction of a governance program aimed to get Gobi’s board of directors to regularly review and endorse Gobi’s sustainability strategy and to regularly review the performance of the 4P sustainability strategy.

7. Progress, Outputs and Next Steps

- Gobi management reviewed and approved the 4P sustainability strategy, and each of the 2019 actions were assigned to nominated Gobi staff.
- ADB provided limited technical assistance to Gobi to coach Gobi managers on how best to achieve each 2019 action. This technical assistance helped the nominated Gobi staff to complete the baseline assessment on Higg Index modules.
- ADB has been providing support to SFA to develop its certification program for cashmere processing.
- The Gobi sustainability strategy was shared with SFA to assist with the development of its certification program on sustainability for cashmere processing.
- ADB is developing a “country road map” of how industries in Mongolia can adopt voluntary programs to improve their sustainability, particularly environmental sustainability, of their business. By adopting voluntary programs, industry would work more in partnership with the Mongolian government to achieve sustainability in industry, thus avoiding heavy regulation by the government on aspects of industry sustainability.

C. Case Study Three: Sustainable Procurement of Ecolabelled Pre-School

1. Background

A11.40 Shermer is a small municipality located in the south of Eerie, home to around 46,500 people. Shermer Municipality has committed to a range of environmental aims that guided its strategy between 2013 and 2020, and included goals around eco-efficient construction and maintenance, effective energy use and climate protection, and public procurement.

A11.41 Therefore, when Shermer set out to procure a new pre-school building in 2015, it set out to be the first Ecolabelled pre-school in Shermer, and to ensure that the new building was healthy and comfortable for children and staff while also fitting in with their wider environmental ambitions.

A11.42 To qualify for the Nordic Swan ecolabel for small houses, apartment buildings and buildings for schools and preschools, it is necessary to meet standards around the building’s energy use, chemical products, building products and goods, and several indoor environmental factors that are relevant to health and to the environment, as well as requirements around quality management in the construction process. Buildings are assessed using a life cycle perspective, and must achieve low energy consumption; fulfill high environmental and health requirements on building products, materials, and chemical products; ensure a good indoor environment and low emissions; and use a quality-assured construction process.

2. Procurement Approach

Market Dialogue

A11.43 Extensive market dialogue was conducted prior to the procurement. The first step was to publish a Request for Information to assess whether there was an interest to establish a committed partnership with the municipality. Additionally, information on energy saving methods was sourced—especially solutions in lighting, heating, cooling, use of water, efficiency of energy consumption, and air ventilation.

A11.44 Four contractors responded to the Request for Information who were invited to a one-to-one meeting with the procurement personnel with the lengthy and in-depth dialogue around the possible obstacles and solutions to demanding criteria was the focal point of these discussions. Since it was known that the labelling process would demand a more intense involvement from the contractor, Shermer also used the market dialogue to determine whether suppliers would be willing to commit to carrying out such a project in partnership with the municipality. For example, the human resources required to undertake the certification process would be more intense than a standard construction procurement.

Selection Criteria

A11.45 Contractors were required to specify a member of staff who would be responsible for managing the ecolabel certification process. Bidders also had to present a plan on how they would ensure the construction process was carried out in line with Nordic Swan requirements, including among their subcontractors, and include proposals on how to ensure the building would ultimately meet Nordic Swan energy consumption requirements.

A11.46 The following sustainability technical requirements were included:

- Overall energy consumption should be equal to or less than 75% of the national upper standard level i.e., 127 kilowatt-hour per square meter per year. This accounted for heating (including energy options additional to district heating, cooling, lighting, control and automation, thermal insulation and heat recovery, windows and minimizing hot water consumption).
- How to achieve ecolabel requirements for energy consumption with regards to heating, ventilation, and air conditioning systems, and how the controls of these systems can be adjusted.
- A proposal on how the energy consumption will be measured and data collected.

Award Criteria

A11.47 The contract was awarded based on the most economically advantageous tender (MEAT), with criteria weighted as detailed in the table below.

Price (50%)	The lowest priced offer receiving a maximum 50 points, with other offers being calculated in proportion to this.
Qualitative Measures (50%)	<p>Layout or functional characteristics (50%). Plans presented in the offer are reviewed, with the most favored functional design receiving 10 points, and the others calculated proportionally.</p> <p>Facade (15%). Most preferred receives 10 points, and the others calculated proportionally.</p> <p>Traffic arrangement (15%). Suggestions on delivery routes and parking for staff and visitors, and the position of these routes, with the most favored receiving 10 points, and the others calculated proportionally.</p> <p>Personnel allocated to project (10%). Full-time member of staff with appropriate work experience and references to attend to the ecolabel process, with the highest score receiving 10 points, and the others calculated proportionally.</p> <p>Plan on how the materials and construction is always kept dry (10%). Materials and components of the building protected during transportation and installation or construction, with the highest score receiving 10 points, and the others calculated proportionally.</p>

3. Results

A11.48 Five bids were received that met the compulsory requirements and the specified standards, including four contractors that had taken part in the market dialogue.

A11.49 All bids came in under the cost estimate of €7 million (\$7.9 million), with the winning bid of €4.85 million (\$5.48 million), and the highest bid of €6.6 million (\$7.46 million). It is thought that bidders were encouraged to be competitive in their bidding by the additional incentive of the finished building being awarded an ecolabel, and the potential this has for the company to demonstrate good practice (which could be advantageous when bidding for other contracts).

A11.50 In the end, the building cost around €6 million, or about \$6.77 million, (including all final modifications executed during the building process). Building was started in the autumn of 2016 and completed in August 2017, which is when the school was also awarded the Nordic Swan ecolabel.

Sustainability Impacts

A11.51 The building was constructed using ecolabel approved chemical-free materials and products only, which ensured that the emissions to both indoor

and outdoor environments was minimal. Building processes were also carefully monitored and managed during the construction phase to ensure no environmental or structural risks appeared later in the building's life cycle.

A11.52 The materials used were either recyclable or could be safely eliminated at the end of the building's life cycle. The building was also constructed so that, if necessary, it could be dismantled and either reconstructed elsewhere or have modules safely dismantled and recycled at the factory. The outdoor play equipment also fulfilled the Swan Ecolabel standards and was manufactured from untreated wood or certified FSC timber, and the climbing ropes were made from natural fibers.

A11.53 The building process also required innovative material sourcing, requiring the building contractor to develop partnerships with suppliers to determine the origin of materials and find replacements for components that did not meet the ecolabel requirements.

A11.54 The total weight of the building is approximately 1,400,000 kilograms and all materials are environmentally better options, lowering the carbon footprint of the building. In addition, while around 10%–15% of building material normally ends up as waste, in this project, this was limited to 5%. This was in large part due to the production of building parts in modules that were pre-cut.

A11.55 The resulting building offered a pleasant indoor environment in terms of lighting, noise, and ventilation through smart architectural design. The daylight factor is at least 2.5% in common rooms, which is difficult to achieve in the Nordic region. The noise environment also presented challenges, since the building houses 200 children, but by following ecolabel criterion, the resulting noise is noticeably lower than in a standard preschool building. In addition, the ventilation is demand controlled and automatically adjusted according to readings from moisture and carbon dioxide monitors (i.e., reading devices automatically prompt actions in ventilation), thus creating a comfortable atmosphere for all.

A11.56 Green electricity is provided by the local energy company, which produces electricity from biodegradable household waste. The district heating company buys energy from the waste disposal plant, which produces energy by incinerating domestic waste (excluding metal, glass, paper, and cardboard).

Social Considerations

A11.57 To ensure the building's accessibility to all children, rooms were built to cater to disabled children, including wider doorways and extra space within rooms to increase maneuverability. Children were also at the center of design choices. For example, during the final interior design stage, a group of children from the kindergarten helped choose the color scheme and the point scoring of the tenders for furniture.

4. Conclusion

A11.58 By conducting market dialogue, the quality of the bids was undoubtedly improved, with each displaying an appreciation of the goals of the municipality, and a well-constructed consideration of sustainability criteria and requirements. Each managed to clearly present their plans for achieving the required energy consumption and achieving Nordic Swan ecolabel certification.

A11.59 The expertise of ambitious procurement staff was also invaluable in setting of initial ambitious aims and providing direction. By setting clear targets, and taking time to get to know the market, as well as the possible standards and ecolabels that align with ambitions, it is possible to procure safe, healthy, and green buildings that can also lead to savings over the longer term.

D. Case Study Four: Sustainable City Council Program

1. Background

A11.60 Hillwood is a city of 1.9 million living in the city and 4.9 million in the wider urban region. The City Council manages around 2000 buildings and has around 12,000 employees working across a range of services, each managing its own decentralized budget.

A11.61 The city has been increasing its focus on sustainability for over a decade, which started with a comprehensive consultation that led to the creation of a Citizen Commitment to Sustainability. This in turn provided a sustainability road map for the city.

A11.62 The City Council has also placed specific focus on the role of procurement in supporting progress toward environmental and social ambitions, and developed the SCC program.

A11.63 The sustainable city council program aimed to

- reduce the council's environmental and social impact;
- promote a sustainable economy and production system, using the administration's potential as a responsible consumer; and
- bring coherence to the City Council's sustainability policy and encourage change by its example.

2. The Approach

A11.64 The city first focused on the specific role of procurement via the Green Office Program, which concentrated on the acquisition of sustainable office goods. The focus of this program, however, began to broaden in recognition that all goods, services, and works procured by the city council can contribute to the social, ethical, and environmental goals of the city, launching in the SCC Program.

A11.65 The program's strategic goals were defined by consensus through a participatory process, which lasted a year and involved over 300 staff. The process evaluated past performance and defined common future objectives and actions. The action areas ranged from the procurement of products and services to urban development, construction and refurbishment of buildings, and greening public events.

A11.66 The change toward a Sustainable City Council was bolstered by successive internal rules to ensure the overall incorporation of environmental criteria in contracts, and two government measures on responsible procurement defining how to include environmental and social aspects in public contracts.

A11.67 An additional participatory process was conducted that involved more than 200 of the main procurement and sustainability stakeholders. An agreement was reached of further compulsory criteria for all municipal contracting bodies in high priority procurement categories (electricity, computer equipment, cleaning and selective waste collection in buildings, events, food services, paper, communication elements, textile products, timber, office furniture, public works projects, and vehicles). These were then set out as regulations by the 2015 Technical Instructions for the Application of Sustainability Criteria and included the following:

- The purchase of work uniforms must respect the Conventions of the International Labour Organization and restrict the presence of chemicals, in accordance with OekoTex.
- All wood must come from certified sustainable sources.
- 100% of supplied electricity should be derived from renewable energy sources or high efficiency cogeneration.
- All school catering services should include organic food.
- All computers should comply with the Energy Star standard as a minimum and should respect the conventions of the ILO.
- 100% recycled paper.
- Priority for acquiring electric vehicles.
- Public buildings and public spaces should have the highest levels of energy, water, and environmental self-sufficiency.
- Public events should be organized according to a greening plan.
- Communication and marketing products should include eco-publishing criteria and more sustainable materials and practices.
- Office furniture should be produced using recycled or sustainable raw materials and be free of toxic substances.
- Selective waste collection and the use of green cleaning products and other materials.

A11.68 A Decree on Sustainable Public Procurement was issued that made the Technical Instructions for the Application of Sustainability criteria compulsory for all contracts and defined additional instruments to guarantee successful implementation of environmental, social, and innovation criteria in contracts, such as the establishment of an annual plan for sustainable public procurement and the development of a monitoring system.

3. Implementation

A11.69 Implementation was focused on products and services identified by the European Commission as a priority to implement the European Union Green Public Procurement (COM/2008/400), but also to other main contracts (in terms of budget) such as street cleaning or public lighting maintenance.

A11.70 To support the implementation of environmental criteria, technical support was offered by the Sustainable City Council (SCC) program to all the departments and divisions of the council.

A11.71 Communication channels were also kept open via several internal working groups, which meet regularly to discuss specific topics. Occasionally, other groups were also created to consider priority issues, such as innovation in contracting methods.

A11.72 Broader awareness raising campaigns were also introduced to keep staff informed. A regular e-newsletter was prepared, and a SCC program website was created, and training and targeted information campaigns were implemented.

4. Results

A11.73 The SCC program worked with the Procurement Coordination Department to include monitoring of sustainable procurement in the automatic procurement processing system. Individual monitoring of different products has provided the following results.

- Approximately 77% of all wood purchases made were of wood certified by the Forest Stewardship Council or the Program for the Endorsement of Forest Certification.
- The inclusion of environmental criteria in the street cleaning and waste collection contracts has reduced the environmental impact of vehicles with 35% of the fleet running on biodiesel, 25% on gas, and 30% on electricity or hybrid. The Police service has procured 145 hybrid vehicles.
- Average paper consumption was 78% recycled with several districts and departmental administrations using over 90% or even 100% recycled paper.
- The establishment of a framework agreement for the supply of electricity to all the Council's buildings, installations, and associated organizations, including public lighting, saved 37,583 metric tons of carbon dioxide annually through its purchase of 100% electricity from renewable sources and high-efficiency cogeneration with a guarantee of origin certificate.

5. Conclusion

A11.74 The SCC program was successful due to the participation and co-responsibility of all stakeholders involved. Some departments and divisions are now developing further procurement guidelines, which follow the same structure but

for products and services that were not initially prioritized, such as the design and production of exhibitions, or the acquisition of office supplies.

A11.75 The definition of a common regulatory framework for all municipal contracting authorities has contributed greatly to mainstreaming responsible procurement in the Council. Compliance with one strategic regulation led to an increased interest in many of the SCC tools, services, and initiatives.

A11.76 The continuous work and effort carried out over the past decade in greening the administration is now bearing results that would not have been possible without the continuous and close work with suppliers. Innovative solutions and initiatives (such as preprocurement market engagement activities, application of new concepts, and new tools for intelligent management) were fundamental to achieve sustainability goals and to use the procurement process to also drive sustainable innovation.

Sustainable Public Procurement

Guidance Note on Procurement

This guidance note aims to assist ADB staff and borrowers (including grant recipients) on how to incorporate aspects of sustainability in the public procurement process. It introduces the concept of sustainable public procurement and provides guidance on sustainability issues throughout the ADB procurement cycle from planning, contract specification, evaluation to contract management. Tools and references based on international best practices are included in the guide. Case studies from different DMCs illustrate how sustainable procurement can make long-term positive impact on economies and communities.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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