Sustainable Procurement: Buying for a Better World

The United Nations Sustainable Procurement Guide
Resource Book for the UN Sustainable Procurement Training

May 2008
This Guide is the results of a partnership among UN agencies towards a climate neutral and more sustainably managed UN. They have been developed by the Sustainable UN (SUN) Unit based in UNEP Division of Technology Industry and Economics (UNEP DTIE) Paris in close collaboration with the UN Environmental Management Group (EMG) and the High Level Committee on Management Procurement Network (HLCM PN) as a practical support to the invitation made by the Secretary General Ban Ki Moon for a progressive inclusion of climate neutral and sustainability considerations in the way UN works and operates.

The development of this document was a joint effort by UNEP (Ms Isabella Marras), UNOPS and UNDP (Mr Niels Ramm) with substantial help and comments from UN PS (Jacqueline Schroeder) and ICT ILO (Ms Maria Teresa Pisani). The book and the slides that derive from it were tested in 2 special Training sessions that took place as part of the “Fundamentals for UN Procurement” series of trainings managed by UN PS in Nairobi and Brindisi in June 2007.
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INTRODUCTION

This manual presents an overview of what sustainable procurement is and outlines key initial steps needed to facilitate the shift to sustainable procurement. The key elements of sustainable procurement, the benefits and challenges; as well as how to transition to more sustainable procurement, are presented. Case studies illustrating how UN bodies have implemented sustainable procurement principles are offered as concrete examples of progress to date.

Recent commitments from the UN Secretary General and the Chief Executives Board for Coordination have placed sustainability at the heart of the procurement process. Already some UN Agencies, Funds and Programmes have taken up the challenge. It is now time for sustainable procurement to become the standard operating procedure across the UN. This manual endeavours to contribute to this important process.

Climate neutral and more sustainable UN?

On 5 June 2007, World Environment Day, the UN Secretary-General announced his plans to make the UN Headquarters climate neutral and environmentally sustainable, adding to this initiative the other UN headquarters and offices around the globe. UNEP, through the EMG, was required to take the lead in this action.

"[...] I would like to see our renovated Headquarters complex eventually become a globally acclaimed model of efficient use of energy and resources. Beyond New York, the initiative should include the other United Nations headquarters and offices around the globe.

We need to work on our operations, too, by using energy more efficiently and eliminating wasteful practices. That is why, today, I am asking the heads of all United Nations agencies, funds and programmes to join me in this effort. And I am asking all staff members throughout the United Nations family to make common cause with me."

Secretary-General Ban Ki-moon
Madrid (Spain) 05 June 2007

This statement was endorsed by the Chief Executives Board (26 October 2007) with relation to Climate Neutrality: “We, the Heads of the United Nations agencies, funds and programmes, hereby commit ourselves to moving our respective organizations towards climate neutrality in our headquarters and United Nations centres for our facility operations and travel."

WHAT IS SUN?

What does Climate Neutrality mean? Climate Neutrality is a term adopted internally in UN signifying an entity (organization) that has a zero net contribution to the atmosphere of greenhouse gases. This includes all activities directly controlled by the organizations, including travel, purchasing of goods and services, and daily behaviour of staff. Climate Neutrality can be achieved by improving the way the organization operates (e.g. through modified procurement considerations), by improving efficiency of functions (e.g. communications and meetings) and equipment (e.g. vehicle fleets and buildings). Climate Neutrality also recognizes offsetting as an option (last resort) to achieve full neutrality.
Against this background, UNEP’s Division of Technology, Industry and Economics (DTIE) in liaison with the EMG secretariat set up a new team in early 2008 called Sustainable UN (SUN), to provide advisory services and support to UN and large public organizations to reform towards climate neutrality, i.e. reduce the generation of greenhouse gases and overall sustainability. For its nature, SUN works in very close link to the UN Environmental Management Group, the High Level Committee on Management Procurement Network and also the UN Facilities Management Network.

SUN's fields of action include:
- Physical assets (buildings, equipment, vehicles etc)
- Management processes (procurement, travel requirements, management systems etc)
- Organizational culture (day-to-day behaviour of staff)

In particular these guidelines/training/policy are issued as part of the deliverables of SUN in the field of sustainable procurement which will gradually include the following:

- **Policy**: high-level endorsement and consequent legal and procedural modifications to ensure the inclusion of sustainability considerations in UN corporate procurement and facilities management rules;
- **Tools**: training materials and/or training sessions, 10 product guidelines to help procurers choose more sustainable options for office based activities;
- **Monitoring of progress**: a SUN shared knowledge base to share good experiences, materials and lessons learned related to UN corporate environmental performance.

**Building Management**

Creating and operating buildings accounts for about 40% of global energy consumption and up to one-third of greenhouse emissions annually – yet with widespread adoption of energy efficiency measures - up to 30% of base-line building-related CO2 emissions projected for 2020 could be avoided at no cost or with cost savings to the sector. SUN aims to support facilities managers in achieving emission reductions through providing sustainable building performance audits, support tools and guidelines for improving building design and operations.

**Culture**

SUN aims to promote a UN culture conducive to meeting our climate neutrality and sustainability objectives. This will involve interventions in the form of both top-down managerial and bottom-up staff initiatives. SUN aims to provide the tools for awareness campaigns and information initiatives and identify will provide innovative approaches for influencing staff behaviour.

For more information on the various SUN deliverables and to get in contact with the SUN team, visit www.unep.fr/scp/sun and sustainable.un@unep.fr
SECTION I: PROCUREMENT IN THE UN system

How the UN system Purchases

The United Nations system is made up of a variety of organizational entities—Agencies, Funds and Programmes—each having a distinct and separate mandate, covering political, economic, social, scientific and technical fields. The major bodies are shown below.²

In 2006, total procurement of goods and services for operational activities of the UN System—technical cooperation, humanitarian assistance and peace keeping operations—was just over US$ 1.9 billion of which US$ 767 million was for the procurement of goods and approximately US$ 1.14 billion for services.³

The major goods procured by the UN System are:⁴

- Food
- Medical equipment
- Telecommunications equipment
- Shelter and housing
- Chemical and petroleum products
- Laboratory equipment
- Pharmaceutical supplies
- Vehicles and transportation
- IT equipment
- Generator sets
- Air conditioning/heating/plumbing
- Rental/lease equipment

² For a complete listing of all UN bodies see: http://www.un.org/aboutun/chart_en.pdf
⁴ Ibid
The major services procured are:

- Security
- Engineering services
- General management
- Maintenance and repair
- Telecommunications
- Construction
- Leasing or rental
- Freight and air transportation
- Consultancy
- Outsourced personnel services (catering, cleaning, travel)

Ten countries—listed below alphabetically—represent more than 67% of supply to the UN:

- Canada 2.93%
- Italy 6.85%
- Lebanon 2.64%
- Russian Federation 11.57%
- Switzerland 2.49%
- France 3.55%
- Jordan 2.98%
- Panama 5.49%
- Sudan 8.6%
- USA 20.83%

Despite the above figures, the estimated value of UN direct and indirect spending is quite small. It is however significant in terms of visibility and demonstrative effect and therefore can play a catalytic role. Therefore by adjusting how it procures, the UN can send a strong signal to business and countries as to what its priorities are.

Moreover, on 5 December, 2007, the Chief Executives Board for Coordination committed to making the UN be climate neutral, first by reducing emissions—primarily through energy efficiency and other mitigation measures—and then through carbon off-set mechanisms. This commitment builds on the Secretary General’s World Environment Day message and firmly establishes the UN presence in driving and supporting sustainable procurement.

UN Procurement System

Procurement in the UN must be conducted in accordance with the Financial Regulations and Rules of the United Nations. A contract for the procurement of goods or services must also incorporate a reference to the General Conditions for General Contracts of the United Nations, which specifies the legal status of the supplier and issues such as dispute resolution, governing law, use of UN name and logo, taxation, privileges and immunities.

However specific procurement activities of the UN system are based on the objectives of the UN Agencies, Funds and Programmes concerned. Each entity has its own Procurement Manual—including specific requirements for goods and services—conducts its own procurement activities and constitutes a separate and distinct customer. The UN system operates on budgets funded by its members and each Agency, Fund or Programme has a separate budget approved by its respective Executive Board.

“On this World Environment Day, let us recognise the need to slow the momentum of the dramatic environmental change we are seeing at the poles and around the globe. And let each of us pledge to do our part to fight climate change.”

Message from UN Secretary-General, World Environment Day, June 5, 2007.

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5 Ibid.
6 Ibid.
7 For example, UNHCR and UNIDO allow for a 15% price addition for those goods and services that come from developing countries.
Although provisions vary between procurement manuals four basic principles are common to all:

1. Best value for money;
2. Fairness, integrity and transparency;
3. Effective international competition; and,

**Transitioning from Procurement to Sustainable Procurement**

Sustainable procurement directly supports two of the four basic procurement principles; *best value for money* and *interest of the UN*.

Quality and the environment are often closely linked as quality usually means a longer product life and thus less consumption of resources because of lower replacement rates. Moreover, an eco-efficient product usually uses less energy, meaning lower energy costs over the life-time of the product. An eco-efficient product is often cheaper to dispose of either because it is included in a recovery or re-use system or because it does not contain hazardous substances and thus does not require special handling.

Ultimately, when buying a product more than the purchase price must be considered. The price calculation must include all the costs relating to the product throughout its life. When products are examined from a life-cycle perspective, those that meet sustainability criteria are frequently cheaper. Many sustainably produced products also have a smaller carbon footprint, i.e. they are produced with less energy or consume less energy. As the UN has committed to being carbon-neutral, products or services that have low carbon impacts can be classified as being “in the interest to the UN”.

Compliance with fundamental labour standards throughout the supply chain during contract execution also supports the goals of “interest to the UN” and “best value for money”. Moreover, ensuring decent working conditions and the non-use of child labour and forced labour demonstrates that the UN does as it preaches as well as contributing to achieving the Millennium Development Goals.
SECTION II: SUSTAINABLE PROCUREMENT

Emission of harmful and toxic substances into water or atmosphere, the generation of waste, the consumption of natural resources and damage to, or destruction of, ecosystems are elements of unchecked consumption. Increasingly local communities are bearing the brunt. At the heart of numerous policies and activities—developed to address these negative impacts—is a shift in production and consumption patterns.

Collectively, the public sector—government bodies, UN etc.—represents a huge opportunity to leverage markets to produce more sustainable goods and services. Through procurement, the public sector can also affect policy objectives such as gender equality, support for small businesses, or meeting sustainable development goals.

Procurement can be called sustainable when an organisation uses its buying power to signal preferences to the market by its choice of goods and services which meet sustainable development criteria. This power is widely recognized in a number of local and national authorities both in developed and developing countries where the application of sustainable procurement is becoming increasingly common and where a wealth of implementation tools exists.

Although procurement can be instrumental in facilitating the development of sustainable markets, procurement activities conversely must be supported by a clear demand for responsibly-produced goods and services and in the training and support for private suppliers and producers to assist them in meeting the “new” requirements.

Sustainable procurement is not about “burdening” the market with extra requirements; rather it is a well-defined strategy that gradually phases in sustainable requirements in bids, supports measures, promotes dialogue and open communication between the suppliers and procurers. Applied properly, sustainable procurement can be used as a mechanism to further the economic, social and environmental development of recipient countries and/or regions and help producers—especially in the developing world—to become more efficient and competitive in larger markets.

In South Africa, public procurement is seen as an important policy lever in the post-apartheid world. The Black Economic Empowerment (BEE) initiative outlines how the public sector should prioritise buying from black-owned businesses in order to redress the economic advantages offered to white-owned businesses during apartheid. Businesses are scored according to a set of pre-defined criteria:

**BEE Score Card**
- 30% : buying goods or services from black owned companies
- 30% : numbers of black board members, employees and training
- 30% : how well a company promotes black-owned enterprise
- 10% : issues which will be determined by each industry

INVESTEC—an international specialist banking group with offices in South Africa—envisages meeting the BEE criteria in the following ways:
- Procuring from BEE companies 50% (present level 13%)
- Increasing black South African board members 33% (present level 25%)
- Having 25% South African executives (present level 10%)
What Does “Sustainable Procurement” Mean?

Procurement is the process by which public or private organisations buy supplies and services to fulfil various functions, e.g. shelter, transport, infrastructure needs, etc. However procurement is not simply about the purchasing of goods and services.

Procurement also has to meet the obligations of timeliness; effectiveness; efficiency; competition; transparency; equitable distribution; and, development. At the macro-level, public procurement creates a dynamic; a chain reaction which benefits the economic life of a country and supports development of the private sector. Thus, there is a direct link between the performance of the procurement function and the collective fulfilment of economic objectives.

Sustainable procurement is about combining social and environmental factors with financial considerations when making purchasing decisions. It involves looking beyond the traditional economic parameters and making decisions based on life-cycle costs, associated environmental and social risks and benefits as well as broader social and environmental implications.

By adopting a sustainable procurement policy UN Agencies, Funds and Programmes can develop and adopt policies and practices that:

- Secure best value for money, price, quality, availability, functionality;
- Support a precautionary approach to environmental challenges;
- Are cleaner and safer; make efficient use of resources, ensure adequate management of chemicals;
- Incorporate environmental costs, reduce pollution and risks for humans and the environment; and,
- Influence purchasing decisions to support issues such as poverty eradication, international equity in the distribution of resources, labour conditions, and human rights.

What are the Key Elements of Sustainable Procurement?

Sustainable procurement policies and processes incorporate appropriate safeguards and checks to avoid abuses or inadvertent infringement on key issues, the most important of which are noted below.

Adverse Environmental Impacts

Procurement can play a key role in promoting sustainable production and consumption patterns. It is widely recognised that industrial development will only be truly sustainable if it is built on firm ecological foundations. The growing attention to issues of sustainable
consumption and production (SCP) is the result of decades of work on cleaner production and eco-efficient industrial systems. SCP represents the latest step in a progressive evolution from pollution control; an evolution which has gone from:

<table>
<thead>
<tr>
<th>Pollution Control</th>
<th>→ Cleaner production</th>
<th>→ Eco-design</th>
<th>→ Product-systems</th>
<th>→ Eco-innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>mitigating negative outputs</td>
<td>focus on production processes</td>
<td>focus on products</td>
<td>incorporating energy and resources consumption during life-cycle, transport logistics, end-of-life collection and component reuse or materials recycling</td>
<td>new products and product-systems and enterprises designed for win-win solutions for business and the environment</td>
</tr>
</tbody>
</table>

Local Entrepreneurship
Strategic procurement practices can also support the development of local entrepreneurs by requiring that a certain percentage of goods and services be locally sourced.

Human Rights
Human rights are increasingly acknowledged as a business issue. They are inextricably linked to corporate risk and reputation management. The expansion of supplier sourcing from developing countries means that procurers—and UN procurers in particular given where the UN does business—are increasingly exposed to companies operating in countries with repressive governments, where there is ethnic conflict and weak rule of law, or poor labour standards. The procurement function must include processes that identify companies that flaunt their responsibility to uphold the universal human rights both towards their employees and the communities in which they operate.

Labour Rights
With the rise of globalisation—and with it the extension of global supply chains—procuers have the unique opportunity as well as responsibility to ensure that procurement supports workers rights. Companies operating in global markets are increasingly expected to assume some level of responsibility for labour practices along their supply chains. This responsibility can and should also form an integral component of the procurement function, by ensuring that the contracted companies operate within the universally accepted ILO’s core conventions on labour standards. At a minimum, procurers should be aware of a prospective supplier’s performance concerning:

- Rights to freedom of association and the effective recognition of the right to collective bargaining;
- Elimination of all forms of forced or compulsory labour;
- Effective abolition of child labour; and,
- Elimination of discrimination in respect of employment and occupation.

While the above four elements do not cover the full range of labour rights issues they do address some of the deepest and most challenging aspects of this subject area.

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Gender and the Empowerment of Women
The Millennium Development Goals (MDGs) set a target to:

[eliminate the] gender disparity in primary and secondary education preferably by 2005, and to all levels of education no later than 2015

The procurement function can promote gender equity and the empowerment of women by adopting practices that support minority businesses, particularly those owned by women. A straight-forward and simple approach is to use an evaluation preference that awards additional points to minority businesses.9

Poverty Eradication
The MDGs call for the eradication of extreme poverty and hunger by:

[halving] between 1990 and 2015, the proportion of people whose income is less than one dollar a day....[and halving] between 1990 and 2015, the proportion of people who suffer from hunger.

International aid agency procurement can contribute to the eradication of poverty by providing capital investment through local and regional sourcing strategies in the respective economies. By sourcing products and services in-country or within a particular region procurement can:

- Support job creation;
- Stimulate increases in income;
- Improve the purchasing power of the local population;
- Generate economic opportunities within communities; and,
- Contribute to economic development.

Governance
Sustainable procurement can play a strategic role in achieving and ensuring good governance. Good governance encompasses a functioning regulatory system, as well as institutional set-up, well-designed processes and proven capacity to meet identified needs. Effective public procurement is a good indicator of how well those processes are managed. Moreover, a well functioning procurement system can ensure:

- Better value for money;
- Increase in efficiency and effectiveness of delivery;
- Reduction in the potential for corruption;
- A positive, country-level investment climate;
- Non-discriminatory practices;
- Transparency; and,
- Accountability.

Strategic approaches to procurement, as well as information exchange of best practices and capacity building between national government procurement entities can also assist in the development of good governance practices.

9 For an example, see the World Bank’s Domestic Preference policy.
What are the Benefits of Sustainable Procurement?

Tradition procurement focuses on “value for money” considerations. The aim and challenge of sustainable procurement is to integrate environmental and social considerations into the procurement process with the goal of reducing adverse impacts on human health, social conditions and the environment, thereby saving money for organisations and the community at large. The benefits that can accrue to an organisation practicing sustainable procurement include:

- A more open debate both internally with staff and externally with partners;
- Better inter-organisation co-operation with different departments/services, e.g. finance, environment, industry, etc.;
- Improved relationship with employees and users of dangerous products, e.g. chemicals used by cleaning services; and,
- A general improvement of transparency and ethics with and from suppliers

Specific benefits of sustainable development include:

- Contributing to the modernization and international competitiveness of local industry which can encourage foreign investment and employment generation;
- Improving the efficiency in the public sector so that more money can be invested in social and economic development;
- Improving working conditions, e.g. labour standards, health and safety;
- Assisting disadvantaged groups in society;
- Reducing harmful emissions and waste generation;
- Improving air and water quality;
- Reducing the use of natural resource;
- Complying with a growing international trend in requirements and/or expectations of donor community;
- Complying with Multilateral Environmental Agreements and Labour Conventions ratified at the national level;
- Alleviating global environmental problems e.g. global warming, ozone depletion;
- Setting an example of engagement;
- Demonstrating commitment and strong political will to encourage change in other countries;
- Improving the efficiency and transparency of procurement procedures and structures; and,
- Generating savings through life-cycle costing and the avoidance of superfluous purchasing.
Procurement can also support long-term sustainability objectives if designed with these objectives in mind. Below are a series of sustainability objectives (listed in BOLD) with corresponding results arising from sustainable procurement activities.  

### Results

- **Promote long-term efficiency savings**
  - More efficient and effective use of natural resources and the environmental effects of obtaining those resources;
  - Reduce the harmful impact of pollution and waste;
  - Eliminate or reduce toxic materials entering the environment thereby reducing the impact of hazardous substances on human health and the environment;
  - Encourage innovation;
  - Reduce waste and landfill through purchasing recycled content products and products that create less waste;
  - Provide strong signals to the sustainable products market;
  - Practical expression of the organisation’s commitment to sustainable development saving money through re-using materials and products;
  - Help to ‘close the loop’ to make recycling viable;
  - Save water;
  - Reduce greenhouse gas emissions; and,
  - Preserve the natural habitat for flora and fauna.

- **Use public resources more efficiently**
  - Reduce costs through greater energy efficiency, resources efficiency, reduced waste disposal, reduced risk management;
  - Lower costs for some products and services; and,
  - Increase productivity and reduced time lost from illness because of the improved work environment.

- **Stimulate the market to innovate and produce more sustainable options**
  - Increase the availability of green products at cost-effective prices;
  - Expand the market for green products, as well as for products with reduced packaging; and,
  - Improve the level of information available to buyers about the content and performance of products making it easier to buy green.

- **Demonstrate to industry and the community that the UN is serious about sustainability**
  - Reduce exposure to toxic materials and emissions, through use of more benign products for cleaning, pest control, building and fleet maintenance; and,
  - Generate a more comfortable energy efficient working environment.

- **Improve working conditions**
  - Provide leadership to governments, industry and community at large
  - Demonstrate social and environmental responsibility;
  - Reduce the potential negative publicity associated with the use of products, services and suppliers with poor environmental and social records; and,
  - Compliance with international policy and legal frameworks concerning sustainable development and procurement.

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10 This section has been adapted from Environment Procurement Practice Guide, UNDP Practice Series, February 2008.
The Challenge of Sustainable Procurement

The relevance and practical application of the environmental aspects of a public procurement can be demonstrated fairly easily. Green requirements can be detailed in the technical demands for the production technology and the selection of materials. Performance and quality standards included in the technical specification can be easily defined and introduced at any stage of the procurement process.

The relevance and specification of social and ethical aspects of sustainable procurement on the final product is more difficult to measure as it involves “social” behaviour which often cannot be quantified. This makes it hard to verify and benchmark the effects of social and ethical behaviour in tender evaluation.

Some ways to measure the effects of social and ethical behaviour in the tender evaluation include using voluntary initiatives such as the Global Compact as a way to pre-screen potential vendors. Performing “upstream” activities, i.e. ahead of the procurement process, such as factory audits of suppliers, pre-qualification of suppliers and the establishment of more long-term agreements to ensure that those vendors solicited for bids meet minimal social and/or ethical criteria. Checklists that outline minimal criteria against which procurers can assess a potential vendor is another way to check that social and ethical criteria have a good possibility of being met.

Questions and Answers

Moving from procurement based on the concept of “best value for money” to procurement based on broader ethical and environmental issues naturally raises a host of questions. Below is a selection of questions that are frequently asked as companies and organisations transition from procurement to sustainable procurement.

The next section, “How to Transition to Sustainable Procurement” will address the transition process step-by-step.

Why to link procurement and sustainable development?
In committing to sustainable procurement benefits accrue to the organisation including:

- Controlling costs by adapting a wider approach to the whole life costing;
- Involving the local business community to help build a more sustainable supply chain for the future;
- Complying with environmental and social regulation (meeting country regulations);
- Managing risk and reputation;
- Building; and,
- Improving internal and external standards.

Procurement is a well-placed tool to facilitate the promotion of sustainable development. Through the development of procurement criteria that support sustainability principles, requisitioners and procurers can send strong signals to the market in favour of goods and services that promote sustainability. Key procurement criteria such as energy efficiency or water conservation can help engage businesses in emerging and developing economies to curb emissions while contributing to goal of meeting the international challenge of climate change. Simultaneously, employing such measures will increase the competitiveness of these
businesses in international markets, where issues as climate change and resource depletion are already addressed in public procurement policies, e.g. Japan, EU, USA, Canada.

**What defines as sustainable product?**
A sustainable product is the result of a design process in which environmental, social, ethical and economical questions were partly or totally integrated. National or product eco-labels are useful to help identify products. Company policies can also be used to help the procurer understand the sustainable characteristics of its products.

**Does sustainable procurement require more work from the procurer?**
Like any change, it takes time to become familiar and comfortable with the new process. Once requisitioners and procurers understand what sustainable procurement means—and how to incorporate new criteria into the tending documents and evaluate bids—then the process is the same.

**Is it easy to find sustainable products in all categories?**
Increasingly companies are rising to the challenge of addressing sustainability issues. In the majority of markets it is becoming easier to define a “sustainable” leader. In markets that are still evolving there is a need to ensure that sustainability principles are being followed rather than simply talked about in promotional literature. For this reason, sustainable procurement criteria need to be carefully adapted and complemented with training of requisitioners and procurers to support and encourage a gradual migration of companies towards cleaner production and more sustainable business practices overall. This is particularly important in developing markets.

**Can most companies meet sustainability criteria?**
The ability of a company to meet defined criteria will depend on its size and location. In many countries, national or inter-regional legislation, i.e., European Union, already stipulate that products not contain hazardous materials, use resources efficiently and provide end-of-life, take-back or recycling options. Products that are sold in these countries must therefore meet these requirements. The difficulty arises when sourcing products from countries were regulation is weak. Here the presence of ISO 14001 can demonstrate a commitment to environmental stewardship. However being ISO 14401 certified does not automatically mean that the company supplies sustainable products and services. Reference to an international voluntary initiative, e.g. the Global Compact, or certification by a particular eco-label can also be used as proxies of commitment.

**How can criticism about unfair advantage best be managed?**
To avoid concerns about unfair competition, e.g., because of defined sustainability criteria or geographical focus, it is important that a request for proposal (RFP) clearly outlines ALL the criteria that will be used to assess a bid. These criteria must also then be weighted so that bidding organizations can clearly see where they may bring added value. Sustainability criteria should be defined as ideals not as absolutes, the latter which limits competition. Phrases such as: “XXX is committed to supporting local suppliers, small and medium-sized enterprises and ethnic minority-owned-businesses”, outlines the organization’s priorities but does not prevent a business not fitting that description from submitting a bid. Procurement criteria that cover a broad set of issues—technical, financial, environmental, social and ethical—not only support sustainable procurement principles but provide opportunities to a wider range of potential suppliers.

**Is sustainable procurement more expensive than “business as usual” procurement?**
Efficient procurement means ensuring value for money, which is the optimum combination of entire-life cost and product quality to meet the identified need.

First it is important to consider whether a new product is really required at all or whether an alternative solution can be found.

Second, all too frequently the only financial factor considered is the purchase price of a product. In reality the cost of maintaining the product over its useful life and the cost of its disposal must also be factored into the purchasing decision—particularly if the product contains toxic elements as the disposal of toxic products may also involve substantial financial costs. For example, in the case of buildings the largest costs over the life-time of the building are operational costs. High, energy-efficiency standards in renovation and new construction make considerable financial sense, as do the use of energy efficient products such as computers and light bulbs.

**Why should UN agencies engaged in sustainable procurement?**

United Nations, including its many affiliated agencies represents a strategic global market for suppliers of virtually all types of goods and services.\(^{11}\) As the associated activities can have considerable environmental, social and economic impacts, the UN has a moral responsibility to reduce consumption of resources, related products or services and harmful and/or toxic substances and promote responsible business.\(^ {12}\) Both the Secretary General’s and the Chief Executives Board for Coordination’s commitments to a carbon neutral UN further underscores the need for sustainable procurement practices.\(^ {13,14}\)

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\(^ {11}\) Environmentally Responsible Procurement Working Group, available on www.sustainableprocurement.net

\(^ {12}\) Ibid

\(^ {13}\) Message on World Environment Day. UN Secretary General, 5 June, 2007

\(^ {14}\) UN Chief Executives Board for Coordination, Second regular session of 2007, CEB/2007/2
SECTION III: HOW TO TRANSITION TO SUSTAINABLE PROCUREMENT

The best strategy to effectively achieve sustainable procurement within the UN is incrementally. This means that offices should be encouraged to move along the ‘sustainability product continuum’ to procure a ‘greener’ or more ‘socially appropriate’ product than is currently being used. The product doesn’t have to be ‘greenest’, i.e. lowest environmental impact, but an improvement on the previously procured product. Eventually, over a relatively short period of time the products procured will be more sustainable and the practice of sustainable procurement will be the norm rather than something new.

Office copy paper is a good example of how the product continuum can be applied.

The rationale underpinning this strategy is that it more practical for procurement officers new to sustainable procurement practices to choose a product based on simple criteria rather than to attempt a comparison of the environmental characteristics of various products. This task can be technically difficult, even for experts.

Facilitating the implementation of environmental procurement across an entire Agency, Fund or Programme naturally brings some challenges especially given the diverse market environment in which the UN operates. The sustainability continuum can be applied to commonly used products and services. For each of these categories a preferred sustainability specification should be developed as well as minimum sustainability specifications.

There is some help in the form of eco-labels which can assist in making a comparison between competing products and guide the purchaser's choice, e.g. Energy Star Program, Nordic Swan, European ECO-flower, Fairtrade etc. There are however numerous products and services for which convenient and trustworthy labelling systems do not yet exist. In such situations existing international agreements and standards can be used to guide and inform criteria.

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15 This section has been adapted from Environment Procurement Practice Guide, UNDP Practice Series, February 2008.
Setting General Priorities for Sustainable Procurement

In principle it is relatively easy to make the political decision to procure in a sustainable manner. However, putting a policy into action requires some strategic planning, including appropriate training for procurement staff, ensuring access to information and setting priorities as to which product, service and civil works categories are most suitable for meeting sustainability criteria.

1. **Adopt a step-by–step approach**
   As a starting point, select a small range of products and services where the environmental or social impact is clear or where alternatives are readily available on the market and not more expensive, e.g. recycled paper, energy efficient office equipment, local supplier or cooperative. Alternatively start by ensuring the bidding specifications do not have an unintended negative impact, e.g. excluding products that use recycled materials, or stipulating that a supplier be international.

2. **Consider the environmental and social impacts**
   Select products, e.g. vehicles or services, e.g. cleaning services that have a low impact on the environment and/or support the local economy, e.g. a local cleaning firm verses a national chain.

3. **Focus on a broad environmental problem such as climate change or waste reduction**
   By introducing general requirements on energy efficiency or recyclability to met the sustainability objective you will be able to include a broader array of products. As more specific product criteria are developed, you can begin differentiating between products and applying more specific social and environmental selection criteria.

4. **Consider availability and cost of environmentally and socially superior alternatives**
   Are there green(er) products on the market? Will they meet your requirements? Can you justify the extra cost if any? Are there minority-owned businesses or businesses that use local staff that can meet your requirements?

5. **Consider availability of data**
   Can you find the data you need to set criteria for this product? How complicated will it be to decide what you want technically, and to express this in bidding documents?

6. **Look for visibility**
   How visible will the sustainable procurement policy be to other UN staff and external stakeholders? High-profile changes such as changing fuel consumption requirements of official vehicles or shifting to organic or locally produced food in the canteen will help build awareness of the policy around other sustainable projects such as carbon offsetting for travel, reducing energy consumption in buildings etc.

7. **Consider the potential for technological development**

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16 See Annex I for existing Conventions, Agreements and Standards that can be used in the design of criteria.
Green or socially responsible purchasing can target and support products and services at an early stage in their development and marketing. Sometimes this is more successful than trying to change the environmental characteristics of more mature sectors.

8. **Adopt a scientifically sound life-cycle approach**
Avoid shifting environmental or social impacts from one phase of the life-cycle of a product from to another. Look for relevant information in underlying specification of eco-labels or in websites and databases aimed at informing buyers.

**Implementing Sustainable Procurement**

**Stages of Sustainable Procurement**
The preparatory stage of procurement process is crucial. As each stage builds on the preceding one, any mistake or oversight at this stage will adversely affect each successive stage and ultimately the end result. Therefore, before beginning a new procurement process enough time should be set aside in the planning phase to define the subject or content of the proposed Purchase Order or Contract and the instruments to be used to reach the set objective.

The follow diagram outlines the general procurement process and highlights at which stages sustainable procurement criteria should be integrated to ensure that sustainable procurement is achieved.

**Procurement Planning**
Apart from ensuring: the usual timely solicitation of quotations, bids or proposals; cost efficiency; and, the award of contracts and the delivery of inputs, there are a number of procurement interventions that are essential to meeting the objectives of sustainable procurement. These are:
1. Defining the subject matter of the proposed contract;
2. Developing a title for the contract that embodies sustainability principles; and,
3. Conducting market analysis.

Defining the subject matter of the proposed contract
The subject matter of the proposed contract is a description of the product or service that the organisation wishes to procure. This process generally results in a basic description of the product or service; it can also take the form of a performance-based definition.

For sustainability considerations, a performance-based definition is usually preferable. Here the organisation does not need to meticulously stipulate all the characteristics that the product, service or works should possess but only the desired effect it should have. What is important is that the description of the to-be-procured product or service clearly states to potential bidders the intention of the organization to procure with sustainability considerations in mind.

Choosing a title for the contract
By clearly labelling the proposed contract with a sustainability title makes it easier for potential bidders to quickly identify what is required and conveys the message that the sustainability of the product or service will be an important part of the contract.

Conducting market analysis
In order to be able to determine what to procure, it is essential to have a good understanding of the market and the types of products and services offered, particularly as sustainable alternatives are not always available. The analysis needs to be conducted in an open and objective manner, focusing on what general solutions are available and not on a preferred or favoured contractor.

Developing sustainability specifications
Once the subject matter of the contract is defined the information must be translated into measurable, technical specifications with which the product or service must comply. These requirements are compulsory: any non-compliance results in automatic disqualification. Technical specifications can be defined in terms of:

- Environmental technical and/or social standards including eco-label criteria;
- Performance and functional requirements; or,
- Production and process methods.

Example: contract titles
Request for Proposal for cleaning services would be ‘Environmental Cleaning Services including selective waste collection’.

or

Request for Quotation for the supply of ‘Recycled paper for writing, printing and copying purposes’.

or

Request for Proposal for the ‘Design and construction of an energy efficient building’.

You can state that you want to procure ‘energy efficient computers’, but you can not state that you want to buy ‘Energy Star Certified computers’ By demanding specific, product certification, you would be discriminating against those bidders who did not have this particular eco-label certification.

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17 An organisation is free to define the subject of the proposed contract in any way that meets its requirements. Procurement rules and regulations are not concerned so much with what is being procured but rather how it is being procured. Therefore the description of the procured good or service must be generic so as not to distort the level-playing field and infringe upon the principles of fairness, integrity, transparency and effective international competition.

18 For a detailed guide on how to conduct supply market analysis, see http://www.qgam.qld.gov.au/00_downloads/bpg_market.pdf
Environmental technical, social standards including eco-label criteria
This is the most common and perhaps most practical approach to integrating environmental and social considerations into the procurement process. The Agency, Fund or Programme can use international or national technical standards or specifications such as the one developed by the International Standards Organisation (ISO) or European Committee for Standardisation (CEN).

Standards are useful in public procurement as they are clear, non-discriminatory and developed consensually. Other criteria—that are more environmentally or socially ambitious than those outlined in international or national standards—may also be used.

Performance or functional requirements
A performance- or functional-based approach usually allows more scope for market creativity and in some cases will challenge the market into developing innovative, technical solutions. If this approach is used then technical specifications do not need to be precisely detailed as when defining environmental or social standards. However, when setting performance-based specifications the specifications must be clear enough to enable proper and justifiable evaluation.

For example, if the objective is to maintain the indoor climate of an office building within a certain range this can be achieved by setting very detailed specifications for a central heating system; alternatively a performance-based specification can be applied.

A performance-based specification could read:

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The indoor climate must be maintained between 20–25 degrees Celsius and a relative humidity of 50%
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Here the bidders would be required to choose the best possible method for achieving the requirement. For example, bidders can opt for a more environmentally-benign heating and ventilation system instead of offering one that is based on burning fossil fuels. However as there is no specification that the system not use fossil fuels such a system using fossil fuels cannot be automatically discounted.

Production and process methods

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19 The process of standardisation generally includes the participation of a wide range of stakeholders, including national authorities, environmental organisations, consumer associations as well as industry.
When procuring products, criteria can also be based on specific materials that should or should not be included in them, as well as the process and production method of the products provided these criteria do not contravene UN principles of procurement.

Procurers can indicate preferable materials or alternatively specify that none of the materials or chemical substances should be detrimental to the environment. Social and labour standards can also be listed.

For example, a common approach for the environmental procurement of cleaning products is to provide an indicative list of hazardous substances harmful to the environment or public health and that should not be present in the procured product.

Remember!

Where standards are applied the reference must be accompanied by the phrase ‘or equivalent’, as a bidder can not be rejected if it can be demonstrated that the product or service meets the required standard in an equivalent manner.

Sourcing and Selecting Suppliers, Service Providers and Contractors

Selection criteria focus on a company’s ability to fulfil the contract on which it is bidding. The selection criteria that are specified in an Expression of Interest are generally two-fold:

1. Technical capacity criteria; and,
2. Financial capacity criteria.

Only under technical capacity criteria is there room for the inclusion of environmental and social aspects.

Technical capacity criteria

Technical capacity criteria are used to select suppliers for a bidding exercise who have the capacity to carry out a particular contract. These criteria include:

- Evidence of similar previous contracts/projects carried out;
- Relevant experience of the bidder; and,
- Description of the technical facilities.

Environmental technical competence is particularly relevant in waste management contracts, construction, building maintenance or renovation contracts, and transport services where waste minimisation, containment of polluting products, reduction in fuel costs, minimal disruption of natural habitats, etc., have a positive effect.

Social competence is particularly relevant in the manufacturing of products and in the provision of services, e.g. cleaning, technical, grounds maintenance etc. Here the following questions can be asked:
Does the prospective bidder employ or have access to qualified staff/experts to deal with the environmental and social issues of the contract?

Does the bidder have own or have access to the necessary technical equipment to carry out environmental protection relevant to the contract?

Does the bidder have the relevant research and technical facilities available to cover the environmental aspects?

Does the bidder have in place mechanisms for monitoring social standards and addressing abuses?

A useful instrument for assessing the ability to integrate environmental and social criteria is the records of previous contracts carried out. When a contract outlines environmental and social criteria, the Agency, Fund or Programme, can—as part of the required supplier qualifications—request evidence of previous experience in similar contracts. It is important however to detail the type of information that will be considered relevant and what means of proof will be required.

Evidence of an environmental management system (EMS) can be required but only if this relevant for carrying out the proposed contract. If the specific management measures required are covered under the bidders’ EMAS or ISO 140001 certification then this can be used as a simple form of proof. However other forms of proof that demonstrate that equivalent management measures are in place must also be accepted by the Agency, Fund or Programme.

Remember!

Adopting a ‘life-cycle costing’ approach reveals the actual costs of a PO/contract. The use of this approach in the preparation of the award criteria will improve both the environmental and social performance and reduce the financial burden in the long-term.

Evaluation of Quotations, Bids and Proposals
The core governing procurement principle of the UN is to obtain the best value for money. However, best value for money should not be equated with the lowest initial price option. Rather it means requiring an integrated assessment of technical, organisational and pricing factors in light of their relative importance, i.e. reliability, quality, experience, reputation, past performance, cost/fee and reasonableness. The Agency, Fund or Programme can also define social, environmental and other strategic objectives in its procurement plan. The principle of best value for money is applied to that offer which meets the stated requirements.
As outlined by the UN Procurement Manual the best value for money principle stipulates that:

*The best possible outcome has been achieved by taking into account all relevant costs and benefits over the entirety of the product or service life-cycle.*

**Evaluation criteria**
The best value for money principle allows for other award criteria to be taken into consideration along with price. These criteria may concern quality, functional characteristics, environmental and social characteristics, running costs and cost-effectiveness. In this case it is crucial the environmental and social evaluation criteria are:

- Related to the subject matter of the contract;
- Specific and objectively quantifiable;
- Weighted in relation to other award criteria; and,
- Clearly defined in the solicitation documents to ensure transparency.

**Life-cycle costing**
The financial component of the bid must also take into account the life-cycle cost of the product/service or works being procured rather than just the stated cost. At a minimum life-cycle costing should cover:

- Purchase and all associated costs, i.e. landed price including: delivery, installation, commissioning, etc.;
- Operating costs, including energy, other utilities, e.g. water, gas, etc., spares and maintenance, employee health/social coverage; and,
- End of life costs, such as decommissioning and removal.

These costs should be factored into the evaluation stage to ensure that they are taken into account when determining the best value for money offer. Life-cycle costing will enable the procurer to select a product or service with a better environmental and social performance as the process will reveal costs of resource use and disposal as well as relevant social costs.

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**Contract performance clause**

Contract performance clauses are used to specify how a contract must be carried out. Environmental and social considerations can be included in contract performance clauses, provided they are published in the solicitation documents. Bidders should be made aware of all obligations detailed in the contract and should be able to reflect their ability to meet these obligations in their offer.

Contract performance clauses **should not have any bearing in the evaluation or consequently the contract award**, thus they can not be disguised as technical specifications, selection or evaluation criteria.

For example a contract clause **cannot be used to require a particular production process**—for products—or staff with particular expertise—for services. These are conditions that relate to the evaluation process and therefore must be dealt with within the relevant stages of the procurement process and not at the contract stage.

Contract clauses **can only be linked to the performance of the contract** and the selected supplier, service provider or contractor.

Examples of contract performance clauses that support sustainable procurement:

**Supply of goods**
- Having the product delivered in the appropriate quantity.
  In general terms this means bulk delivery, which is usually more environmentally efficient in terms of transport impact per item than having smaller quantities delivered more often.
  Specifying a maximum number of deliveries per week or month is another way of achieving the same result.
  - Requiring that goods be delivered outside peak traffic times to minimise the contribution of deliveries to traffic congestion.
  - Requiring that the supplier takes back (and recycles or re-uses) any packaging that comes with the product.

This has the double advantage of centralising packaging prior to re-use or recycling and encouraging the supplier to cut down on any unnecessary packaging.

**Services or works contracts**
- Transport of products and tools to the site.
- Delivery of products to the site in concentrated form and then dilution on site.
- Use of re-usable containers to transport products to the site.
- How the service is performed.
- Use of dosage indicators to ensure that appropriate quantities of cleaning product are used.
- Disposal of used products or packaging from products.
- Products or packaging taken away for re-use, recycling or appropriate disposal by the contractor.
- Training of contractor staff.
- Staff trained in the environmental impact of their work.

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**In summary:**

Contract performance clauses can:
- Be used to include environmental and social considerations at the performance stage.
- Specify the way the goods are to be supplied, including the method of transport.
- Enforce contractor compliance with performance clauses.
SECTION IV: CASE STUDIES
SECTION V: INTERNET SOURCES OF INFORMATION

The Internet provides a valuable source of information and guidance on sustainable procurement. Below is a listing of sites that offer information ranging from identifying priority products, and key environmental/social issues related to them, to databases of good practice and technical criteria to apply. This list is not exhaustive; new sites regularly appear as the topic of sustainable procurement evolves.

Sites are listed alphabetically.

The Center for a New American Dream
http://www.newdream.org/procure/index.html
The Center for a New American Dream has a number of resources available on Environmentally Preferable Purchasing, including links to concrete policies implemented by US local governments, information on a number of product groups, and well indexed links to other sources of information, guidance and criteria.

Environmentally Preferable Purchasing Guide
http://www.swmb.org/EPPG/default.asp
This Guide is a reference tool for government and school purchasers who want to buy more wisely. With examples in over 30 product areas, the Guide aims to reduce workplace hazards, support energy efficiency and protect natural resources. In each category, the Guide surveys the latest field information and provides details on cost, performance, and vendors. An extensive up-to-date list of resources and contacts is also available.

European Commission - European Green Procurement
http://ec.europa.eu/environment/gpp/index_en.htm
This website provides a range of information concerning procurement within the EU. The site provides links to relevant legislation and legal frameworks and information sheets on products and service groups. Reference documents such Buying Green! Handbook, research guidelines and product specifications as well as information on events are also available.

Green Buyers Guide - UK Government, Sustainable Development
The guide produced provides guidance on best practice in implementing sustainable procurement, both with regard to procedural approaches, and product specific issues.

The Green Purchasing Network (GPN)
http://eco.goo.ne.jp/gpn/files/gpne/
The GPN promotes green purchasing among consumers, companies and governmental organisations in Japan. It has about 2,889 member organisations, including corporations, local autonomous bodies, consumer groups, environmental NGOs, and co-operative associations. The website presents the ideas and practices of green purchasing, and provides purchasing guidelines for a number of product groups.

ICLEI/Sustainable Procurement
http://www.iclei-europe.org/index.php?id=procurement
ICLEI has organised a wide range of products in the areas of sustainable public procurement in local authorities. ICLEI manages the European Sustainable Procurement Campaign, Procura+, an international movement that supports public authorities across Europe in implementing sustainable procurement. They also partner on research and development projects geared
towards public authorities, particularly local governments and develop training material on sustainable procurement for capacity building. The “Buy it Green” Network is a sustainability clearinghouse and network of local governments designed to foster the information exchange and co-operation among public authorities. A newsletter *Sustainable Procurement Update* is published regularly.

**The International Green Procurement Network (IGPN)**  
[http://www.igpn.org](http://www.igpn.org)  
The International Green Procurement Network (IGPN) is an organisation which promotes green procurement around the globe by coordinating those who are active in implementing green purchasing through their procurement practices. The network consists of international organizations, local authorities and NGOs. Specifically the network works globally to promote the spread of environmentally-friendly product and service development and green purchasing activities. It also shares information and know-how internationally on green purchasing and environmentally friendly products and services. IGPN works to harmonise the efforts of green purchasing and the development of environmentally-friendly products and services from a global viewpoint.

**Swiss Federal Office of Environment: Integrated Product Policy: Green public purchasing**  
At a national and international level, the service works to develop framework conditions (law, finances, aids) that will favour environmental public purchasing. It cooperates with environmental, legal, financial, purchasing, usage and production specialists.

**US Environmental Protection Agency (EPA) Database**  
[http://yosemite1.epa.gov/oppt/eppstand2.nsf](http://yosemite1.epa.gov/oppt/eppstand2.nsf)  
The US EPA keeps a searchable database containing environmental information on over 600 products and services. The database informs the user how to buy greener products and services by providing links to contract language, specifications, policies created and used by US federal and state governments. Also available are environmental standards and guidelines for products, vendor lists of product brands which meet these standards and other useful sources of information on the environmental preference of products and services.
### SECTION VI: GLOSSARY

<table>
<thead>
<tr>
<th>Name</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Acquisition cost</td>
<td>In the context of Economic Order Quantity EOQ analysis, the acquisition cost includes all costs associated with generating and processing an order and its related paperwork.</td>
</tr>
<tr>
<td>Added value</td>
<td>The increase in realisable value resulting from an alternation in form, location or availability of a product or service, excluding the costs of the purchased materials and services. Saying something gives added value, simply implies you think it is good.</td>
</tr>
<tr>
<td>Advisory Committee on Procurement ACP</td>
<td>The Advisory Committee on Procurement is the new name of the Headquarters Contracts Committee HCC. Contracts of USD 100,000 or more must be submitted to the ACP for review and approval by the CPO.</td>
</tr>
<tr>
<td>Arbitration</td>
<td>A method to resolve a contract dispute by submission to one or more arbitrators for a binding judgement; arbitration is normally used to avoid litigation, ie. court procedures. Standard clause in all United Nations contracts (see UNDP General Conditions).</td>
</tr>
<tr>
<td>Award</td>
<td>The act of accepting a bid, thereby forming a contract between the state and a bidder.</td>
</tr>
<tr>
<td>Benchmarking</td>
<td>The practice of reviewing the performance of an organisation, department, function or activity, by assessing it against the performance of organisations, industry standards or internal departments.</td>
</tr>
<tr>
<td>Best available techniques</td>
<td>The most effective and advanced stage in the development of activities and their methods of operation which indicate the practical suitability of particular techniques for providing in principle the basis for release limitations designed to prevent and, where that is not practicable, generally to reduce releases of chemicals listed in Part I of Annex C and their impact on the environment as a whole.</td>
</tr>
<tr>
<td>Best practice</td>
<td>A process or methodology, which has been identified inside or outside the organisation and is recommended as a model. Also known by terms such as Better Practice.</td>
</tr>
<tr>
<td>Best value</td>
<td>The replacement for compulsory competitive tendering Best Value embodies the philosophy that lowest price is not necessarily the most important criterion in the procurement of goods and services.</td>
</tr>
<tr>
<td>Bid</td>
<td>A written offer in response to and Invitation to Bid (also see Invitation to Bid).</td>
</tr>
<tr>
<td>Bidder</td>
<td>An individual or entity that submits a bid. The term includes anyone acting on behalf of the individual or other entity that submits a bid, such as agents, employees, and representatives.</td>
</tr>
<tr>
<td>Biodegradable</td>
<td>Refers to any substance that decomposes through the action of micro-organisms.</td>
</tr>
<tr>
<td>Biological diversity</td>
<td>The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.</td>
</tr>
<tr>
<td>Biological resources</td>
<td>Includes genetic resources, organisms or parts thereof, populations, or any other biotic component of ecosystems with actual or potential use or value for humanity.</td>
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<tr>
<td>Biotechnology</td>
<td>Any technological application that uses biological systems, living organisms, or derivatives thereof, to make or modify products or processes for specific use.</td>
</tr>
<tr>
<td>Chemical</td>
<td>A substance whether by itself or in a mixture or preparation and whether manufactured or obtained from nature, but does not include any living organism. It consists of the following categories: pesticide (including severely hazardous pesticide formulations) and industrial applications.</td>
</tr>
<tr>
<td>Compliance labels</td>
<td>Standardized label formats used by trading partners usually containing bar codes. Compliance labels are used as shipping labels, container/pallet labels, carton labels, piece labels. Many bar code labelling software products now have the more common compliance label standards set up as templates.</td>
</tr>
<tr>
<td>Contract</td>
<td>An agreement, enforceable by law, between two or more parties/persons that creates an obligation to do or not to do a particulate thing. A purchase contract may be verbal or written, a purchase order, when accepted by a supplier, becomes a contract.</td>
</tr>
<tr>
<td>Coproduct</td>
<td>Used to describe multiple items that are produced simultaneously during a production run. Coproducts are often used to increase yields in cutting operations such as die cutting or sawing when it is found that scrap can be reduced by combining multiple sized products in a single production run. Coproducts are also used to reduce the frequency of machine setups required in these same types of operations. Coproducts, also known as byproducts are also common in process manufacturing such as in chemical plants. Although the concept of coproducts is fairly simple, the programming logic required plan and process coproducts is very complicated and most off-the-shelf manufacturing software will have problems with coproduct processing.</td>
</tr>
<tr>
<td>Cost</td>
<td>A broader term than simply 'price', including everything you might have to pay in association with an item, like training and maintenance.</td>
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<tr>
<td>Data mining</td>
<td>Software tools that allow users to examine large volumes of data to discover hidden patterns and cross-correlation.</td>
</tr>
<tr>
<td>Demand</td>
<td>The need for a specific item in a specific quantity.</td>
</tr>
<tr>
<td>Dumping</td>
<td>i) any deliberate disposal at sea or into the seabed of wastes or other matter from ships, other man-made structures at sea or aircraft; ii) any deliberate disposal at sea of ships, other man-made structures at sea or aircraft</td>
</tr>
<tr>
<td>Ecosystem</td>
<td>A dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit.</td>
</tr>
<tr>
<td>Electronic Data Interchange (EDI)</td>
<td>A dedicated electronic connection between a buyer and a supplier used to transfer procurement-related information.</td>
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<tr>
<td>Enterprise Resource Planning (ERP)</td>
<td>Describes software systems designed to manage most or all aspects of a manufacturing or distribution enterprise (an expanded version of MRP systems). ERP systems are usually broken down into modules such as Financials, Sales, Purchasing, Inventory Management, Manufacturing, MRP, DRP. The modules are designed to work seamlessly with the rest of the system and should provide a consistent</td>
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<tr>
<td>user interface between them. These systems usually have extensive set up options that allow you to customize their functionality to your specific business needs.</td>
<td></td>
</tr>
<tr>
<td>Environmental procurement</td>
<td>Environmental procurement is procuring with the goal of reducing the impact on the environment. Also often referred to as Green Procurement. Can be defined as building environmental considerations into the procurement policy and the day-to-day procurement decision-making and operations. Can include both procurement of products and services that reduce the use of all materials, energy, water, noise, protected natural resources such as rain forests etc.</td>
</tr>
<tr>
<td>E-procurement</td>
<td>Electronic Procurement involves the electronic acquisition through the Internet of goods and services, including all processes from the identification of a need, through the purchase and the receipt of goods and services to the payment for these purchases.</td>
</tr>
<tr>
<td>Greenhouse gases</td>
<td>Greenhouse gases (GHGs) are the gases present in the atmosphere which reduce the loss of heat into space and therefore contribute to global temperatures through the greenhouse effect. Greenhouse gases are essential to maintaining the temperature of the Earth; however an increase in GHGs can raise temperatures to a dangerous level. Carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O) and CFC12 are the most common GHGs.</td>
</tr>
<tr>
<td>Hazardous substance</td>
<td>Any harmful substance which due to its intrinsic properties is persistent, toxic or liable to bio-accumulate.</td>
</tr>
<tr>
<td>Human capital</td>
<td>The competence and capabilities of an organisation’s employees.</td>
</tr>
<tr>
<td>Incineration</td>
<td>The deliberate combustion of wastes or other matter at sea for the purpose of their thermal destruction. Activities incidental to the normal operation of ships or other man-made structures are excluded from the scope of this definition.</td>
</tr>
<tr>
<td>Invitation to Bid ITB</td>
<td>A formal solicitation document, used especially for procurement of goods when clear specifications are available, Use for cases with an estimated procurement value of USD 100,000 or above.</td>
</tr>
<tr>
<td>Litigation</td>
<td>A law suit, legal action, including all proceedings therein. UNDP is immune from legal action in course. Disputes with contractors are resolved either bye negotiation, conciliation or arbitration (See UNDP General Conditions).</td>
</tr>
<tr>
<td>Market focus</td>
<td>Pressures that affect prices through demand for goods and service. Market forces, include for example, changes in domestic habits and fashion, technological change and government initiatives.</td>
</tr>
<tr>
<td>Market place</td>
<td>A web site that offers electronic purchasing services including supplier catalogue hosting, buyer to supplier communications, supplier and buyer registration, auctions, and reverse auctions.</td>
</tr>
<tr>
<td>Ozone depleting substances</td>
<td>Chlorofluorocarbons (CDCs) and other industrial chemicals mix the with ozone in the earth’s stratosphere destroying ozone molecules.</td>
</tr>
<tr>
<td>Persistent organic pollutants (POPs)</td>
<td>Organic (carbon-based) substances that persist in the environment, bio-accumulate in living tissue, and pose a risk to human health and the environment.</td>
</tr>
<tr>
<td>Penalty clause</td>
<td>Reference to a sum to be paid by the supplier in the event of default on its part. However, it is not enforceable by law and not acceptable</td>
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<tr>
<td>Performance security</td>
<td>A written instrument normally issued by a bank or an insurance company in favour of Purchaser to assure fulfilment of the supplier’s/Contractor’s obligations.</td>
</tr>
<tr>
<td>Pesticide</td>
<td>A substance or a mixture of substances for destroying or repelling any type of pest, including fungi, insects, and termites.</td>
</tr>
<tr>
<td>Pollution</td>
<td>Introduction by humans, directly or indirectly, of substances or energy into the sea, including estuaries, which are liable to create hazards to human health, to harm living resources and marine ecosystems, to cause hindrance to legitimate uses of the sea including fishing, to impair the quality for use of sea water, and to lead to a reduction of amenities.</td>
</tr>
<tr>
<td>Price</td>
<td>The sum of money paid for a purchase or the value of the commodity or service measure in terms of the standard monetary unit. Not to be confused with 'cost', which is a broader term including everything you might have to pay in association with an item, like training and maintenance.</td>
</tr>
<tr>
<td>Process manufacturing</td>
<td>Manufacturing where a product is produced or transformed through mixing, chemical reactions, etc. Examples of process manufacturing would be refining crude oil into gasoline, extracting copper from ore, combining materials to make paint.</td>
</tr>
<tr>
<td>Procurement</td>
<td>Technically, obtaining goods or services by various means such as loan, transfer and hire, as well as straightforward purchase.</td>
</tr>
<tr>
<td>Production</td>
<td>The amount of controlled substances produced, minus the amount destroyed by technologies to be approved by the Parties and minus the amount entirely used as feedstock in the manufacture of other chemicals. The amount recycled and reused is not to be considered as &quot;production&quot;.</td>
</tr>
<tr>
<td>Profit</td>
<td>The financial gain resulting from a transaction or combination of transactions, or a set period of business activity being the excess sales revenue over related costs.</td>
</tr>
<tr>
<td>Proposal</td>
<td>A written offer in response to a Request for Proposal, notably for services and civil works (See also Request for Proposal)</td>
</tr>
<tr>
<td>Public procurement directives</td>
<td>Apply only to bodies in the public sector. There are three directives (works, supplies and services) designed to ensure a level playing field in the tendering process. A vital feature is the threshold values above which contracts need to be put out to European Union tender, which changes January 1 every other year.</td>
</tr>
<tr>
<td>Purchase</td>
<td>Differentiated from procurement in that it applies only to goods or services paid for with money or other consideration.</td>
</tr>
<tr>
<td>Quotation</td>
<td>Not to be confused with 'estimate'. Quotations are normally preferable because they should give an accurate price for goods or services offered, whereas an estimates gives merely an approximate calculation of the cost of the goods or services concerned.</td>
</tr>
<tr>
<td>Relationship Management</td>
<td>The relationship between buyer and seller is central to the whole business of supply management.</td>
</tr>
<tr>
<td>Remuneration</td>
<td>The term includes the ordinary, basic or minimum wage or salary and any additional emoluments whatsoever payable directly or indirectly, whether in cash or in kind, by the employer to the worker and arising</td>
</tr>
<tr>
<td>Name</td>
<td>Definition</td>
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<tr>
<td>-----------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Name</td>
<td>Definition</td>
</tr>
<tr>
<td>out of the worker's employment.</td>
<td></td>
</tr>
<tr>
<td>Request for Proposal (RFP)</td>
<td>A formal solicitation document used especially for procurement of works or services, or when clear specifications are not available or not feasible.</td>
</tr>
<tr>
<td>Request for Quotation (RFQ)</td>
<td>A document or form that invites suppliers to specify their best prices, terms and conditions for the delivery of goods and services.</td>
</tr>
<tr>
<td>Risk analysis</td>
<td>Working out what the risks are and what the costs would be if they materialise. It applies to any undertaking.</td>
</tr>
<tr>
<td>Solicitation</td>
<td>The process of inviting bidders to submit offers (bid, proposals, quotations).</td>
</tr>
<tr>
<td>Sourcing</td>
<td>Activities involving searching markets for sources of goods and services. At the opposite end of the supply chain from marketing but not as a high profile. Strategic sourcing is the attempt to make sure everything is being sourced as efficiently as possible.</td>
</tr>
<tr>
<td>Supply</td>
<td>The provisioning, administration, storage handling and distribution and all associated operations connected with supplies, services and materials management AND all goods, materials and services that come into the possession of an enterprise as the results of contracts for purchase, hire or procurement by other processes and for which the enterprise has responsibility.</td>
</tr>
<tr>
<td>Supply chain</td>
<td>The total sequence of business process, within a single or multiple enterprise environment, that enable customer demand for a product or service to be satisfied.</td>
</tr>
<tr>
<td>Sustainable development</td>
<td>A term coined in the Brundtland Report: Giving equal weight to economic development and the preservation of the environment to ensure that the actions of one generation do not compromise the ability of future generations to have an equal quality of life. Many businesses and governments at the local, national and international have adopted this concept in decision making.</td>
</tr>
<tr>
<td>Sustainable use</td>
<td>The use of components of biological diversity in a way and at a rate that does not lead to the long-term decline of biological diversity, thereby maintaining its potential to meet the needs and aspirations of present and future generations.</td>
</tr>
<tr>
<td>Tender</td>
<td>An offer to provide goods or services, in response to an invitation to tender for a specified price.</td>
</tr>
<tr>
<td>Terms (and conditions)</td>
<td>In the contractual context, terms may be either implied or express. Implied terms are those that have been implied by statutory provisions or by the clear intentions of the parties, whereas express terms are clear statements communication by the parties and by which they intend to be count.</td>
</tr>
<tr>
<td>Toxicity</td>
<td>The ability of a chemical to cause injury to humans or the environment. An acute toxic reaction occurs soon after exposure, while chronic reactions are experience long after the exposure.</td>
</tr>
<tr>
<td>Vertical marketplace</td>
<td>An electronic exchange providing a range of services that focuses on a specific industry such as steel, paper, electricity ore chemicals.</td>
</tr>
<tr>
<td>Wastes</td>
<td>Substances or objects which are disposed of or are intended to be disposed of or are required to be disposed of by the provisions of national law.</td>
</tr>
</tbody>
</table>
ANNEX I: OVERVIEW OF EXISTING FRAMEWORKS

Below is a table that lists examples of action plans, agreements and standards that are currently in place today. This list is not exhaustive; rather it has been compiled to demonstrate the breadth of mechanisms that currently exist and which procurers can use to assist in defining sustainable procurement criteria. Requisitioners should also consult this list to better understand what criteria should be included in requisitioning documents.

Each entry is summarised in the following pages. Where possible, references for obtaining more information are provided.

Plan of Action/ Implementation
- Agenda 21
- Millennium Development Goals (MDGs)
- Johannesburg Declaration and Plan of Implementation (WSSD)

Multilateral Environmental Agreements
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- Fundamental Labour Standards of the International Labour Organisation (ILO)
- Montreal Protocol on Substances that Deplete the Ozone Layer
- The Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR)
- Kyoto Protocol
- Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (PIC)

Voluntary Agreements
- The Global Compact
- World Health Organisation Recommended Classification of Pesticides by Hazard
- Fair Trade
- Occupational Health and Safety (OHSAS) 18001

Standards/Ecolabel
- Ecolabels Type I, II, III
- ISO 14001 and Eco- Management and Audit Scheme (EMAS)
- Social Accountability (SA) 8000