



Environmental Procurement

Practice Guide Volume 1



UNDP PRACTICE SERIES



Environmental Procurement

Practice Guide Volume 1

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Introduction

Sustainable procurement involves improving the efficiency of public procurement while using public market power to bring about major environmental and social benefits locally, regionally and globally.

Communities all over the world are facing the dramatic consequences of climate change, natural resource depletion, threats to biodiversity and increasing poverty. The current focus on a global climate change agreement, as highlighted by the 2007 United Nations Climate Change Conference in Bali, initiatives to address carbon emissions and general public recognition that immediate action is required to address the potential risks posed by climate change. This includes a change of practices and procedures across all levels of society and in the public and private sectors.

While UNDP addresses a number of climate change issues across its thematic focus areas, these problems cannot be tackled without making a shift to more sustainable production and consumption practices, and so procurement plays an important role.

Purchases which are good for the environment are also often profitable for the organization, as resources saved translate into money saved.

Quality and the environment are often closely linked, because quality usually means a longer life for the product and thus less consumption of resources. An eco-efficient product will often use less energy and represent lower costs as waste, either because it is included in a recovery or re-use system or because it does not contain hazardous substances and will thus not be defined as hazardous waste. When buying a product, we must consider more than the cost of acquiring it. Calculations of price must include all the costs relating to the product throughout its life.

About this Guide

The practice guide has been designed to enable UNDP procurement practitioners to gain an overview of sustainable procurement and how to take the first steps to implement environmental consideration within UNDP's procurement process. The guide provides a brief background to sustainable procurement and introduces UNDP's gradual approach to the implementation of the concept across the organization with the use of a green continuum and a UNDP-specific product rating system.

The guide provides practical advice on how and where environmental interventions can be integrated into the various stages of procurement process. This guide is supported with supplementary environmental product services specifications designed to assist the procurement practitioner when drafting specifications and TORs. These will be updated and expanded on a continual basis and will be available from the UNDP/PSO website at www.undp.org/procurement, as well as from the UNDP intranet at <http://practices.undp.org/management/procurement/>.

Sustainable Procurement – What is it?

Sustainable procurement plays a key role in contributing to sustainable development. Sustainable development can be defined as:

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

(World Commission of Environment and Development/The Brundtland Commission)

Sustainable procurement means making sure that the products and services your organization buys are as sustainable as possible – with the lowest environmental and most positive social impact.

Sustainable procurement is all about taking social and environmental factors into consideration alongside financial factors in making purchasing decisions. It involves looking beyond the traditional economic parameters and making decisions based on the whole life cost, the associated risks, measures of success and implications for society and the environment. Making decisions in this way requires strategically setting environmental factors into a broader procurement context that includes value for money, performance management and corporate and community priorities:

- Value for money considerations such as, price, quality, availability, functionality;
- The entire life cycle of products;
- Environmental aspect – the effects on the environment that the goods, services and civil works have over the whole lifecycle (green procurement); and
- Social aspects, such as sustainable supply chains and the effects of issues such as labour conditions, including child labour provision, occupational health and safety and compliance with relevant industrial and environmental regulations.

Procurement can make a significant contribution to the policy goals of sustainable development and efficient resource usage by ensuring that the suppliers, contractors and the goods and services purchased achieve optimum environmental performance. In addition, sustainable procurement plays a role in minimizing any reputation risk of social exploitation within the supply chain¹.

Procurement provides an ideal mechanism that can be utilised to further economic, social and environmental development of recipient countries and/or regions. Sustainable procurement seeks to incorporate a number of safeguards and checks in the procurement process that will assist in guarding against the inadvertent infringement of:

- Labour rights
- Adverse environmental impacts
- Supporting local entrepreneurship
- Gender and the empowerment of women
- Poverty eradication
- Governance

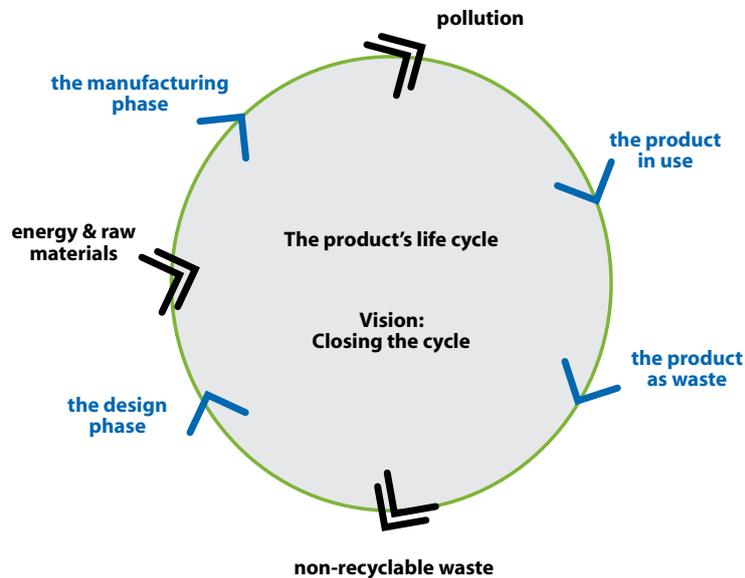
Some facts...

The most important environmental challenges in today's consumer society are:

- Reducing the emissions of greenhouse gases
- Reducing the emissions of hazardous chemicals
- Avoiding over-consumption of resources and limiting the volume of waste
- Stopping depletion of the ozone layer
- Safeguarding biodiversity

In procurement, it is therefore important to manage:

- Consumption of raw materials and energy
- Chemicals in products
- Polluting emissions
- Waste generation



Just as nature circulates in perpetual cycles, so must the products we manufacture, use, recycle and remanufacture. The goal is a closed cycle – with minimal consumption of energy and raw materials, negligible pollution and as little waste as possible.

Source: Nordic Council of Ministers www.norden.org

Environmental or “Green” Procurement

Although sustainable procurement encompasses more than environmental considerations, the main focus of this **UNDP Practice Guide** is environmental or green procurement. Currently there are more information and more tools available to assist procurement units to procure green products and services than any other socially responsible aspects. As more information is developed about how to procure according to environmental principles, this guide will be updated.

Environmental or green procurement is defined as the purchase of products and services which have less impact on the environment and human health compared with competing products or services that serve the same purpose².

This comparison may consider the source of raw materials, production, manufacturing, packaging, distribution, potential for reuse and recycling, operation, maintenance, or disposal of the product.

These may include:

- Energy-efficient and greenhouse friendly products;
- Products that are water efficient and reduce water use;
- Less toxic products to reduce health effects;
- Products using less packaging or with a provision for packaging take-back;
- Products that use fewer resources or in other ways create reduced environmental impacts throughout their life cycle;
- Products made from recycled materials, such as recycled road construction materials; and
- Recycled green organics and recycled plastic products.

2.1 Why should UNDP procure sustainable products & services?

In 2006 the UN system of organizations procured goods, services and civil works for approximately \$10 billion and UNDP for approximately \$2.3 billion. There is significant potential to demonstrate environmental responsibility by procuring products and services which have a lower environmental impact than competing products and services.

Traditional procurement focuses upon 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 upon health, social conditions and the environment, thereby saving valuable costs for organizations and the community at large. Sustainable procurement forms a key part of an overall push for sustainable development by the Government and public bodies³.

What are the benefits of sustainable procurement?

Potential benefits of sustainable procurement include:

- Long-term efficiency savings;
 - » more efficient and effective use of natural resources and the environmental effects of obtaining those resources
 - » reducing the harmful impact of pollution and waste
 - » eliminating or reducing toxic materials entering the environment thereby reducing the impact of hazardous substances on human health and the environment
 - » encouraging innovation
 - » reducing waste and landfill through purchasing recycled content products and products that create less waste
 - » providing strong signals to the sustainable products market
 - » expressing the organisation's commitment to sustainable development
 - » saving money through re-using materials and products
 - » helping to 'close the loop' to make recycling viable
 - » saving water
 - » reducing greenhouse gas emissions
 - » preserving the natural habitat for flora and fauna
- Making more efficient use of public resources;
 - » reducing costs through greater energy efficiency, reduced waste disposal, reduced risk management
 - » lowering costs for some products and services
 - » increasing productivity and reduced time lost from illness because of the improved work environment
- Stimulating the market to innovate and produce more sustainable options;
 - » increasing the availability of green products at cost-effective prices
 - » expanding the market for green products, as well as for products with reduced packaging
 - » improving the level of information available to buyers about the content and performance of products making it easier to buy green
- Demonstrating to industry and the community that the UNDP is serious about sustainability;
 - » procuring green provides leadership to governments, industry and community at large and demonstrates social and environmental responsibility
- Reducing the potential negative publicity associated with the use of products, services and suppliers with poor environmental records; and
- Improves working conditions and productivity.
 - » less exposure to toxic materials and emissions through use of more benign products for cleaning, pest control, building and fleet maintenance and
 - » more comfortable energy-efficient working environments⁴

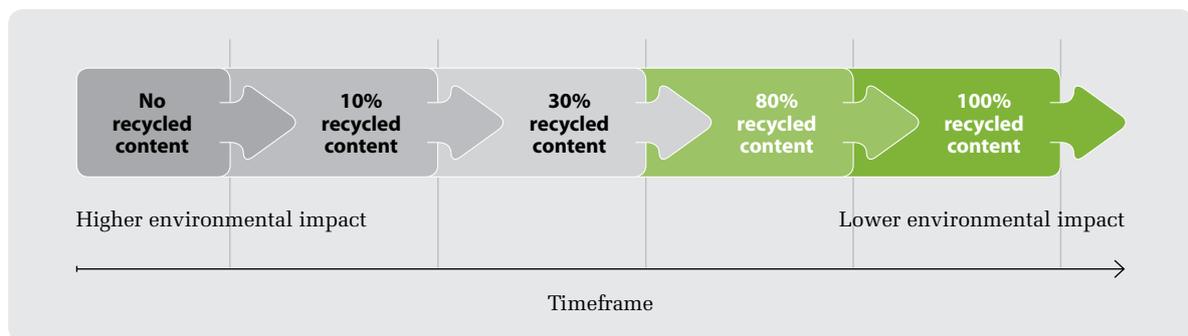
2.2 The UNDP green continuum

Within its focus areas UNDP's activities contribute toward attaining sustainable development; UNDP's procurement activities should also do its part to support these goals by doing more than providing the necessary goods and services. An important and initial way to achieve this is for all offices start by reducing their impact on the environment. A fundamental approach

to achieving this goal is by offices substituting their products and services with green or environmentally preferred products.

UNDP's Procurement Services Office advocates a strategy to effectively achieve sustainable procurement within UNDP by incremental steps. This means that when approaching the purchase of green products and services, offices are encouraged to move along the "green product continuum" to procure a greener product than is currently being used. The product doesn't have to be greenest (i.e., lowest environmental impact), but an improvement on the previous product last procured. Over a relatively short period of time the products procured by UNDP offices will move towards the greener end of the continuum and the practice of environmental procurement will be the norm rather than something new.

Office copy paper is a good example of how the the green product continuum works.



The rationale underpinning this strategy is that it is more practical for procurement officers new to sustainable procurement practices to choose a product based on simple criteria than to attempt a comparison of all of the environmental characteristics of various products. This task can be technically difficult, even for experts like environmental scientists. There is some help available in the form of eco-labels to guide the purchasers' choices, for example, the Energy Star Program, Nordic Swan, European ECO-flower, Fairtrade and many more (refer to the section and Annex on Eco-labels). However, there are many products and services that UNDP procures for which convenient and trustworthy labelling systems do not yet exist.

In practice... Recycled paper

What type of office copy paper does your office use? Can you move to the next step on the recycle continuum? Your office most likely has an LTA for office supplies. Check that your arrangement for office paper has recycled options where you can choose a higher recycled content.

Can you set a goal of improving your recycled content and then measure the improvement? For example: in the financial year 2004-05 your office (or area) purchased 1000 reams of paper which has 30% recycled content. This financial year can you aim to purchase 1000 reams at 50% recycled content? Then have the ultimate goal of purchasing all 1000 reams with 100% recycled?

THINK BEFORE YOU PRINT.

Clearly, the most effective way to demonstrate environmental responsibility (and one of the easiest ways to measure it) with regard to paper is to reduce consumption. Set your printers to duplex and always ask yourself (and your colleagues): do I really need to print that document?

Facilitating the implementation of environmental procurement across the entire organization is challenging in view of the diverse market environment in which the business units operate. The green continuum can be applied to common user categories of products and services. For each of these categories a UNDP preferred environmental specification and minimum environmental specification will be developed. For example, for IT equipment, the preferred specification is the EPEAT system, which takes a multi-criteria approach entailing all stages of the product life cycle. The minimum specification is the Energy Star system, which is a single issue approach addressing energy efficiency. Both of these specifications have obvious environmental and cost advantages; however it would be up to the individual business unit to decide which to procure given the availability of products meeting the specifications outlined within the green continuum.

For office paper, for instance, the UNDP minimum environmental specification would be chlorine-free 35% post-consumer content, while the preferred specification would be chlorine-free 100% post-consumer content.

These specifications are identified with the following symbols:

UNDP Preferred Specification  UNDP Minimum Specification 

Implementing Environmental Procurement

Principally it should be relatively easy to take the political decision to procure in an environmentally sound manner. An environmental procurement policy does not normally require any structural changes.

However, putting a policy into action will require some strategic planning, including appropriate training for procurement staff, access to environmental information and prioritization of products, services and civil works categories to find which are most suitable for greening. In the case of UNDP an initial step can be taken by ensuring that procurement of office products is conducted adhering to environmental principles.

3.1 Setting general priorities for environmental procurement⁶

Adopt a step-by-step approach

As a starting point, select a small range of products and services where the environmental impact is clear or where greener alternatives are readily available on the market and not more expensive (e.g. recycled paper, energy efficient office equipment). Alternatively start by ensuring the bidding specifications do not have a negative impact on the environment. (e.g. by excluding the use of recycled materials).

Consider the environmental impact

Select products (i.e. vehicles) or services (i.e. cleaning services) that have a high impact on the environment.

Focus on one or more environmental problems, such as climate change or waste

Introduce general requirements on energy efficiency or recyclability.

Consider availability and cost of environmentally-superior alternatives

Are there green(er) products on the market, will they meet your requirements and can you justify the extra cost, if any?

Consider availability of data

Can you find the scientific and environmental 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?

Look for visibility

How visible will the environmental procurement policy be to other UNDP staff and external stakeholders? High profile changes like official vehicles or a shift to organic food in the canteen will help to build awareness of the policy and link it to other environmental projects such as carbon offsetting of the organization's travel and/or energy consumption.

Consider the potential for technological development

If green purchasing can target products and services at an early stage in their development and marketing, this may be more successful than trying to change the environmental characteristics of more mature sectors.

Adopt a scientifically sound life-cycle approach

Avoid shifting environmental impact from one phase of the life cycle of a product to another. Look for relevant information in underlying specification of eco-labels or in websites and databases aimed at informing buyers (more on this in the Annex on Eco-labels).

3.2 Environmental procurement within the UNDP's procurement principles

As per UNDP's Financial Regulations and Rules, the following general principles must be given due consideration while executing procurement on behalf of the organization:

- Best value for money
- Fairness, integrity, transparency
- Effective international competition
- The interest of UNDP

Best value for money

*"In the context of the procurement process, obtaining "best value for money" means selection of the offer, which presents the optimum combination of life-cycle costs and benefits, which meet the business unit's needs."*⁷

While procurement officers have the responsibility to obtain best value for money, this does not necessarily mean the lowest initial price option. Rather, it refers to an integrated assessment of the life-cycle cost or the total cost of ownership (TCO) (more information on TCO, page 15). The procurement officer must get the best deal within the parameters set by the business unit. These parameters can include environmental, social and other strategic objectives identified in the procurement plan and policy. Environment factors can be included in these parameters, equal amongst the others for award of the contract. The best value for money does not exclude environmental considerations, rather the principle provides an ideal framework for integrating these within the procurement function.

The interest of UNDP

The need for economy and efficiency in the implementation of the programme is clearly in the interest of the organization. The greener alternative product or service will in most cases be in the interest of the organization when considering the associated environmental impacts and costs.

Fairness, integrity, transparency & effective international competition

The integration of environmental considerations within the procurement process must ensure that these principles are not compromised.

3.3 Integrating environmental criteria in bidding document

In short...

- When defining the subject matter of a PO/Contract, business units, together with programme units, have great autonomy to choose what they wish to procure, which allows for including environmental considerations, as long as UNDP's procurement principles are respected.
- Conducting market analyses can provide essential information about the environmental options available and about general commercial rates and conditions.
- The underlying technical specifications of eco-labels may prove very useful for the drafting of technical specifications. However, it may not be required for bidders to be registered or certified by any particular eco-label scheme.
- Specific materials and environmental production may be specified if relevant.

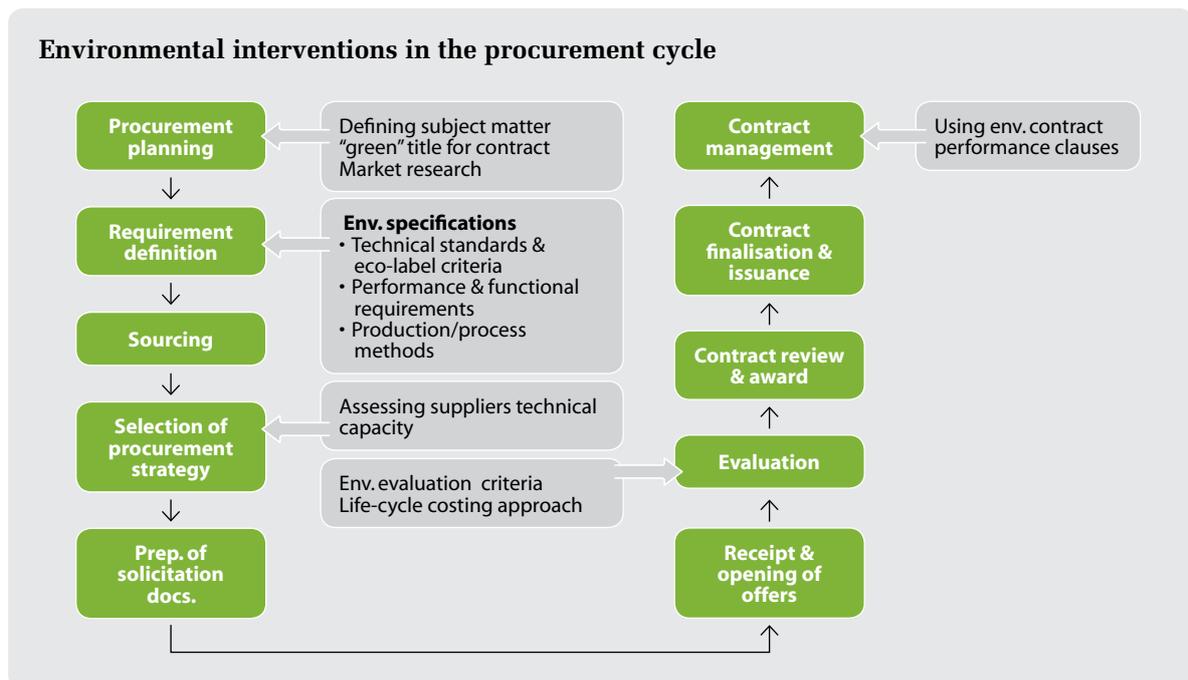
Environmental criteria can be introduced in the following sections of a bidding document:

- Subject matter of the proposed PO/Contract
- Technical specifications of the product, service or works
- Selection criteria for the bidders
- Contract award criteria
- Contract performance clauses

Stages of environmental procurement

The preparatory stage of procurement process is crucial. Any mistakes or oversight at this stage will adversely affect every successive stage and the end result as all stages build upon each other. 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 early stages of a procurement process offer the best possibilities for incorporating environmental considerations. The following diagram outlines the procurement process as set out in the UNDP Contract, Asset & Procurement Management User Guide and highlights at which stages environmental procurement interventions can be integrated to ensure achieving a procurement outcome that takes environmental issues into consideration.



Procurement planning

Apart from ensuring the timely solicitation of quotations, bids or proposals, cost efficiency, the award of contracts and the delivery of inputs, there are a number of environmental procurement interventions that are essential within the procurement planning phase of the process. These are:

- Defining the subject matter of the proposed contract
- Choosing a green title for the contract
- Research – conducting a market analysis

Defining the subject matter of the proposed contract

The subject matter of a PO/Contract is a description of the product, service or works that the business unit wishes to procure, but it can also take the form of a performance-based definition.

For environmental considerations, a performance-based definition appears preferable, as the business unit does not need to meticulously stipulate all of the characteristics that the product, service or works should possess, but only the desired effect it should have⁹.

Note: the business unit is free to define the subject of the proposed PO/Contract in any way that meets its requirements, as procurement rules and regulations are not so much concerned with what is being procured but rather how it is being procured. Therefore the description of the product, service or works must be somewhat generic so as to not distort the level-playing field and infringe upon the principles of fairness, integrity, transparency and effective international competition.

While exact environmental requirements will have to be defined in the technical specifications of the award criteria, introducing in the subject matter clearly states to potential bidders the intention of the business unit to procure with environmental considerations in mind.

Choosing an environmental title for the contract

Clearly labelling a proposed PO/contract with an environmental title makes it easier for potential bidders to quickly identify what might be required and conveys the message that the environmental performance of the product, service or works will play an important role in the award of the PO/contract.

Examples of contract titles:

- Request for Proposal for cleaning services would be *Environmental cleaning services including selective waste collection*
- Request for Quotation for the supply of *Recycled paper for writing, printing and copying purposes*
- 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," because requiring a particular environmental certification does not allow for equal treatment of all bidders.

Conducting a 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 that are available. Green alternatives are not always available. A market analysis is a good means of conducting a general survey of the potential in the market that can satisfy the defined need. In order to be successful, the analysis needs to be conducted in an open and objective manner, focusing on what general solutions are available on the market and not on preferred or favoured contractors. The analysis will then show environmentally-friendly alternatives, if there are any, and the general price level of the options available¹⁰. (For a detailed guide on conducting supply market analysis, please refer to http://www.qgm.qld.gov.au/00_downloads/bpg_market.pdf.)

Developing environmental specifications¹¹

Once the subject matter of the contract is defined, the business unit must translate this into measurable technical specifications. Non-compliance of an offer to these technical specifications would result in an automatic disqualification.

Technical specifications can be defined in terms of the following:

- Environmental technical standards and eco-label criteria
- Performance and functional requirements
- Production and process methods

Environmental technical standards and eco-label criteria

This is the most common and perhaps most practical approach to integrate environmental considerations into the procurement process. The business unit can use international or national technical standards or specifications such as the one developed by ISO (International Standards Organization) or CEN (European Committee for Standardisation). Standards are useful in public procurement as they are clear, non-discriminatory and developed on a consensus basis. The process of standardization generally includes the participation of a wide range of stakeholders, including national authorities, environmental organizations, consumer associations as well as industry.

Note: In procurement cases where standards are applied the reference must be accompanied by the phrase “or equivalent”, as a bidder can not be rejected who can show that the product or service meets the required standard in an equivalent manner.

The business unit can also use other criteria that are more environmentally ambitious than those outlined in international or national standards. The business unit can use the environmental criteria used by eco-labels as technical specifications. However, the business unit cannot demand that the product or service is certified by a particular eco-label (this is considered discriminatory and would distort effective international competitive bidding) only that the offer complies with the specifications (please refer to the Annex on Eco-labels for further information).

Performance or functional requirements

A performance or functional 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 applied, the business unit does not need to express the technical specification in great detail. However when setting a performance-

The use of Eco-labels

The procurer can not use “certified Nordic Swan paper” as a specification, as this is would be considered discriminatory and therefore contravene the principles of fairness and effective international bidding.

However the procurer can use the criteria of this eco-label as the technical specification.

The paper must...

1. Contain at least 80% post-consumer waste;
2. Be totally chlorine-free (TCF);
3. Have durability >100 years according to ISO 9706, DIN 6738 or equivalent; and
4. Be compatible with machinery meeting DIN 19309, AFNOR Q11-013 or equivalent.

Products carrying the Nordic Swan label will be deemed to comply, as will other acceptable means of proof.

Specifying the end result, but not how to achieve it...

The objective is to maintain the indoor climate of an office building within a certain range. The business unit could do this by setting very detailed specifications for a central heating system. Alternatively a performance-based specification could be applied by stating for example, “The indoor climate must be maintained between 20 – 22 Celsius and a relative humidity of 50%.” In this case the bidders would be required to choose and describe the best possible method for achieving the requirement. The bidders can opt for more environmentally benign heating and ventilation system instead of offering one that is based on burning fossil fuels.

based specification the business unit needs to be more cautious than when setting conventional technical specifications. As the options available on the market can vary considerably, the specification must be clear enough to enable a proper and justifiable evaluation.

Production and process methods

When procuring products business units can also set criteria based on specific materials that should or should not be included in them, as well as process and production methods, provided these criteria do not contravene the UNDP principles of procurement.

Business units can indicate preferable materials or alternatively exclude materials or chemical substances detrimental to the environment. A common approach for environmental procurement of cleaning products is for the business unit to provide an indicative list of substances harmful to the environment or public health (on the basis of an objective risk assessment) that it does not wish to have present in the product.¹²

For example, business units can require that:

- Paper is produced without the use of chlorine (TCF);
- Food is organically produced (without the use of chemicals pesticides and fertilizers) in compliance with, for example, EEC regulation 2092/91 of 24 June 1991 and 1804/99/EC or other relevant national standards/regulation); or
- Electricity is generated from renewable sources.

3.4 Sourcing and selecting suppliers, service providers and contractors

In short...

- Technical capacity criteria, the past experience of a company and the professional qualifications of its personnel offer good opportunities for including environmental considerations.
- To ascertain whether bidders can perform the environmental management measures required, the business unit may ask them to demonstrate their technical capacity to do so.
- Environmental management systems such as EMAS and ISO 14001 can serve as (non-exclusive) means of proof for the required technical capacity.
- Business units may not set requirements for bidder compliance and certification with any particular environmental system.

Selection criteria focus on a company's ability to perform the contract. The selection criteria that a business unit specifies in an Expression of Interest are generally twofold: technical capacity criteria and financial capacity criteria. However only in the first is there room for the inclusion of environmental 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.

Examples of contracts where environmental technical competence is of particular relevance include waste management contracts, construction, building maintenance or renovation contracts, and transport services. Environmental competence could include technical competence in minimising waste creation, avoiding spillage of polluting products, reducing fuel costs, minimising disruption of natural habitats, etc. In practical terms it concerns issues such as¹³:

- Does the prospective bidder employ or have access to qualified staff/experts to deal with the environmental issues of the contract?
- Does the bidder have own or have access to the necessary technical equipment for the necessary environmental protection relevant to the contract?
- Does the bidder have the relevant research and technical facilities available to cover the environmental aspects?

Requesting records of contracts carried out in the past can be a useful instrument to assess technical capacity for meeting environmental criteria. The business unit can request evidence of previous experience in similar contracts as part of the required supplier qualifications. In doing so the business unit must clearly define what type of information is considered relevant and what means of proof are required.

Environmental selection criteria should only be used if they are specifically needed to carry out the contract, for example for certain service and works contracts that have a relatively high potential environmental impact throughout their delivery¹⁴.

For example...

A contract for the *'design and construction of a bio-climatic building'* the business unit can evaluate the technical capacity of the bidders by requiring them to provide a list of previous buildings they have constructed using bio-climatic principles.

Business units may also request that an environmental management system (EMS) is in place, but only if this relevant for carrying out the proposed contract. As long as the specific management measures required are covered by the bidders certified EMAS (such as EMAS or ISO 14001), then this can be used as a simple form of proof. Note, other forms of proof that these management measures are in place must also be accepted.

3.5 Evaluation of quotations, bids and proposals

In short...

- It is possible to apply environmental evaluation criteria, provided these:
 1. are linked to the subject matter of the PO/contract
 2. are expressly mentioned in the procurement notice and bidding documentation
 3. comply with the procurement principles of UNDP
- 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 performance and the financial burden.

By and large the core governing principle of UNDP procurement is to obtain the best value for money. In the context of the procurement process, obtaining best value for money means selection of the offer which presents the optimum combination of life-cycle costs and benefits which meet the business unit's needs.

Best value for money should not be equated with the lowest initial price option; rather it requires an integrated assessment of technical, organizational and pricing factors in light of their relative importance (i.e. reliability, quality, experience, reputation, past performance, cost/fee realism and reasonableness). The business unit's parameters can also include social, environmental and other strategic objectives defined in the procurement plan. The principle of best value for money is applied at the award stage to select the offer that effectively meets the stated requirement¹⁵.

As outlined by the UNDP procurement manual the best value for money principle takes into account a number of factors of which environmental criteria can be one. As the best value for money bid or offer will be determined on the basis of several sub-criteria, a relative weightings technique, is recommended where each criterion is attributed a relative weight in relationship to the proposed programme¹⁶.

All offers must be evaluated against the specifications, statement of works or TOR as stipulated in the solicitation documents. Only offers offering goods, civil works or services with the characteristics meeting or exceeding those in the specifications and commercial terms shall be considered acceptable.

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 characteristics, running costs and cost-effectiveness, for example. Environmental evaluation criteria should be:

- 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/Total cost of ownership

The consideration of the financial component of the bid should also take into account the total cost of ownership (TCO) of the product, service or works being procured rather than just the acquisition cost. A TCO assessment ideally offers a final statement reflecting not only the cost of purchase but all aspects in the use and maintenance of the equipment, device or system considered.

The acquisition cost is only one of many costs of a vehicle, building or piece of equipment...

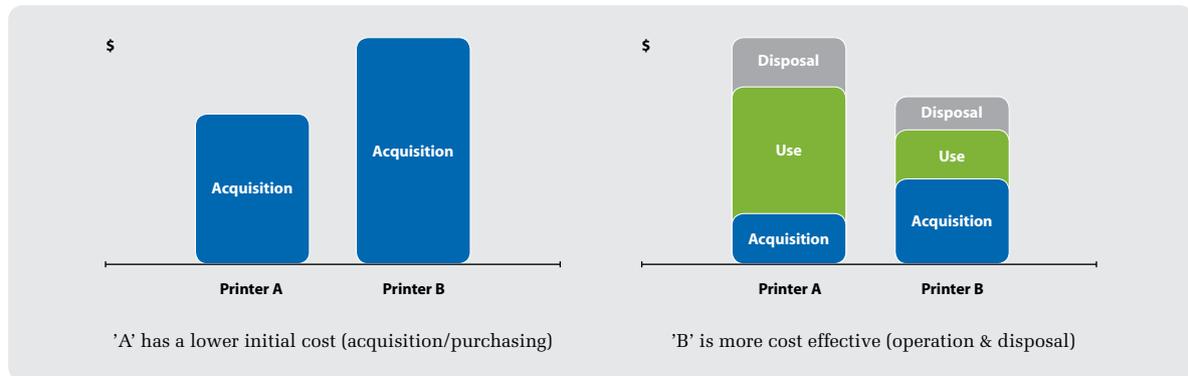
- Purchase price
- Administration costs
- Cleaning, maintenance and repair
- Direct operating costs (for energy, water or other resources)
- Training and information
- Relative waste to dispose off and wastewater discharge
- Packaging disposal
- Worker/operator safety needs
- Regulations and reporting
- Eventual disposal or resale

Source: Five Winds

At a minimum a TCO assessment should cover the following¹⁷:

- Purchase and all associated costs (i.e. landed price including: delivery, installation, commissioning, training, etc.);
- Operating costs, including energy, other utilities (e.g. water, gas, etc.), spares and maintenance; 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. TCO will enable the business unit to obtain a procurement result with a better environmental performance, as the process will reveal costs of resource use and disposal that may not otherwise have been apparent.



Examples of life-cycle costing to promote environmental considerations¹⁸

The policy of saving costs - and the environment at the same time – by using the “life cycle costing” approach can be put into practice in a number of ways. The following highlights some examples.

Savings on use of water and energy

The easiest step towards cost-effective and environmentally friendly procurement is in the saving of water, electricity and fossil fuels. The advantage is that these savings clearly benefit both the financial situation of the contracting authority *and* the environment. Being easy to calculate and having a clear economical aspect, the costs of water and energy can easily be used as award criteria in public procurement procedures. From an environmental point of view, the importance of use of water and energy is also undisputed, particularly for example the effect of fuel use on CO2 emissions, or waste production.

Savings on disposal costs

Disposal costs are easily forgotten when procuring a product or tendering, for example, for a construction project. Costs of disposal will eventually have to be paid, although it sometimes takes considerable time to take effect. Not taking these costs into account during the procurement process can in some cases turn a bargain into an expensive purchase. Disposal costs can range from the cost of physical removal to paying for secure disposal. Frequently, disposal is governed by very strict regulations, and more so in the future as governments over the globe are beginning to tighten regulations regarding waste disposal. Once the approximate cost of waste disposal has been calculated, it should be possible to translate the environmental criterion of waste reduction into an economic one.

Note: a simple but effective cost comparison tool can be found at:

http://home2.nyc.gov/html/nycwasteless/html/in_business/measurement_tools.html.

3.6 Contract performance clauses

In short...

- Contract clauses can be used to include environmental considerations at the performance stage.
- The business unit can specify the way the goods are to be supplied and even the method of transport.
- The contractor is obliged to respect all the performance clauses in the contract.

Contract performance clauses are used to specify how a contract must be carried out. It is recognized that environmental considerations can be included in contract performance clauses, provided they are published in the solicitation documents. Offerors should be aware of all obligations laid down in the eventual contract and should be able to reflect this 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 business unit may not use contract clauses to require a particular production process (for products) or staff with particular expertise (for services), since these are conditions that relate to the evaluation process. These aspects must be dealt with within the relevant stages of the procurement process – 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 is obliged to respect performance clauses set out in the contract documents when carrying out the work requested or supplying the products covered in the solicitation documents.

Some examples of contract performance clauses:

For the supply of goods

- Deliver the product in the **appropriate quantity**. In general terms this usually means a bulk delivery, as this will be 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.
- Require that goods be **delivered outside peak traffic times** to minimise the contribution of deliveries to traffic congestion.
- Require that the supplier **takes back (and recycles or re-uses) packaging** that comes with the product. This has the double advantage of centralizing packaging prior to re-use or recycling and encourages the supplier to cut any unnecessary packaging.

For 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 reducing environmental impacts in their industry.

Eco-labels as environmental specifications

In short...

- Business units may use information from eco-labels in the following manner:
 - » To help draw up technical specifications to incorporate environmental considerations;
 - » To check compliance with these requirements the business unit can accept the label as a means of compliance with technical specifications; and
 - » As a benchmark against which to assess offers at the evaluation stage.
- Use different types of labels for different purposes. For example single issue labels can be useful for a step-by-step approach.
- Bidders may never be required to be registered under a particular eco-label scheme, but need only to prove that their product or service complies with the set criteria.

The previous sections dealt with where environmental consideration can be introduced in the procurement process. However, a challenging aspect of environmental procurement is identifying these considerations and quantifying them in a meaningful manner. Most procurement officers are not environmental experts, nor do most programme officers have a great deal of experience with environmental procurement. Eco-labels offer a good option to bridge this gap.

An environmental or green product or service is one that delivers better environmental performance through its life-cycle while delivering the same or better function and quality than a comparable standard product. Eco-labels are quickly becoming a useful tool for procurers to use to set appropriate environmental specifications.

What are eco-labels?

“Eco-labelling” is a voluntary method of environmental performance certification and labelling that is practiced around the world. An eco-label is a label which identifies overall environmental performance of a product or service within a specific product or service category based on life cycle considerations. In contrast to green symbols or claim statements developed by manufacturers and service providers, an eco-label is awarded by an impartial third-party in relation to certain products or services that are independently determined to meet environmental leadership criteria¹⁹.

An eco-label is a logo that identifies a product or company that has met an environmentally preferable standard. Yet, it is not always obvious what an eco-label means. There are lots of different standards with varying levels of quality control around the world²⁰.

How it usually works

Typically, a company applies to an eco-labelling organization for the right to use its label on their product. They pay an application fee, and if they successfully meet the standard, often pay a fee to use it. Sometimes they just decide to award themselves a label – certainly faster, but perhaps much less credible. A very good source that also provides a comprehensive listing and categorization of national and international eco-labels is available at www.eco-labelling.org.

Using eco-label criteria as a basis for technical specifying

In order to use the underlying specifications of eco-labels when defining environmental technical specifications the business unit must ensure that:

- The specifications are appropriate for defining the characteristics of the product or services in question;
- The requirements of the label are based on scientific information; and
- The eco-labels are adopted with the participation of all stakeholders, such as government bodies, consumers, manufacturers, distributors and environmental organizations.

Products and services that bear a relevant eco-label can be considered to comply with the technical specifications. Bidders however, may not be required to possess or be certified by a particular eco-label or to be (fully) compliant with a particular eco-label. Business units must always accept other suitable evidence as well, such as a test report from a recognized body or a technical dossier from the manufacturer.

Types of eco-labels

The International Standards Organization has classified eco-labels into three types, which are described as :

Type I

This group is perhaps the most useful for procurers. Labels or declarations of this group meet criteria set by third parties (not by the manufacturer or retailer themselves) thus ensuring transparency and credibility, and are based on life cycle environmental impacts. These are award-type labels. As they require the product to meet independently set criteria, they should in theory be fairly demanding, but this depends on how strict the criteria are, and on the body which controls the criteria. Most of the existing official national and multi-national eco-label schemes belong to this category.

Type II

Informative environmental self-declaration claims. These are manufacturers' or retailers' own declarations, sometimes called "green claims". These can be useful, but much depends on the type of claim that the manufacturer or retailer makes. They are not independently verified, do not use pre-determined and accepted criteria for reference, and are arguably the least informative of the three types of environmental labels.

Type III

These labels don't make any judgement on the environmental quality of the product, but simply inform the consumer of its environmental impacts. They consist of quantified information about products based on life cycle impacts (or Environmental Product Declarations – EPDs). Type III claims should enable products to be compared easily, for example for public procurement purposes, because they consist of quantified information about aspects such as energy efficiency, air emissions, water emissions, etc. This provides a purchaser with an opportunity to compare the scores of different products and purchase those with the best score, but doesn't provide any guidance on what good performance is.

Of the three categories of eco-labels the Type I labels are recommended for UNDP procurement. The Type I label can be distinguished between multiple criteria and single- issue labels.

Type I – multiple criteria eco-labels²²

These labels are most appropriate to use in environmental procurement, because they are based on a number of pass/fail criteria that set the standard for the label in question. Different sets of criteria are established for each product or service group covered by the scheme. These criteria define the environmental performance that the product must reach.

In most cases the criteria of a Type I eco-label can be cut and pasted directly into the technical specification of a solicitation document. However the business unit must be mindful that some eco-labels contain criteria that relate to the general management practice of the company manufacturing the product or offering the service and/or deal with ethical or similar issues. These kinds of criteria do not qualify as technical specifications and should not be used. As stated earlier, in order for criteria to be applicable they must relate to the subject matter of the contract.

Type I – single issue eco-labels

Single issue labels are labels that relate to one particular environmental issue such as energy use, emission usage, material content, etc. There are two types of single-issue labels.

The first type is based on one or more pass/fail criteria linked to a single issue, e.g. energy efficiency. If a product meets these criteria, then it may display the label. A well known example of this type of label is the Energy Star label for a wide range of electronic equipment.

The Energy Star success story

In 1993 the US Federal Government decided to purchase only Energy Star compliant IT equipment. The Federal Government is the world's largest single computer purchaser, and it is estimated that this decision played a significant part in the subsequent move to compliance with Energy Star standards for the vast majority of IT equipment on the market. The environmental benefits of the move to Energy Star by the Federal administration have been calculated at 200 billion kWh of electricity saved since 1995, which equates to 22 million tons of CO₂.²³

The second type of single-issue label works by grading products or services according to their environmental performance on the issue in question. Examples of the second type include the EU Energy label, which grades household goods according to their energy efficiency, with A* as the most efficient and G as the least efficient.

Single-issue labels can be very useful if you are following a step-by-step approach to greening procurement because they allow for gradual improvement. Using energy efficiency standards would be an excellent first step towards wider environmental procurement. The different grades allow the business unit to decide how far to go.

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