

Green Procurement

¿How to encourage green procurement practices in IDB funded projects?

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Vice Presidency
for Countries

Operations Financial
Management and
Procurement Services Office

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Green Procurement: how to encourage green procurement practices in IDB funded projects?

Adriana Salazar Cota; Luz Fernández; Wilhelm Dalaison

Abstract

This document provides guidelines for borrowing countries and IDB personnel on green procurement practices, so that Bank's funded projects will reduce the negative environmental impact of goods, works, services and consultancies being contracted; and, also promote more environmentally sustainable actions. Based on good practices and international standards and trends, the document shows how environmental aspects can be considered in the IDB's programming cycle and in each stage of the project cycle. It particularly focuses on the procurement process, outlining the elements that should be considered when designing and implementing green procurement. Green procurement is defined as the acquisition of goods, works, services or consultancies whose results have the least possible harmful effects on the environment, human health and safety when compared to other competing and similar acquisitions or, those that make a positive impact on the environment. Various multilateral financing organizations, international organizations and countries have joined the global effort to promote green procurement. This strategic focus, via procurement, seeks to increase efficiency with the smallest possible environmental footprint, while producing energy and even financial savings.

Classification JEL: H5, H57, K, K1, K2

Key words: climate change, public procurement, procurement, growing greener, government procurement, value for money, procurement policies.

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2018

Acronyms and Abbreviations

AOP	Annual Operational Plan	PS	Procurement Specialist
CCS	Climate Change Specialist	PTL	Project Team Leader
COO	Chief of Operations	QRR	Quality and Risk Review
CPD	Country Programming Document	SDG	Sustainable Development Goals
CS	Country Strategy	SPN	Specific Procurement Notice
DLP	Draft Loan Proposal	SPP	Sustainable Public Procurement
EA	Executing Agency	UNFCCC	United Nations Framework Convention on Climate Change
ERM	Eligibility Review Meeting	UNEP	United Nations Environment Program
IDB	The Inter-American Development Bank		
INGP	Inter-American Network on Government Procurement		
LAC	Latin America and the Caribbean		
LCC	Life-Cycle Costs		
LP	Loan Proposal		
NDC	Nationally Determined Contributions		
PCR	Project Completion Report		
PEP	Project Execution Plan		
PMR	Project Monitoring Report		
POD	Proposal for Operations Development		
PP	Project Profile		

How to encourage green procurement

practices in IDB funded projects?

Goals



To reduce the environmental impact of goods, services, works and consultancies funded by the IDB.

Why?

Countries/Bank



Economic savings and smart investment



Government reputation



Meeting national policies and international commitments



Innovation incentives

What?



Goods

Electrodomestic goods, drinking water heating equipment, lamps or air conditioning units with eco-labels that guarantee high energy efficiency.

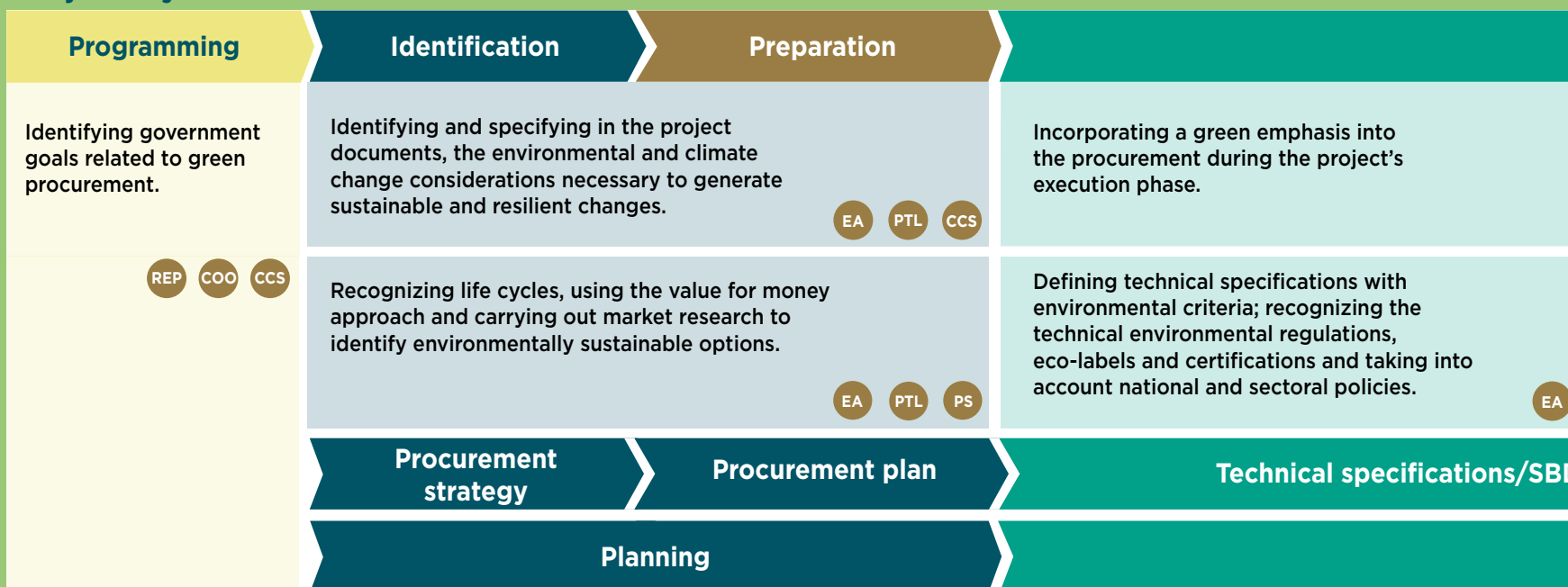


Works

Construction of green buildings with renewable and efficient energy measures, responsible water consumption and conservation, which are resistant to climate change.

Where?

Project Cycle



Procurement Cycle



To promote more sustainable environmental actions against climate change.



Supporting countries to meet Sustainable Development Goals



Supporting the mainstreaming of climate change and environmental sustainability



Aim to increase funding for climate change related projects

Services

Requesting that the transportation services be carried out by vehicles with a certain emission levels or that use unleaded fuels.



Consultancies

Contracting designs that include environmentally friendly technical solutions: bioclimatic architecture, local materials, the incorporation of renewable energy or the implementation of energy saving measures.

Who?

EA

Executing Agency

PTL

Project Team Leader

PS

Procurement Specialist

CCS

Climate Change Specialist

SCC

Suppliers, Consultants and Contractors

COO

Chief of Operations

REP

Representative

Execution

Termination

Reporting results related to green procurement.

Recognizing technical environmental competence and environmental management systems.

Using environmental assessment criteria and focusing on the life cycle.

Establishing environmental clauses and monitoring their compliance.

Assessing the performance of suppliers and documenting the lessons learned.

Evaluation and selection of bidders

Bid evaluation and contract award

Contract management

Results assessment

Contracting

Contract management

Results assessment





1. Background

In 2011, the Inter-American Development Bank (IDB), together with other multilateral development banks¹ (MDBs), agreed upon a strategy to increase the funding for actions to tackle the challenges posed by climate change along with a methodology for the measurement of said funding. Within this framework, the IDB Group committed to 30% of their operations being invested in activities related to the mitigation and adaptation of climate change by 2020.

The IDB also established as a strategic priority to continue supporting the sustainable development of countries in the region by addressing climate change, renewable energy and environmental sustainability issues.

Every year, IDB's loans and technical cooperation grants for development create more than 20 000 contracts for the supply of goods, services and civil works, as well as consultancy services². The implementation of projects funded with IDB resources and their administration are the responsibility of borrowing countries, although the Bank ensures that the procurement is made in accordance with the established principles and policies and that are aligned with the development goals of the projects. Regarding the loan amounts per sector, the IDB approved a total of US\$9.2 billion in 2016, of which 40% corresponds to the Infrastructure and Environment Sectors, 35% for Development Institutions, 24% for the Social Sector and 1% for Integration and Foreign Trade³.

¹ The African Development Bank (AfDB), The Asian Development Bank (ADB), The European Bank of Reconstruction and Development (EBRD), The European Investment Bank (EIB), The World Bank Group (WBG) and the IDB Group.

² See publication: IDB. Basic Information Statement.

³ IDB. Annual Report 2016.

This framework offers a great opportunity to promote green procurement, which is aligned to the Bank's procurement policies as well as to the national public procurement systems. This focus promotes procurement as a tool for the protection of the environment, for the mitigation and adaptation of climate change and for the sustainable development of countries.

This document is the first step toward that direction, providing guidelines for both countries and the Bank to incorporate green procurement into



the preparation and execution of projects. A second phase will focus on the mechanisms needed to facilitate implementation, on undertaking pilot testing and sharing lessons learned to help improve the processes described in this guideline.

This document stems from the collaborative work carried out by the Operations, Financial Management and Procurement Services Office (VPC/FMP), the Climate Change and Sustainable Development Sector (CSD) and the Infrastructure and Energy Sector (INE/INE).

The authors would especially like to thank the support and contributions of María Eugenia Roca (VPC/FMP), Juliana Salles Almeida (CSD/CCS) and María Cecilia Ramirez Bello (INE/INE), as well as their colleagues from VPC/FMP, CSD/CCS, and INE/INE as well as the experts from CSD/CSC, the Housing and Urban Development Division (CSD/HUD), the Transport Division (INE/TSP), the Energy Division (INE/ENE), the Water and Sanitation Division (INE/WSA), the Fiscal Management Division (IFD/FMM), the Social Protection and Health Division

(SCL/SPH), and the Environmental Safeguards Unit (VPS/ESG), for their valuable contributions, without which this work would not have been possible⁴.

⁴ Any errors or omissions are the sole responsibility of the authors. The analysis, results and interpretation represent the opinion of the authors and do not necessarily reflect the opinion of the Inter-American Development Bank, its Executive Directors, nor the countries that they represent.





2. Introduction

2.1 Summary

Green procurement is defined as the acquisition of goods, works, services or consultancies whose results have the least possible harmful effects on the environment, human health and safety when compared to other competing and similar acquisitions, or those that make a positive impact on the environment.

Various multilateral financing organizations, international organizations and countries have joined the global effort to promote green procurement. This strategic focus, via procurement, seeks to increase efficiency with the smallest possible environmental footprint, while producing energy and even financial savings.

Contrary to common belief, green procurement does not necessarily mean higher costs, but rather a change in perspective, in which a green investment may be more efficient in the medium-term, creating win-win situations for countries.

The application of green procurement does not require a total overhaul of the project's procurement; it is a gradual process that may include certain elements, even though they may not have been initially considered during the programming, identification and preparation process of the operation. The IDB has trained professionals available to help project teams include these elements right from the design phase of the operation and to strengthen the dialogue with borrowing countries.

This document is aligned with the IDB's procurement processes and policies.



PROJECT

Includes the environmental and climate change considerations required to create sustainable and resilient results



GOODS, WORKS, SERVICES AND CONSULTANCIES

These include the environmental criteria and requirements to meet the considerations defined in the project where they will be implemented.



Nevertheless, before making any green procurement, it is necessary to make sure that there are enough suppliers to provide the required works, goods, services or consultancies with the desired characteristics and that these optimize value for money to guarantee the principles of economy, efficiency, equal opportunity and transparency that govern IDB procurement.

Green procurement is an effective tool to ensure that projects executed with IDB resources are more sustainable and resilient. In order to be classified as green procurement, works, goods, services and consultancies should consider a series of environmental and climate change characteristics. These environmental considerations should ideally be defined in the identification and preparation stages of the project and transform into specific environmental and climate change criteria or requirements that need to be met by the works, goods, services and consultancies during the project's execution.

2.2 Purpose

This document aims to provide a guide for borrowing countries and IDB personnel about green procurement practices, so that Bank funded projects do not only reduce the negative environmental impact of goods, works, services and consultancies being contracted, but also seek to promote more environmentally sustainable actions.

Based on good practices and international standards and trends, the document presents guidelines showing how environmental aspects can be considered in the IDB's programming cycle and in each of the project cycle stages. They particularly focus on the procurement process, outlining the elements that should be considered when designing and implementing green procurement⁵.

⁵ Green procurement should be done in accordance with the Bank's Procurement Policies (GN-2349-9 and GN-2350-9), and the governing principles of efficiency, economy, equal opportunity and transparency.

Section 3 describes the concept of green procurement, its benefits and justification for both countries and the Bank, as well as examples of goods, works, services and consultancies that could be considered green

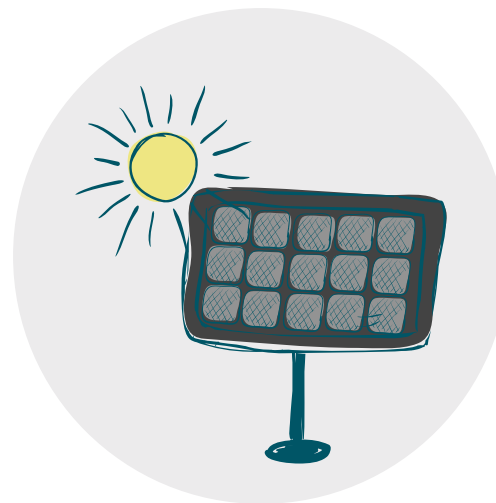
Section 4 explains the roles that different stakeholders within the countries and IDB staff may play in the promotion and execution of green procurement.

Section 5 details how the project teams and the executing agencies (EA) can include the environmental considerations arising from green procurement into different stages of the project cycle in the Bank, providing guidance on which elements can be included in the various documents produced in each phase.

Section 6 provides guidance on the concepts, criteria, requirements and tools which may be considered during the execution of a project for each stage of the procurement cycle in the design of green procurement.

Finally, **Sections 7** and **8** include a summary of the main messages of the document as well as a series of available

resources that may be useful for users interested in finding out more about green procurement around the world.



2.3 Challenges

For green procurement to be effectively implemented, the EA and the Bank must have staff with the adequate technical training to promote it and there should be availability of suppliers with the capacity to provide the required works, goods, services or consultancies.

In this regard, this document is the first step to promote green procurement and must be accompanied in the future by a training strategy that is adapted to national contexts to ensure a successful implementation.

The variety of goods, works, services and consultancies which may be considered as green procurement is extensive, and can vary depending on many aspects, including the context in which they will be implemented and the number of green components. The examples included in this document are merely indicative and have been selected to describe the potential options for green procurement. There are more examples that can be consulted in **Section 8**. It is important to bear in mind that some may

not be applicable to certain countries. For example, there may be countries where the carbon footprint of goods, services or works can be requested, and others in which said information is not available or may only be available for goods and not works.

The technical specifications of goods, works, services and consultancies used in this document, as well as the bid evaluation and award criteria described are merely indicative and may not be applicable in certain countries due to lack of information, suppliers or even for regulatory reasons⁶.



⁶ There may be regulations that block more environmentally sustainable actions. For example, in Europe, compost can only be used in farming if it is made from certain types of materials, such as solid urban waste separated at source, without considering the quality of the product.



3. What is Green Procurement and why is it important?

3.1 What is Green Procurement?

Green procurement is defined as the acquisition of goods, works, services or consultancies whose results have the least possible harmful effects on the environment, human health and safety when compared to other competing and similar acquisitions, or those that make a positive impact on the environment.

Green procurement is part of a wider concept referred to as sustainable procurement, which considers different social and economic aspects as well as environmental ones. It is defined as “the process through which organizations meet their goods, services and work’s needs, generating value for money based

on life-cycle analysis, benefitting not only the organization, but also society and the economy as a whole, while also trying to reduce the negative impacts on the environment”^{7 8}. For example, through sustainable procurement, governments can reduce their environmental footprint by promoting the construction of energy efficient buildings and sustainable highways, protecting human rights, supporting the most vulnerable parts of

society and minorities, such as women, indigenous populations, Afro-Americans or the disabled, contributing to the growth of small and medium enterprises and encouraging innovation.

This document focuses solely on the environmental aspects, which is why the term “green procurement” is used.

7 This is a methodology that allows to identify and assess the environmental impacts associated with a product throughout its life-cycle (extraction, construction/manufacture, use, performance and transport), as it considers every input and output of raw materials, energy, waste and emissions. It can also apply to production systems or services.

8 United Nations program for the Environment and the Department for Environment, Food and Rural Affairs in the United Kingdom, 2006

3.2 Why is green procurement important for countries?

Green procurement offers multiple benefits to countries, including the minimization of negative climate change impacts, better value for money and compliance with both national and international environmental sustainability commitments. Below are some reasons why green procurement can be beneficial for countries:

a. Economic savings and smart investment. When considering the life-cycle costs of works and goods, public spending efficiency is promoted and is possible to achieve savings in the medium and long-term. This also increases the demand of sustainable solutions and market competitiveness, as well as the development of market capabilities for innovation and manufacturing that considers the entire life-cycle of goods. In addition, by reducing the environmental footprint, society makes an indirect investment to prevent social and economic damages incurred by climate impacts while

avoiding negative externalities. Even if the savings are not reflected in the short term, a green purchase can still be a smart investment if it has a smaller negative environmental impact and allows maximizing value for money.

b. Reputation. Citizens are increasingly more aware of the adverse effects that consumption and production patterns have on the environment and expect the authorities to take action in guiding them to adopt more sustainable consumption habits. Becoming a leader in this sector generates empathy and support from society. On the other hand, if the media, citizen groups and NGOs (non-governmental organizations) detect practices with negative environmental impacts, this could significantly affect the organization's reputation.

c. Fulfilling national and international policies and commitments. Green procurement is a mechanism to demonstrate an alignment with the national policies on environmental sustainability and to increase compliance with international targets/goals and commitments, such as the

Nationally Determined Contributions⁹ (NDC), under the United Nations Framework Convention on Climate Change (UNFCCC). The role of public procurement is so important in relation to climate change that three of the largest city networks (ICLEI, C40 and the Global Covenant of Mayors for Climate and Energy) stated at the end of 2017¹⁰ their intent to support public sustainable procurement as part of their strategy to speed up the implementation of the Paris Agreement.

d. Innovation incentives in the National industry. Green procurement can be an indication for suppliers and contractors or the general industry of a country to begin incorporating environmental practices into their production, distribution, marketing and final disposal processes, as long as this

9 The NDC publicly presents the plans of those countries within the Paris Agreement to contribute to the international effort of ensuring a sustainable future for everyone, maintaining the global temperature increase to less than 2 degrees centigrade, respect to pre-industrial levels, with a preference that said limit does not surpass 1.5 degrees.

10 For more information on this statement see “[ICLEI, Global Covenant of Mayors, and C40 announce One Planet Charter to Accelerate Local Implementation of the Paris Agreement](#)”.

does not restrict competition. It is an incentive for the industry to adopt the best possible standards.

3.3 Why is it important for the Bank to promote green procurement?

Green procurement is aligned with sustainable development objectives, and the inclusion of this concept in Bank-financed projects is highly relevant to support the Bank's commitments in terms of sustainability.

a. The IDB Group is committed to support countries in the LAC region to meet the **Sustainable Development Goals (SDG)**¹¹ Specifically, the SDG 12, which aims to “guarantee sustainable consumption and production methods”, and goal 12.7 which refers specifically to the promotion of sustainable public procurement practices.

¹¹ In 2015 the United Nations approved the 2030 Agenda on Sustainable Development, in which 17 Sustainable Development Goals were defined. Within this framework, each of the 193 signing countries committed to reaching the determined targets. See publication “**17 Goals to Transform our World**”.

b. Green procurement supports **the mainstreaming of climate change and environmental sustainability** in the implementation phase of projects identified in the Institutional Strategy Update 2016-2019 and the Corporate Results Framework 2016-2019. In this respect, the Strategy aims to address the economic and social effects of the mitigation and adaptation of climate change considering LAC's high vulnerability to the adverse effects of climate change in terms of physical damage and negative social impacts, which disproportionately affect the most disadvantaged groups¹².

c. The IDB Group aims to **lincrease funding for projects related to climate change up** to 30% of the total volume of approved operations by the end of 2020. In this context, green procurement has been identified as an important aspect of the Climate Change Action Plan 2016-2020 (**GN-2848-4**). Additionally, it is important to highlight that the impact of green procurement goes beyond supporting the Bank to meet this objective (which is linked to projects'

¹² **Institutional Strategy Update 2016-2019.**

approval), allowing the project team to reinforce execution.

Everyone wins with green procurement

Countries invest in their future and reduce damage to the environment while also making medium-term savings, and the Bank works towards its commitment of supporting sustainable development in the region.



IDB Climate Finance: How is the 30% Target calculated?

The Climate Change Division (CCS) is responsible for calculating the percentage of resources of each approved project which may be considered climate finance and therefore count towards the IDB's 30% target. The CCS team reviews all the project documents to make a calculation, with special attention paid to the Proposal for Operations Development (POD). To make this calculation, CCS uses a methodology developed by the Multilateral Development Banks (MDBs). The Joint Climate Finance Tracking Methodology is divided into two different methods, one for climate change adaptation activities and another for the climate change

mitigation activities. These are described in Annex B and C of the document **"2016 Joint Report on Multilateral Development Banks' Climate Finance"**.



3.4 What can be considered as green?

Green procurement may refer to the contracting of goods, works, services or consultancies. Below are some examples of how a green approach can be incorporated into each one of these categories:

Goods

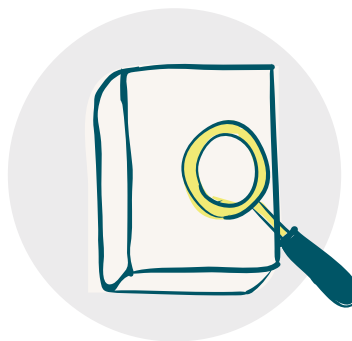
- » Buying furniture manufactured from recycled material or that uses non-polluting materials during the manufacture process.
- » Buying home appliances, water heating equipment, lamps or air conditioning units with eco-labels to guarantee their high energy efficiency.
- » Acquiring industrial equipment such as pumps or treatment plants which are energy efficient, or which use non-polluting fuel.
- » Buying goods in bulk and with centralized delivery, which contributes to reduce the amount of packaging, deliveries, waste and unnecessary transportation.

- » Not using bottled water dispensers when clean tap water or alternative filter systems are available, reducing the amount of plastic.

- » Buying goods from suppliers who are responsible for the collection and final disposal of their packaging, the waste generated and the goods at the end of their service life.

- » If certain goods have the same characteristics, giving preference to those that require less polluting transport, or that travel smaller distances, with the overall aim of reducing their carbon footprint.

- » Reusing materials or certain parts of the final product. For example, using lights or lamp posts which may have been removed from one location, but still have a remaining service life.



Works¹³

- » Reusing materials from demolitions to help reduce the amount of waste and its transportation to landfill sites. For example, the use of recycled aggregate from demolitions or tires on highways.

- » Using renewable energy and energy saving methods, including in temporary facilities or offices during the works period.

- » Encouraging the use of non-conventional materials, which possess similarly resistant and durable characteristics to the originals, but which have a far smaller environmental impact, used in the construction, maintenance and final disposal.

- » For highway projects, requesting that the surface be recycled to use the rocks and stones on the new layer, thus avoiding the extraction of quarry stones.

¹³ For infrastructure projects specifically, the referential Framework for Sustainable Infrastructure created by the IDB, describes more examples and possibilities for the incorporation of these elements in projects such as: the reduction of greenhouse gases, the employment of renewable energy, waste reduction, etc. See publication [What is Sustainable Infrastructure? A Framework to Guide Sustainability Across the Project Cycle](#).

- » In transport projects rescuing and reusing specific elements such as railway sleepers or signal lights.

- » In construction projects using energy efficient and renewable energy measures, responsible water consumption and conservation, passive construction (the direction buildings face, natural ventilation) and their resistance to climate change (deep foundations, hurricane resistant roofs, trees for shade).

- » Including a specific line and cost in the works budgets for the removal, transportation and final disposal of the debris and solid waste. Accumulated during the construction.

- » Requesting strategies for the management of contaminating agents or oils frequently used in construction processes and equipment, to guarantee their safe final disposal.

- » Using devices or applications that allow the plans and documents to be viewed and edited to reduce the printing of blueprints during the works' construction or their supervision.

- » Assigning different uses for unused infrastructure. For example, recreational areas and/or meeting spaces in out-of-service ports, pedestrian areas separated from vehicle transit areas on old railway lines, etc.



Services

- » Requesting materials and supplies that do not contain chemical components which may harm the environment, the facilities or the health of service personnel such as those in charge of cleaning and maintenance.

- » Requesting that the transportation services are carried out in vehicles with low emission levels or that use unleaded fuels.

- » Establishing conditions or incentives to optimize the routes used or the number of journeys made when delivering materials.

- » Contracting services instead of acquiring goods, especially when those goods have a short service life, to guarantee that the supplier shall be responsible for the collection of unused goods.

Consultancies

- » Carrying out case studies and estimates to determine the convenience of implementing a certain type of technical solution, including offering solutions to save or reuse resources such as water.

- » Contracting design consultants for certain environmentally friendly technical solutions, such as bioclimatic architecture, the use of local materials, the incorporation of renewable energy or the implementation of energy saving measures in projects.

- » Defining high standards and environmental certifications for the design of large urban facilities such as ports or airports.

- » Favoring the use of intelligent network designs to optimize efficiency in electricity consumption.

- » Giving preference to natural water treatment systems such as wetlands or phytoremediation systems.

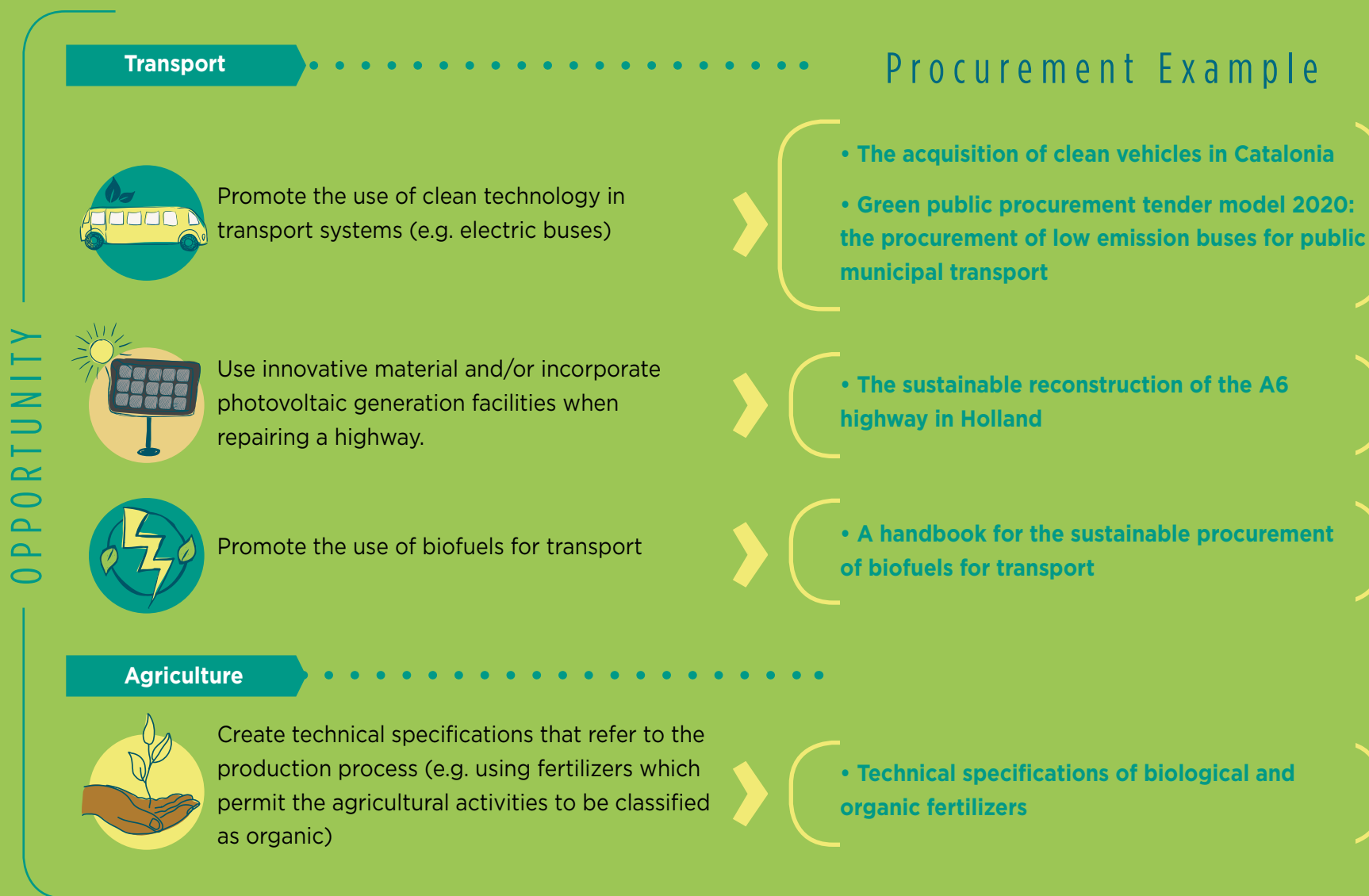
- » Requesting that the consultants submit their work digitally not in print

and minimizing the number of journeys that need to be made during the project.

- » Encouraging the digitalization and storage of documents on servers.



Examples of green procurement outside of LAC by economic sector



Examples of green procurement made outside of LAC by economic sector

OPPORTUNITY

Buildings

(hospitals, schools, offices, housing)



Promote the use of passive designs and/or technology to save energy (e.g. highly efficient boiler for hot water, energy saving light bulbs, light controls, smart meters).



Procurement Example

- Passive housing procurement in Finland
- Renewable energy heating systems in schools in Oslo
- Zero carbon emission remodeling of a school in the East of England

Waste water treatment



Promote the use of technology (e.g. thermal hydrolysis) which reduces the production of sludge and makes the necessary energy reduction process quicker.



- Efficient waste water treatment in Holland
- Efficient ecological waste water treatment in Sweden

Digital government



Including energy efficient criteria in the design of data centers.



- Contracting energy efficient data centers

4. Who can help to encourage Green Procurement?

4.1 To whom are these guidelines directed?

The guidelines target the Executing Agencies (EA) and the IDB project teams who want to make a difference during the execution of the project. The document has a variety of resources and examples to guide and accompany them when implementing green procurement.

4.2 Who can help to encourage Green Procurement?

The roles of the different responsible parties to ensure the effective implementation of green procurement during the design and execution of projects are explained in this section:

Executing Agency

The role of the EA is fundamental for the promotion and the implementation of green procurement. As the holder and responsible party for the project's execution, the EA plays a key role when it comes to defining the characteristics and green specifications of the goods, works, services and consultancies to be acquired. The EA can establish environmental criteria to evaluate bidders. Furthermore, during the execution phase of the contract, their role is crucial to supervise that the goods and works are in accordance with the technical specifications described in the bidding documents.

Project Team Leader

The Project Team Leader (PTL) is responsible for leading the project and making decisions on the non-objection of documents and procurement processes made by the EA. They are the Bank's main representatives and driving forces for the project to incorporate a green procurement approach. They have a key role since the PTL can include environmental considerations during the drafting of the preparation, approval, execution and completion documents of the projects, thus paving the way for green procurement. The inclusion of these references in the various documents shall also be useful to facilitate calculating the contribution of

the project toward the 30% of the Bank's climate funding.

Procurement Specialist

The Procurement Specialist (PS) can provide the Representative, the PTL and the EA with the specific advice needed on how to implement a green approach throughout the procurement process, from the design of the strategy and the procurement planning, the drafting of the procurement plan, the definition of technical specifications, the definition of evaluation criteria and award.

Climate Change Specialist

The Climate Change Specialist (CCS) provides input to the borrowing country stakeholders on how to implement environmental considerations that will translate into a need to contract green goods, works, services and consultancies. Furthermore, thanks to the inclusion of these elements, the project can be considered within those that contribute toward the 30% target. Likewise, due to the comprehensive nature of the intervention throughout the project's life-cycle, their participation is not exclusive

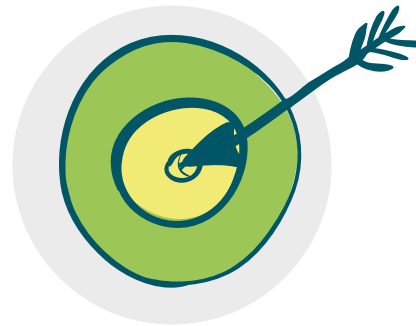
to the preparation phase, but it is also relevant to strengthen project execution.

Suppliers, consultants, contractors

Suppliers, consultants and contractors play a significant role when offering new, high quality products, which are environmentally friendly. They may also be required specific services such as the collection and final disposal of goods that have reached the end of their service life, or for the implementation of ecological transport means that improve the quality of their performance. The capacity of suppliers, consultants and contractors to offer environmentally friendly goods, services and consultancies is one of the key factors for the successful and effective implementation of green procurement.

Chief of Operations

The Chief of Operations (COO), in their supporting role for the drafting and monitoring of the Bank's Country Strategy (CS), must check that the operations respond to the key regional and corporate strategic issues. If the CS includes a reference to green procurement, it can suggest its inclusion in the green goods, works, services and consultancies programs. Furthermore, when providing observations during the Eligibility Review Meeting and the Quality Risk Review they can also insist on the importance of green procurement. They can also verify the country's capacity for execution of this type of contract and propose institutional strengthening actions that can improve the country's systems in these matters if necessary.



IDB Country representative

During the Bank's CS design, led by the IDB representatives, it is possible to include initial references for the incorporation of green goods, works, services and consultancies for Bank-financed procurement. The use of these references during the programming stage will lead the way during project design so that they can consider and apply these guidelines. CS is where most of the projects to be financed by the IDB in that country will be framed.

Guideline B.17 and the Environmental Safeguards Specialist

The Environmental and Social Safeguard Policy (OP-703) defined in Guideline B.17 aims to promote an environmentally responsible procurement process. Through this guideline, the Bank seeks to encourage an emphasis on the goods and services acquired for the operations funded by the institution being environmentally and socially sustainable regarding the use of resources, the working environment and community relations.

The environmental and social safeguards specialist, upon being responsible for the application of environmental and social policies, may encourage actions and solutions which translate into the procurement of green goods, works, services or consultancies.





5. Environmental considerations during the project cycle

For an effective implementation of green procurement, it is advisable to identify the interest in including environmental considerations during the early stages of the project, which will then be reflected in the need for green procurement during the execution stage. For example, it is more feasible to demand energy efficiency measures for the construction of a building in the bidding documents, if those measures are considered relevant during the project's identification and preparation by the team and the EA. Therefore, among the elements identified in the Bank's documents for an operation and procurement process, it is important to explicitly state the environmental considerations which will be prioritized during an operation in the project cycle documents. Furthermore, the explicit

mention of certain environmental considerations in the Bank's project documents will help the CSD team to identify any climate funding in the operation.

The following figure presents the documents of the project cycle versus the documents and fiduciary products for each of the stages of the projects approved by the Bank.



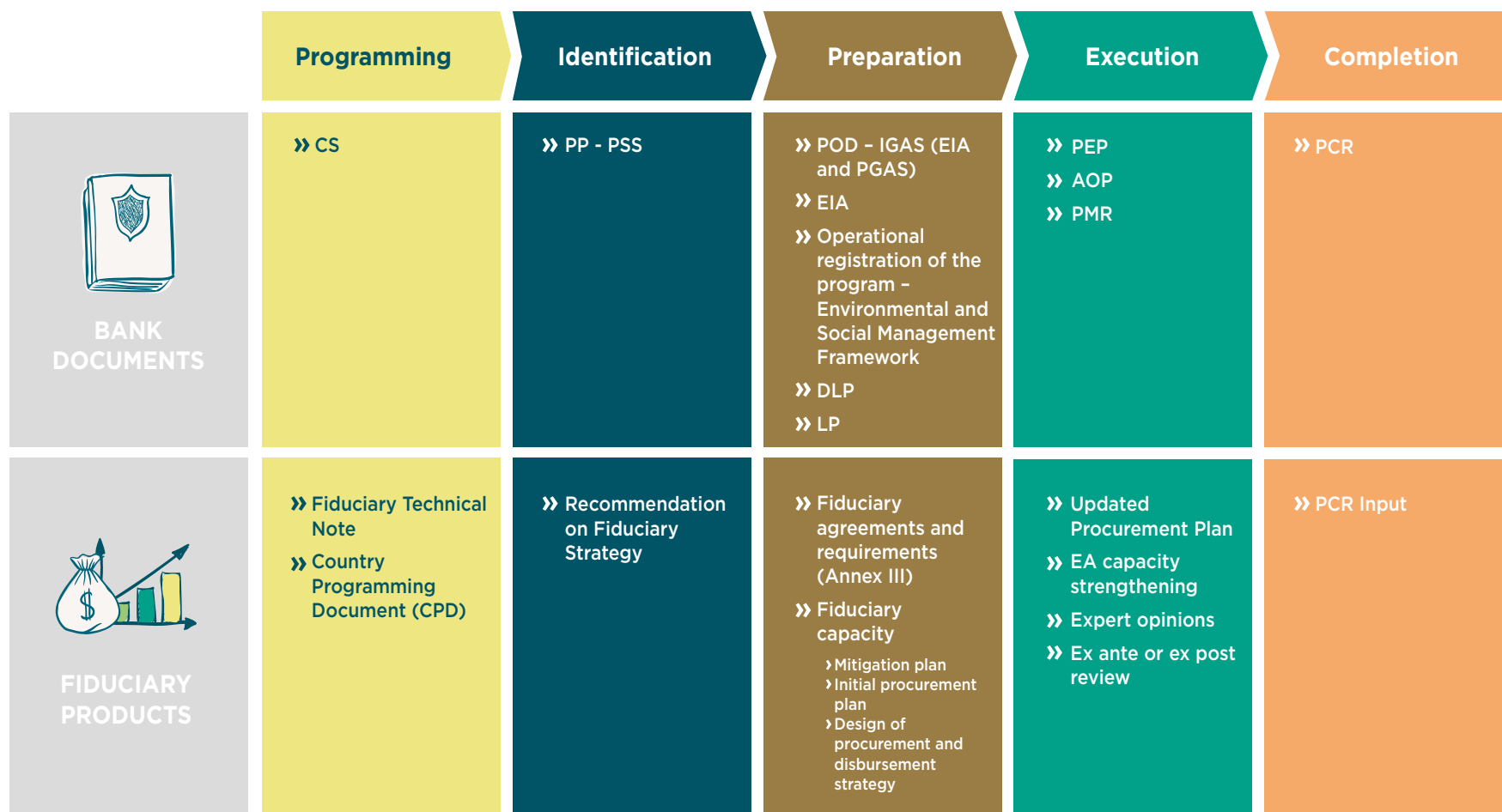


Figure 1. Project cycle and fiduciary inputs

The following paragraphs describe the project cycle stages at the Bank and how references to environmental considerations could be incorporated into the various documents produced in each of them, so that they can be included during procurement. In **Section 6** the procurement cycle is detailed including how to incorporate a green procurement approach into each stage of the process.



5.1 Programming / Country Strategy

The Bank's programming begins with the structured and continuous dialogue with the borrowing country, paving the way for the Bank's CS, which is a process led by the IDB Representative in the corresponding country. This leads to a joint identification of the priority areas in which the Bank will support a country in the upcoming years. When appropriate, the CS may reflect both the country's and the Bank's interest to bolster green procurement in the national procurement system.

CS are supported by agreements and technical sectoral notes, including a **fiduciary technical note**. This strategic document offers an opportunity to identify government objectives in relation to green procurement. More specifically, in the "Government Objectives" section, the specialists may state whether the government has a policy regarding sustainable procurement or implements any initiative for the promotion of green procurement. This allows the strategic objectives of the

government to be aligned establishing a technical dialogue for the subsequent development of projects that incorporate green procurement.

On the other hand, identifying energy efficiency or climate change adaptation as priority areas in a CS sends out the important message that projects funded in that country will need to make green procurement at some point in their life cycles to meet these commitments. The climate change specialists and different sectoral specialists may support a structured dialogue with the country to guarantee that the relevant environmental considerations are incorporated into the priority areas identified in the CS.

5.2 Identification

The identification phase is the ideal moment of the project preparation to verify areas of opportunity that promote the incorporation of environmental considerations. It is at this stage that the PTL and the EA begin to define the elements they would like to include in the project, which is why it is important to ensure that a discussion takes place to promote the awareness and the inclusion of such considerations.

If the PTL and the EA have any doubts on the potential of the operation to incorporate environmental considerations, the PTL can request support from a climate change specialist, who as part of their functions promotes the incorporation of climate change aspects and verifies areas of opportunity for different environmental criteria. The PTL can also be supported by the ESG specialist or other sector specialists.

Project Profile

Within the basic information of the Project Profile (PP), the interest of the borrowing country and the project team to incorporate environmental considerations that could turn into green procurement during the execution stage can be made explicit. The following figure has different examples of how this is considered in operations which have already been approved.

To meet these objectives and remain consistent with the challenges stated, the program will fund works and the procurement of goods and services for five components: (i) Competitive and inclusive touristic products: aimed at adding value and managing the main touristic attractions which are public assets, and the structuring of competitive and socially inclusive value chains; (ii) Commercialization: aimed at reinforcing the image of Salvador, Bahia as a leisure destination and guaranteeing efficiency and effectiveness in the commercial touristic channels used; (iii) Institutional strengthening: aimed at strengthening the touristic management capabilities at a municipal level; (iv) Basic services: aimed at improving the basic services which address the needs of tourists and the local population in tourist spots; **and (v) Environmental management: aimed at ensuring the conservation of natural heritage involved in tourist activity.** The main results of the program shall be an increase in formal employment and tourism spending. The beneficiaries shall be the Municipality of Salvador, Bahia SECULT, local businesses and the local population as well as Afro-Americans linked to the tourism sector in Salvador, Bahia.

Text box 1. PP Example, National tourism development program in Salvador, Bahia (BR-L1412)

Component II: Strengthening of the agricultural innovation and extension system (US\$7 million). The program will finance the establishment of agriculture centers, to contribute to local and regional development, including technology transfer, demonstration and training. Two centers have been identified by the MoA: (i) Lethem / Manari (Region 9); and (ii) Ebini (Region 10). In both sites, the program will finance infrastructure (new and upgrades to existing buildings), equipment and technical assistance. The infrastructure will be used for research, training and extension. Land is owned and will be provided by the MoA. Research / demonstration programs, identified through a prioritization exercise, will be implemented in collaboration with national and international centers. These programs will identify specific beneficiary groups, technology packages and monitoring and evaluation mechanisms. *Research activities will focus on reducing vulnerability to climate change through multiplication and conservation of genetic material, including drought resistant varieties and protection of traditional knowledge as local adaptation strategy.*

Text box 2. PP Example, Sustainable agricultural development program (GY-L1060)

Component I: The urban integration of B31 (Total US\$85 million). The responsible subject for this component shall be SECISYU. It supports the improvement processes of the urban life and integration conditions of B31 through the development of urban infrastructure, community equipment and community development activities. It plans to fund: (i) The Education Center – the ME headquarters and three schools – increasing access to education and creating a new activity hotbed in the area; (ii) *the development of climate change resistant infrastructure*, including an aqueduct to formally connect a running water service and the construction of public, green spaces; and (iii) the drafting and implementation of improvement works for housing and stores, which include activities to boost the economic potential of the neighborhood. *These elements will incorporate energy efficiency and sustainable management of natural resources.*

Text box 3. PP Example, Urban and educational integration Program in neighborhood 31, in the City of Buenos Aires. (AR-L1260)

The explicit mention of certain environmental considerations in the PP, such as the incorporation of energy efficient measures in the AR-L1260 in the previous example, as well as indicating the need of green procurement, shall help CSD/CCS to identify the existence of climate related funding in the operation. This shall facilitate the operation being counted as toward the Bank's 30% target.



5.3 Preparation

Proposal for Operations Development

As with the PP, in the Proposal for Operations Development (POD) a specific interest can be manifested by the borrowing country and project team to incorporate environmental considerations which during the execution phase may result in green procurement. As it is a wider, more complete document, the POD has many sections in which it can state its specific interest to incorporate these measures. The most recommended sections are: i) the macroeconomic analysis of the country; ii) the results" matrix; iii) the strategic alignment; iv) the sections on the value added by the Bank during said operation; v) the Pluriannual Execution Plan (PEP) and Annual Operating Planning (AOP).

In the macroeconomic analysis of a country the laws and commitments signed in relation to the environment and/or climate change can be explained. This shall help toward the creation of a framework to explain why it is important

for the country to undertake green procurement. Also, green procurement indicators may be included in the results matrix for example, the number of contracts with a "green" approach. Indicators are important to know whether it ultimately had an impact on the component or of it was finally implemented. In strategic alignment, it is important to highlight the contribution made to the cross-cutting areas of environmental climate change and sustainability. In the PEP-AOP details can be given on works, services, goods or consultancies specifying, for example, in the name of the activity, if works include energy efficient or resilient measures.



In addition to the information in these sections, when describing the project and especially its components, it is important to highlight how environmental considerations have been included. If this interest has already been identified in the PP, more details should be provided in the POD. For example, there can be an explanation whether a certification process is contemplated for infrastructure works. In this regard, the intention of working with the EDGE certification was included for the Argentinian project shown in the example in Text box 3.

Another example of how to incorporate environmental considerations in the POD that will result in green procurement is described in Text box 5 for a health project focusing on the management of waste water and the treatment of hospital waste.

Subcomponent 1.1. New Education Center (US\$63 000 000). Its objective is to increase and facilitate access to education for children and adults from B31 and create a new activity emphasis, attracting people from other areas of the city to create more integration in the urban environment. Funding an Education Center of 30 000 m2 in B31 including: (i) three schools of roughly 1100 students at pre-school level (until 5 years old), an elementary school (6-12 years old) and adults; and (ii) a ME headquarters that hosts activities and workers in a building for a more efficient education management system

The Education Center incorporates energy efficiency and sustainable management of natural resources measures and will be certified with the Excellence in Design for Greater Efficiencies (EDGE certifies a reduction in energy consumption, water use, energy used in materials, and CO2 emissions in comparison to a building constructed in accordance with conventional techniques).

Text box 4. POD Example, Urban and educational integration Program in neighborhood 31, in the City of Buenos Aires. (AR-L1260)

As per the information included in the PP, the explicit mention in the POD will help the CSD team identify the climate funding of the operation. Bearing in mind that CSD calculates climate financing, it is of the utmost importance that the POD already contains all the necessary information to know what type of environmental considerations will be carried out in the operation.



Component 1. Strengthening the ambulatory care network (US\$43,9 million.. The objective of this component is to support the consolidation model of the ambulatory care network, which includes: (i) an increase in the First Level RIISS coverage of the North and South Sectors of the Department of San Salvador. This shall be made via the contracting of 35 Ecos F, the construction of 30 UCSF B, the equipping of 32 UCSF B, the construction and equipping of two UCSF E and eight ECSF I. It shall also support the contracting of human resources from three Ecos E of the new CCM, which shall provide specialized assistance for sexual and reproductive health for women. Likewise, three maternity homes shall be built and installed along with the infrastructural improvement of three SIBASI. This intervention shall cover over 1.2 million MINSAL beneficiaries; (ii) with the aim of increasing assistance in urban areas, an innovation model is planned to implement four CRAE in San Salvador, San Miguel, Santa Ana and Santa Tecla, which will cover 690 000 beneficiaries with a service portfolio related to the management of ECNT and high demand loans; and (iii) on a national scale ***it will work on the regularization of the waste water management system and bio-infectious waste in 350 UCSF which will comply with the national regulation and reduce user risks.*** 19% of the funding of this component is for PAPTNC municipalities.

Text box 5. POD Example, Integrated Health Program II (ES-L1095)

Additionally, a capacity analysis to perform green procurement may be included as part of the EA's institutional capacity analysis. The results will point to the areas that need strengthening and/or training, including the recommendation of the EA having an expert consultant in their team.

Regarding fiduciary matters, the POD has **Annex III**, which includes the fiduciary arrangements and requirements

designed by procurement and financial specialists. This is an instance to state the intention of making green procurement in projects with potential for environmental considerations, for example:



Section V. Agreements and Requirements for the Execution of Procurement, paragraph 1, Execution of Procurement.

h. Environmental Considerations: The project AR-L1260 incorporates energy efficiency and sustainable management of natural resources measures. Specifically, compliance with the EDGE certification must be requested during the tender period for the construction of the education center.

Text box 6. Annex III, Urban and educational integration Program in neighborhood 31, in the City of Buenos Aires. (AR-L1260)

Draft Loan Proposal, Loan Proposal, and Loan Contract

As with the PP and the POD, in the Draft Loan Proposal (DLP) and the Loan Proposal (LP) it is possible for the borrowing country and project team to state their explicit interest to include environmental considerations that may result in green procurement during

the execution phase. If the matter was incorporated into the POD, this text can be transferred to the DLP and LP. Below is the final version of the LP text for the above-mentioned Argentinian project.

Both the DLP and LP include the project's Procurement Plan and Annex III, which should detail all the agreements established to guarantee

the use of green goods, works, services and consultancies.

Subcomponent 1.1. New Education Center (US\$63 000 000). Its objective is to increase and facilitate access to education for children and adults from B31 and create a new activity emphasis, attracting people from other areas of the city to create more integration in the urban environment. Funding an Education Center of roughly 30 000 m2 in B31 including: (i) three schools of roughly 1100 students at pre-school level (until 5 years old), an elementary school (6-12 years old) and adults; and (ii) a ME headquarters that hosts activities and workers in a building for a more efficient education management system. ***The Education Center incorporates energy efficiency and sustainable management of natural resources measures and will be certified with the Excellence in Design for Greater Efficiencies (EDGE) or a similar certification.***

Subcomponent 1.3. Improvement of Housing and Commerce (US\$7 000 000). Its objective is to guarantee durable and safe structures with enough space to live and work. It funds the drafting of plans, executive projects, technical assistance and execution of works for the renovation and external improvement of approximately 550 houses and stores in B31. The qualitative deficit of these structures in relation to their access, facades, insulation, roofing, gardens, fittings and other exterior elements will be addressed. The improvement plans are created collectively with the participation of the residents and the adherence thereof is voluntary. ***If viable, design elements are incorporated for the mitigation and adaptation to climate change in relation to the application of energy efficient technology and green roofs.*** To boost commercial improvements and the economic development of the neighborhood, guidance, training and employment mediation activities are funded.

Text box 7. LP Example, Urban and educational integration Program in neighborhood 31, in the City of Buenos Aires. (AR-L1260)

The Loan Contract (LC) should ideally contain the main agreements reached during project design when considering green procurement, to reflect the specific references and guarantee their implementation.

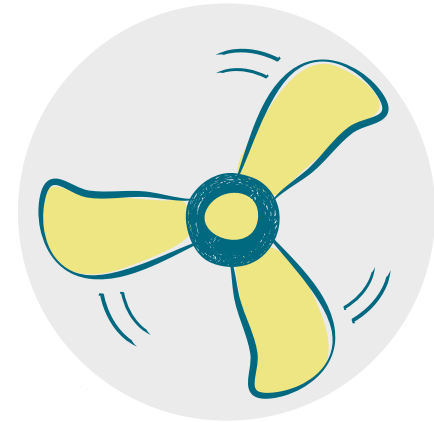
5.4 Execution

Procurement occurs during the execution phase of the project¹⁴. **Section 6** of this document explains how to incorporate a green procurement approach into each stage of the process.

Both ex-ante and ex-post supervision processes can consider a green procurement approach in accordance with the terms agreed in the POD and Annex III. In the case of ex-ante supervision processes, the EA sends the documents subject to review for the non-objection of the Bank. These may include agreements on the inclusion of environmental considerations reached in previous phases. It should be underlined that the incorporation of environmental criteria in the technical specifications is essential to ensure mandatory compliance by suppliers.

Nevertheless, the inclusion of the green procurement approach does not require to be absolute and to cover all of the project procurement. It is a gradual process whereby some specific

elements that are considered convenient may be integrated, even at the project execution stage. This is possible even if not considered in the operation's programming or in its identification and preparation.



14 Except for advance contracting (paragraph 1.9, GN-2349-9 and paragraph 1.12, GN-2350-9)

5.5 Completion

During this stage, the Bank's PTL and the client produce a report on the project's completion (PCR), reporting on the operation's performance, the results achieved, and the lessons learned. The report presents an opportunity to inform the results related to the implementation of green procurement. For example, it is worth mentioning these results in Section 3.1 "contribution to the strategic objectives of the Bank", where the

alignment of the project with cross-cutting issues such as climate change and environmental sustainability is typically described.

When evaluating whether a green procurement has had any result on a given component, it is necessary to have an indicator in the results' matrix that permits conducting a cost-benefit analysis at this stage. Some of the indicators that could be used are the number of procurement processes that

incorporated environmental criteria, the benefits achieved and, if estimates are available, the reduction in carbon emissions and the savings achieved. These indicators should be clearly defined according to the characteristics of each project and should be easy to measure.

Section III of the Project Completion Report (PCR)

3.1 Contribution to the Strategic Objectives of the Bank

The urban integration and social and educational inclusion program in the Autonomous City of Buenos Aires established energy efficiency and sustainable management of natural resources measures for the construction of a new educational center, which were certified by EDGE (Excellence in Design for Greater Efficiencies). Said certification permits the reduction of XX in energy consumption, XX in water, XX energy used in materials and XX in CO₂ emissions in comparison with a building constructed using traditional techniques. This meant that the incorporation of environmental considerations for procurement contributed to the strategic objective of the Bank to face the economic and social effects of the mitigation and adaptation of climate change. It also permitted advancements towards the goal of increasing funding for climate change projects.

Text box 8. PCR Example. Urban and educational integration Program in neighborhood 31, in the City of Buenos Aires. (AR-L1260)

6. Green Procurement and the procurement cycle

The incorporation of environmental considerations into the different phases of the project cycle can lead to green procurement.

This section is directed to EA, procurement and climate change specialists and provides guidance on the concepts, criteria and tools that may be considered in each phase of the procurement cycle for the design of green procurement.



6.1 Procurement Planning

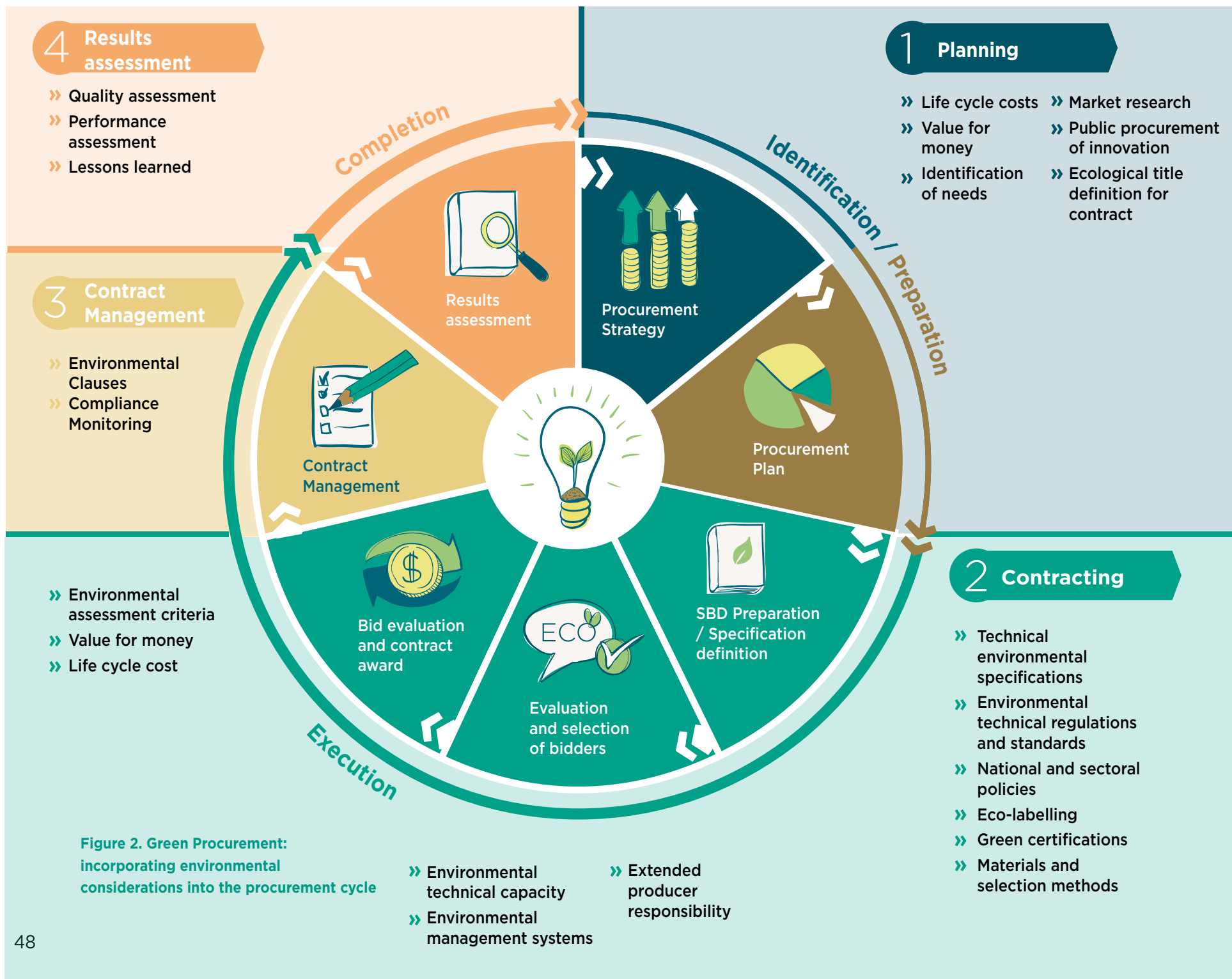
Procurement planning occurs during the preparation phase of the project described in **Sección 5** and the main tool used in this process is the procurement plan. This includes all the processes that need to be carried out during project execution and is published once the loan operation is approved.

The planning phase is key for incorporating the environmental considerations defined in the project's early stages, since the decisions on which procurement processes are required to meet the project objectives, how to design the procurement strategy, and which methods to use shall affect the subsequent stages.

Opportunities for green procurement arise even in the early stages and can have a major influence on a project, either by identifying needs to prioritize or conducting a market research to determine the existence of new technology, products, suppliers or sustainable business practices, among others.

Procurement Strategy

During the planning phase, the EA defines a procurement execution strategy for each component and procurement type, as well as the estimated value of each contract, and the selection and contracting methods, considering the nature, scope and complexity of the project and the market conditions.



Below are a series of concepts and tools that may be used as a reference for the EA when designing green procurement:

Life-Cycle Costs (LCC). From the executing agency's perspective (the EA), the total cost of goods, services or works is not solely determined by the price, but actually comprises the costs associated with the delivery, installation, operation (including the cost of energy, fuel and water etc.), maintenance, disposal, and even the cost of externalities¹⁵. This is a fundamental concept for the assessment of environmental aspects as, contrary to the idea that buying green goods, services or works being more expensive, when considering the associated costs of energy, fuel and water consumption, or maintenance and the replacement of parts, these could entail potential savings and an overall lower cost.

¹⁵ Externalities are indirect effects of consumption or production activities, meaning effects on agents which are different from the originator of said activity and that are not controlled by a price system. Externalities are classified as negative when an individual or company undertakes activities without assuming all the costs thereof, effectively transferring these costs to others, possibly to the public; and positive externalities are when said person or business fails to receive all the benefits of these activities, meaning that others – possibly the public, therefore benefit free of charge.

Value for Money. This refers to an adequate balance between economy, efficiency and effectiveness, or essentially spending less, spending well and spending enough to satisfy the priorities of the contracting party. This is achieved through an optimal combination of life-cycle costs and quality to address the buyer's requirements. Environmental aspects play an important role to achieve value for money as they are part of the non-monetary attributes stated in the quality terms when evaluating offers. In short,

value for money means finding a solution that meets the requirements identified by the EA, including those related to environmental aspects, in the most cost-effective way possible.



TOOLS FOR CALCULATING THE LCC

- A tool to estimate LCC and CO2 emissions for procurement within the **SMART-SPP project framework**.
- The European Union's standard method to estimate **LLC in construction**.
- A tool developed in **Sweden**.

Identification of needs. Before incorporating a process to the Procurement Plan it is important to carry out a needs assessment in light of any resulting environmental impacts. During this phase it is important to reflect on whether the goods, services, works or consultancies to be contracted are indeed the best way to address the previously established needs, if recycled or remanufactured products can be

acquired or even to consider if buying goods can be replaced by contracting services or integrated solutions that have a smaller environmental impact when considering the total life-cycle costs. Furthermore, the end users can be consulted to determine the appropriate size of the contract (for example, the volume of goods or the scope of the works).

Market research. Having good market knowledge is essential when buying green, being aware of other environmentally friendly alternatives, realizing the capabilities of the market to respond to environmental requirements and even to identify innovative solutions. Market research can also detail the technical regulations adopted in the country in relation to goods, services or consultancies to be contracted. Market

SERVICES FOR GOODS

Sometimes it is more convenient to contract a service that provides the use of a product or any other agreed function than to purchase a product.

For example, instead of buying a photocopier, and paying for supplies and maintenance, it is possible to agree with the supplier to provide the equipment and be responsible for its collection, maintenance or replacement once it reaches the end of its service life. This means that the contracting party would pay a service fee for its use, with a set monthly amount, plus an extra amount for the number of copies.

This method of contracting services instead of purchasing goods is especially advantageous regarding those goods which reach the end of their service life in a relatively short period of time due to technological progress, as this method ensures the replacement of the good, the supplier's responsibility for it, and therefore the collection and final disposal of the good. This method is commonly applied for computing, communication, medical equipment and vehicles, which once at the end of their service life generate large volumes of waste and potential pollution risks due to the components they contain.

analysis must be objective, and any prospective enquiries made to suppliers or contractors must be transparent and non-discriminatory. For example, a good practice would be to approach the private sector to establish inclusive and transparent dialogue instances with the aim of improving the definition of requirements to be more aligned with the reality of the market. If there are no suppliers in the market who can provide the intended green goods, works, services or consultancies, the process will fail. In these cases, the advice of a procurement specialist is fundamental.

Public procurement of innovation.¹⁶ The concepts of environmental sustainability and innovation are closely related as, for example, a new technology may be able

¹⁶ In 2016, the IDB carried out a study on Public Procurement of Innovation (PPI) with the aim of advancing the knowledge on the role of public procurement as a demand-side policy instrument for stimulating firm innovation in LAC. The report reviewed evidence on the implementation and impact of instruments and structures for the support of PPI used by developed countries, identifying useful policy lessons for LAC countries. Subsequently, the study focused on identifying public procurement practices which favor innovation in Brazil, Chile and Colombia.

Spurring Innovation-led Growth in Latin America and the Caribbean through Public Procurement.

to extend the service life of a product or reduce the number of polluting components or supplies. To find more sustainable solutions, innovation needs to be encouraged in the market. There are a variety of instruments that facilitate innovation such as Pre-Commercial Public Procurement and Competitive Dialogue. **Pre-Commercial Procurement** refers to the contracting of research and development services (R+D) with the aim of finding solutions to future public demands. In this type of contracting, the government and suppliers share the risks and benefits with the aim of developing innovative solutions that surpass those currently available on the market.

Competitive Dialogue is a commonly used method for larger and more complex projects in which the technical specifications cannot be specified in advance. This type of contracting includes various dialogue instances with suppliers before the awarding of the contract. Each participant presents an offer based on their own solution to the needs established by the contractor rather than meeting a common technical specification. This allows the contractor to gain access to the supplier's expertise

during the many subsequent dialogue instances.

Defining the subject of the contract. The definition of the subject and name of the green contract provides an opportunity to signal a message to the market, the community and the authorities.

These are some examples of titles that communicate a strong message to the market:

- » Consultancy for green building certification
- » Providing recycled and ecological photocopy and printer paper for the general use of the municipality
- » Constructing an energy efficient public lighting network
- » The renovation of a building with environmentally friendly materials and products
- » The supply and installation of photovoltaic generators
- » The construction of permeable pavement
- » Cleaning services with eco-friendly products

Procurement Plan

In the Procurement Plan the EA establishes the strategies, sequences and mechanisms for procurement management, as well as the supervision of these processes by the Bank during the execution of the Loan. It is the instrument that governs the planning, management and execution of procurement.

Green procurement included during the definition of the procurement strategy can be integrated and monitored

through the procurement plan, taking into account that: (i) it is the instrument through which the EA schedules the resources and the execution of the procurement processes; (ii) it allows the Bank to carefully and systematically supervise procurement; and (iii) it informs the interested parties of the business opportunities provided by the project. The plan is also an opportunity to send a message to the market about the intention to buy green.

WORKS													
Executing Agency	Activity	Additional Description	Selection/ Procurement Method	Batch quantity	Process Number	Estimated amount % IDB			Associated Component	Review Method	Specific Procurement Notice	Signing of the Contract	Observations - For UCS include selection method
						Estimated Amount in US\$	Estimated Amount IDB%	Estimated Amount Counterpart %					
UFOMC - Sub-executors: Ministry of Social and Urban Integration	New Education Center	Includes the new GCBA Ministry of Education headquarters (approximately 30,000 m2) and 3 schools for approximately 1,100 students.	International Competitive Bidding	Single	1º	51 500 000	81.55%	15.53	Component: Urban Integration of Neighborhood 31	Ex ante	8/1/2017	12/15/2017	The buildings must be EDGE certified.

Text box 9. Procurement Plan Example, Urban and educational integration Program in neighborhood 31, in the City of Buenos Aires. (AR-L1260)

6.2 Contracting

The contracting phase corresponds to the execution phase of the project described in [Section 5](#). Once the loan contract between the borrowing country and the Bank is signed, the country initiates the contracting processes¹⁷.

The contracting phase offers many opportunities for green procurement as it includes the definition of technical specifications, the evaluation and selection of suppliers and the evaluation of offers, as well as the contract award. During this phase criteria are established and the possibility of awarding a contract with a smaller environmental impact becomes a reality.

Definition of bidding documents and requests for proposals

Bidding documents, for the procurement of goods, works and services other than consultancies, and the request for proposal documents for consultancies are prepared by the borrower for each procurement and made available to

the parties interested in participating in the process¹⁸. These documents include the definition of the contract objective, the characteristics of the goods, works, services or consultancies, the evaluation method, the qualification process, and the contract conditions. **The environmental criteria can be added to various sections of the bidding documents.** The following paragraphs explain how these criteria can be defined.



Requirements, technical specifications and terms of reference

The requirements and technical specifications of the goods works or services of the procurement process must clearly and precisely describe the characteristics and the essential technical requirements. These must relate to the particular good, work, service or consultancy being contracted not to the capacities or qualities of the supplier or contractor.

Technical specifications are the means through which the buyer describes to the market the characteristics of the goods, services or works that they intend to purchase, providing information on the requirements against which tenders can be evaluated. It is considered the most common means to include environmental criteria. In the case of consultancies, it is also possible to include environmental criteria in the terms of reference.

¹⁸ The borrowing country generally bases this on the IDB Standard Documents, available at the [Procurement site](#).

¹⁷ Except for advance contracts

Environmental technical regulations and standards.

There are various national and international standards that establish guidelines on products and works for environmental criteria which can be used as a reference to draft the specifications. In some specific cases, the national legislation establishes mandatory compliance regulations or special certifications that must be taken into consideration. In other cases, instead of a legal requirement it could be a common practice in the country or something that is technically recognized by professional associations.

Whenever reference to a standard is used, it must be accompanied by the words “or equivalent” in order not to limit competition.

National and sectorial policies. Various countries have a sustainable public procurement policy to encourage and promote green technology in goods, works and services. These measures ensure the granting of benefits and prizes to those institutions which adopt sustainable criteria into their procurement. In some cases, these policies are formalized into specific regulations and the eco-labeling of specific products.

Eco-labeling. Another useful tool in the management of green procurement and defining specifications is eco-labeling. Eco-labeling allows environmentally sustainable products or services to be identified, based on the definition of clear and objective criteria granted by an independent third party. The most common type are multi-criteria labels, and these are defined from the scientific information gathered on the environmental impact of goods or services throughout their life-cycle. Technical specifications defined by eco-labels can be used to define the characteristics of goods or services that need to be acquired and to verify

Environmental Criteria for the Contracting of Consultancies

In the terms of reference for the contracting of a consultant for the assessment of structure and building engineering for nine administrative centers and socio-cultural centers in Haiti, an analysis of different energy and water reduction strategies with passive designs and resistance measures was required.

In addition, the qualifications of the consultant established as a requirement experience in the design and construction of resilient and energy efficient buildings.

INTERNATIONAL STANDARDS

ISO 14000. This is a set of **standard regulations** that provides practical tools for organizations aiming to manage their environmental responsibilities and minimize their negative impact on the environment.

The European Union has established a series of **environmental criteria** for groups of products and services, including; cleaning products, computing and monitoring products, electrical products, electrical medical equipment, food, furniture, design, the administration and construction of buildings, and the design, construction and maintenance of highways, among others. These aim to achieve a balance between environmental performance, cost effectiveness, market availability and verification simplicity.

The European Committee for Standardization. It establishes **technical environmental standards** for a wide range of goods, services and methods such as plastics, construction materials, gas distribution infrastructure, steel water and drainage pipes, and others.

NATIONAL STANDARDS IN LAC

Colombia. Since 2014, the Valle de Aburrá Metropolitan Area in the Antioquia Department has implemented a Public Policy for Sustainable Construction. Within this framework, in 2015 five Sustainable Construction Guidelines were drafted establishing **guidance** on technical specifications.

Uruguay. Within the framework of the agreement made in 2006 between the Ministry of Industry, Energy and Mining (MIEM) and the Uruguayan Institute of Technical Regulations (UNIT), **National Technical Regulations** were created which establish and define the

Energy Efficiency of products and installations. They include technical specifications for household electrical goods, gas fittings and buildings.

Mexico. Mexican Regulations (NMX) related to protecting the environment are voluntary technical regulations created by the Ministry of the Environment and Natural Resources, and by the National Water Commission which provide a common set of rules, specifications, attributes, testing methods, guidelines, characteristics or terms and conditions for a product, process, installation, system, activity, service or production method or operation, as well as those related to terms, symbols, packaging, markings or labeling.

Brazil. Brazil has 74 **technical environmental standards** issued by the Brazilian Association of Technical Standards (ABNT) which establish criteria for products, environmental management systems and other aspects related to environmental management.

IDB STANDARDS

Environmentally Sustainable Landfills and Cement Plants

The IDB has referential guides and publications which can be used to specify environmental criteria in specific sectors. The **construction guide for environmentally sustainable landfills** and the **construction guide for cement plants** are particularly noteworthy.

their compliance. The criteria that they establish need to be objectively and non-discriminatorily checked regardless, and the labels must only be used as a reference to avoid limiting competition.

Green certifications. As with eco-labels, there are various types of certifications granted by independent third parties, when products or works meet certain standards. In many cases, these certifications are defined based on information and the measures adopted by buildings throughout their life cycles

he most common building certifications are LEED, EDGE and WELL. A building certified by a recognized agent has added value, which is also an incentive for the EA. In addition, there are other certifications such as **Carbon Neutral** which provides tools and mechanisms to know and manage greenhouse gas emission generated every day. The technical specifications defined in these certifications can also be used as input to define the characteristics of works and consultancies being procured.

Materials and Production methods.

The environmental impact of goods or services is largely determined by why and how they are produced. Their technical specifications may establish the conditions of the use of recycled and reused materials, along with the restrictions on the use of dangerous substances in products and conditions on the extraction methods of raw materials, manufacturing processes and goods disposal. As always, it is important to ensure that the principles of non-discrimination, equal opportunities and transparency are always respected when specifying these criteria.

NATIONAL POLICIES

Costa Rica has a Sustainable Public Procurement Policy and **Colombia** has a National Sustainable Production and Consumption Policy, as well as a Sustainable Public Procurement Action Plan and a **Conceptual and Methodological Guide on Sustainable Public Procurement.**

The Constitution in **Ecuador** specifically refers to Sustainable Public Procurement to facilitate buyers to introduce environmental considerations into their purchasing cycle.

Uruguay has an Energy Efficiency Law which requires buyers to consider the life cycle costs of items.



INTERNATIONAL ECOLOGICAL LABELS

- **Forest Stewardship Council (FSC)**
- **Program for Endorsement of Forest Certification (PEFC)**
- **Rainforest Alliance**
- **Electronic Product Environmental Assessment Tool (EPEAT)**
- **TCO Certified**
- **EU Ecolabel**
- **Nordic Swan**

Evaluation and selection of bidders¹⁹

The borrowing country must determine whether the bidder has the capacity and financial resources necessary to properly execute the contract as indicated in the bid. The applicable criteria must be specified in the bid terms and conditions, and if the provider does not meet the necessary conditions, the bid must be rejected.

The selection criteria can include requirements to determine whether the provider has the specific experience and competence in matters related to the environment, which are relevant for the execution of the contract under the required terms. It is important to distinguish between selection criteria, also known as minimum qualifications, which refer to the qualities of the bidder, and the award criteria which are more focused on the proposal. For example,

the contracting authority may request that the bidders submit evidence of their technical environmental capabilities and handling of environmental management systems, among others.

Environmental technical capacity.

This can be checked by requesting evidence of past experience in the execution of contracts containing similar environmental requirements. The availability of qualified staff with experience on environmental management, and access to technical equipment and facilities for environmental protection are also relevant. For example, in the design and construction of bio-climate buildings, a list of previous buildings constructed using this method can be requested along with information on the specialist that will be participating in the design.

¹⁹ The section focuses on bid evaluation of goods, works and services other than consultancies. For consultancies in the quality evaluation phase, environmental criteria can be incorporated for aspects such as the technical environmental competence of the bidder, the relevant sector experience, and others.

Environmental management systems.

These are tools used by organizations that want to improve their environmental record. Some relevant areas include the handling of natural resources (for example, water and energy), staff training and the use of sustainable production methods. Companies generally use accreditation systems validated by a recognized third party (i.e. **EMAS, ISO 14001**).

Recognized verification systems can be used to consider whether a supplier fulfils the requirements, although these must not be exclusive and alternative verification methods must also be accepted.

Extended producer responsibility. The Extended Producer Responsibility (EPR) is a policy approach which promotes environmental improvements of the full life cycles of the production systems.

Under this approach producers are given a significant responsibility to various stages of the total service life-cycle of the products, especially its renovation, recycling and final disposal. It focuses on three main issues: (i) preventing pollution, (ii) considering the life-cycle and (iii) having in mind the concept of “the polluter must pay”²⁰.

²⁰ **Greenpeace Argentina EPR**
Extended producer responsibility in Latin America

EXTENDED PRODUCER RESPONSIBILITY (EPR)

This is a widely spread practice in Latin America. In various LAC countries there is legislation which explicitly includes or applies EPR.

- Uruguay and Colombia are pioneers.
- Colombia is one of the most advanced countries in this practice. It has a national policy for the comprehensive management of electrical waste and has implemented several other initiatives.
- Brazil and Mexico both have legislation on extended and shared responsibility.

- Chile has an EPR and Recycling Law.
- Argentina recently incorporated this principle into a law for the management of empty phytosanitary containers and there are two more bills based on EPR underway.
- The Dominican Republic has a draft bill on this issue.

Bid evaluation and contract award

Within the framework of the procurement policy, other factors other than price can be considered to determine the lowest evaluated bid, including environmental benefits.

Bidding documents shall also specify the relevant factors in addition to price to be considered in bid evaluation and the manner in which they will be applied for the purpose of determining the lowest evaluated bid. (paragraph 2.52 **GN-2349-9**). It is very important that the evaluation criteria of the bids are published and explicitly referred to in the bidding documents, including the way they will be assessed. They must be specific, verifiable and be objectively distinguishable among other proposals while not limiting competition. The factors other than price to be used for determining the lowest evaluated bid shall, to the extent practicable, be expressed in monetary terms, or given a relative weight in the evaluation provisions in the bidding documents. The factors which are usually taken into account in these cases are, among

others: (i) the delivery times; (ii) the advance payment and the payment schedule; (iii) the coverage and guarantee of a well-functioning project; (iv) transportation costs to the project site; (v) the efficiency and compatibility of the equipment; (vi) operating costs; (vii) the maintenance of the equipment or system which will be delivered; (viii) availability of service and spare parts; (ix) the construction methods proposed and their impact on the environment; (x) the transfer of technology and training. The weighting assigned to each of these factors must reflect the costs and benefits they will provide to the project.



PROCUREMENT OF ENERGY-EFFICIENT STREET LIGHTING

The EA needs to procure lamps for street lighting along an inter-departmental route and has decided to incorporate environmental criteria to evaluate the bids. The minimum technical specifications and evaluation criteria indicated in the bidding documents are:

In addition to the environmental criteria, to determine the lowest assessed bid, the agency will use a life cycle cost approach to consider the maintenance costs based on the net present value of the bid with a discount rate of 5% and a period of 10 years.

Indicator	Value or minimum condition required	Criterio de Evaluación
Lamp Efficacy (lumens/watt)	Equal to or greater than 80	<p>A discount will be applied the presented bid if it surpasses the minimum condition according to the following: :</p> <p>81 - 90 lumens/watt - 1%</p> <p>91 - 100 lumens/watt - 2%</p> <p>>100 lumens/watt - 6%</p>
Mercury content (mg/lamp)	Equal to or greater than 40	<p>A discount will be applied to the presented bid if it surpasses the minimum condition according to the following:</p> <p>39 - 19 mg/lamp - 1%</p> <p>18 - 7 mg/lamp - 3%</p> <p><7 mg/lamp - 6%</p>

Note: The considerations, discount rate and other parameters used are examples, they must be determined and considered in each case in accordance with the criteria established for each good, service or consultancy.

The executing agency received three bids, each based on different technologies:

Bid A	High pressure sodium lights
Initial cost: 13 000 000	
Maintenance costs: 150 000 every 3 years	
Lamp efficacy: 92 lumens/watt	
Mercury content: 15 mg/lamp	
Bid B	LED lamps
Initial cost: 14 000 000	
Maintenance costs: 100 000 every 5 years	
Lamp efficacy: 110 lumens/watt	
Mercury content: 0 mg	
Bid C	Metal halide lamps
Initial cost: 12 500 000	
Maintenance costs: 100 000 every 2 years	
Lamp efficacy: 82 lumens/watt	
Mercury content: 35 mg/lamp	

	Bid A	Bid B	Bid C
Initial cost	13 000 000	14 000 000	12 500 000
High efficiency discount	2%	6%	1%
Low mercury content discount	3%	6%	1%
Year 0 (Initial cost minus discounts)	12 350 000	12 320 000	12 250 000
Year 1	0	0	0
Year 2	0	0	100 000
Year 3	150 000	0	0
Year 4	0	0	100 000
Year 5	0	100 000	0
Year 6	150 000	0	100 000
Year 7	0	0	0
Year 8	0	0	100 000
Year 9	150 000	0	0
Year 10	0	100 000	100 000
Net Present Value	12 083 999	11 866 423	12 025 400

The established criteria and the life cycle approach allow to compare bids taking into consideration the environmental aspects and maintenance costs and select the bid that offers the best value for money :

Bid B with the LED technology is evaluated as the lowest bid when considering the lamp efficacy, the low mercury content and the low maintenance costs despite having the highest initial cost.

PROCUREMENT OF ENERGY EFFICIENT VEHICLES

The following is an example of how environmental aspects can be incorporated into the bid's evaluation criteria for the procurement of a fleet of energy-efficient vehicles.

1. Evaluation criteria (meets requirements/doesn't meet requirements)

Environmental Criteria	Verification Method	Bid A	Bid B	Bid C
Provide a high energy efficiency classification (B/A).	Technical specification of vehicle.	Meets requirement (B)	Meets requirement (A)	Meets requirement (A)
Comply with the standard X polluting gas emission levels (i.e. National environmental regulations).	Technical documentation or approved specifications of vehicle.	Meets requirement	Meets requirement	Meets requirement
Be equipped with an energy efficiency indicator.	Technical documentation of vehicle.	Meets requirement	Meets requirement	Meets requirement

In this example, the evaluation criteria established the minimum conditions expected from a bid and that are mandatory.

2. Life cycle cost analysis to determine the lowest evaluated bid

The life cycle cost approach on a net present value basis was used to evaluate the bids, taking into account the maintenance and fuel costs, as well as the residual value of the vehicles. In this case, despite the fact that bid A had the lowest initial cost, when considering fuel consumption costs (reflected in energy efficiency) and maintenance, as well as the residual value of the vehicles, **bid C was evaluated as the lowest.**

	Bid A	Bid B	Bid C
Initial cost	200 000	220 000	240 000
Annual maintenance costs	12 000	10 000	7000
Average annual fuel consumption (reference value of 20,000 km per year).	3571 Classification B: 14 km/l	3125 Classification A: 16 km/l	3125 Classification A: 16 km/l
Residual value	6 000	8 000	10 000
Discount rate (5%)			
Period (10 years)			
Net Present Value	316 555	316 436	312 043

6.3 Contract management

The contracts deriving from the procurement processes clearly establish the rights and obligations of the Contracting party and the contracted party, as well as the manner, conditions and deadlines in which the products or services, which are the subject of the contract, must be delivered, as well as how the corresponding payments are to be made. To ensure that all the aspects and conditions of the Contract

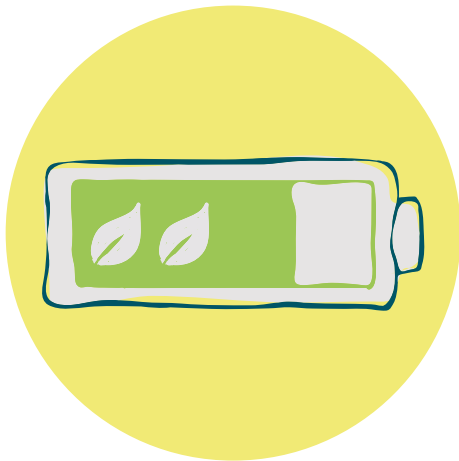
are respected, the EA must also have a reliable and efficient management mechanism for the continuous and timely monitoring of the performance of the contracted entities or individuals, and of the execution of the contracts. They should also have efficient management systems to comply with their contractual obligations such as payments, the processing of contract amendments and to address complaints.

Environmental clauses. Environmental considerations can be incorporated into the contract clauses if they have been included in the bidding document. For example, demanding that the supplier collect and adequately disposes of equipment at the end of their service life, especially when it concerns potentially polluting items such as batteries, printing cartridges, etc. Once included in the contract they become of mandatory compliance.

EXAMPLES OF REQUIREMENTS THAT MAY BE INCORPORATED INTO ENVIRONMENTAL CLAUSES:

- One-off bulk deliveries instead of deliveries per unit to reduce unnecessary transportation. A maximum number of deliveries per month or week may be specified.
- Goods can be requested to be delivered at times when there is less traffic on the road, to avoid congestion.
- Demand that the supplier collects (and recycles or reuses) product packaging to help reduce unnecessary packaging.
- Special characteristics can be requested for the vehicles used for delivery .
- For works and services, the transport of goods and tools to the site must be done together, to use as little transportation as possible.
- The transport of items must be done in reusable containers.

Compliance Monitoring. There are various ways of carrying out this monitoring, such as directly requesting evidence of compliance from the contracting party making revision/supervision visits or contracting a third party to carry out the monitoring (in the case of works, the supervisor/auditor is the responsible party). Contracts can include penalties for non-compliance or bonuses for good performance. Performance is usually measured via key performance indicators (KPIs), which (if established in the contract) could provide the contractor with the right to claim any payments if the performance is better to what is agreed in the contract.



6.4 Quality assessment of contracted works, goods and services

Regarding quality control, receipt and final acceptance of products, the EA is responsible for the technical-administrative supervision of contracts, meaning that they need to verify that the designs, technical specifications and conditions of these contracts are fully complied with, in all formal, technical and legal aspects. With regard to the performance assessment of the contractor or supplier, upon completing the works or services, it is recommended, in accordance with best practice, that the EA conducts the performance assessment of the contracted party based on the previously established parameters, taking into consideration: the quality of the products delivered, the efficiency and suitability of the personnel and teams employed, the meeting of deadlines, the willingness to negotiate or make any necessary changes proposed by the EA to improve the project and address any concerns raised by them or their Representative. This assessment is also an opportunity to

review if the environmental sustainability goals were met, to measure their impact and to incorporate any lessons learned for the improvement of future green procurement processes.





7. Key messages

1

Green procurement is defined as the *acquisition of goods, works, services or consultancies whose results have the least possible harmful effects on the environment, human health and safety when compared to other competing and similar acquisitions, or those that make a positive impact on the environment.*



2

Various multilateral financing organizations, international organizations and countries have joined the global effort to promote green procurement. *This strategic focus, via procurement, seeks to increase efficiency with the least possible environmental footprint, while producing energy and even financial savings.*



3

The incorporation of environmental criteria and requirements for the procurement of goods, works, services and consultancies, *does not necessarily mean higher costs*, but rather a change in perspective, in which an investment may be more efficient in the medium-term, creating win-win situations for countries.



4

The commitment of the IDB Group *to increase funding for projects related to climate change up to 30% of the total volume of approved operations by the end of 2020*, represents an opportunity to encourage the incorporation of environmental considerations into operations. Procurement plays a relevant role to effectively comply with this.



5

Green procurement *is compatible with the processes and policies defined by the IDB to carry out its procurement processes*. It can be implemented through the collective work of the project team members.



6

When defining green procurement, it is imperative to ensure that there are enough suppliers to provide the required works, goods, services or consultancies with the desired characteristics and that these optimize value for money to achieve *the principles of economy, efficiency, equal opportunity and transparency that govern IDB procurement*.



7

The incorporation of environmental considerations **does not require a total overhaul of the project's procurement, it is a gradual process** where specific elements that are deemed convenient may be incorporated even during the execution phase of the project, although not initially considered during the planning, identification and preparation of the operation.

8

There are a lot of **resources to help define the green procurement** of goods, works, services and consultancies. Additionally, IDB has trained professionals available to help project teams incorporate these elem





8. Resources

8.1 Standard bidding documents for design and construction

The **new Standard Bidding Documents for design and build of civil works** include new provisions for Environmental, Social, Health and Safety requirements (ESHS) which have been reviewed and improved by VPS/ESG.

International Competitive Bidding single stage two envelopes (with pre-classification)

User guide

8.2 Other Manuals

The European Commission Green Procurement Handbook

The handbook is designed to support public organizations in the planning and implementing of green procurement. It describes different approaches on how to convert a traditional contract into a green one in a practical and easy manner. The handbook follows the logic and structure of a procurement process and incorporates examples of green procurement made by public organizations throughout the European Union

Procura+ Handbook

The handbook aims to position sustainable procurement on the economic, political and legal agenda and is a referential point for the organizations in the European Public Organizations Network who are seeking to implement

sustainable procurement. It includes lessons learned and the experiences of members, as well as large scale research results and sector specific initiatives.

A Handbook for the Inter-American Network of Government Procurement (INGP): Implementing Sustainable Public Procurement in Latin America and the Caribbean.

This handbook is a tool for implementing Sustainable Public Procurement (SPP) in the Latin American and Caribbean region, developed in cooperation with the INGP. The INGP is a network of directors of public procurement authorities from 33 countries in the Americas, working to raise awareness, build capacity and generate knowledge on the relevance of SPP to policy makers. Ultimately, the handbook is an effort to make public procurement a catalyst for inclusive green growth.

A World Bank Guide for Sustainable Procurement

This document offers an introduction to sustainable procurement on projects funded by the World Bank. It is aimed at Bank staff and lenders and provides advice on the implementation of sustainable procurement with a practical approach. It describes how to include sustainability criteria into the procurement processes.

Environmental Considerations in United Nations Development Program (UNDP) Procurement

This is a practical guide designed for the UNDP staff in charge of procurement, to give them a general overview of sustainable procurement and of the way in which environmental considerations can be incorporated into the UNDP procurement process. The guide, other than providing practical advice on how and where environmental activities can be incorporated into various phases of the procurement process, also has environmental specifications of products and services that may help buyers when

drafting technical specifications and terms of reference.

Implementing sustainable Public Procurement: An Introduction to the United Nations Environment Program (UNEP) Focus

These guidelines aim to guide governments in the designing and implementation of SPP plans. The document refers to the United Nations Environment Program approach developed within the framework of the Marrakech work group on SPP which was tested in 7 countries including Chile, Colombia, Costa Rica and Uruguay.

8.3 Tools

European Commission Green Public Procurement

On this site the European Commission provides a series of tools that support the implementation of Green Procurement including standards, criteria, case studies, a training tool kit, technical studies and publications.

International Council for Local Environmental Initiatives Sustainable Procurement Platform

This is a platform administrated by the ICLEI which is integrated by more than 1000 local governments. This is a movement which promotes a positive global shift through campaigns and programs on local sustainability. The platform includes case studies, tools, guides and even sectoral observations on urban waste which then gives way to innovative, good and practical solutions, criteria, labels and guidelines.

Procura+ European Sustainable Procurement Network

Procura+ is a network integrated by European public organizations with the aim of connecting, exchanging and taking action on sustainable procurement and innovation. The website has a handbook as well as various case studies.

The Inter-American Government Procurement Network (INGP)

The INGP is an Inter-American mechanism which provides high level technical cooperation for the generation and strengthening of relations among its members; it promotes the exchange of human, technical, financial and material resources to build knowledge, experience and good practices in public procurement across the Americas.

The Network is integrated by national authorities who are responsible for the regulation, management and modernization of public procurement in 33 LAC countries, which manage 10 to 20% of the Gross Domestic Product (GDP) in their countries. These include organizations which provide

institutional and financial support such as the Organization of American States (OAS), which acts as the Technical Secretariat of the Network, the IDB and the International Development Research Center (IDRC) from Canada. The Network has promoted the implementation of SPP in the LAC Region for more than a decade and has workshops, publications, courses and presentations available on the progress of SPP in various countries.

ChileCompra Sustainable Procurement

This is a platform from the Chilean Government that provides information related to sustainable procurement, including policies, guidelines, guides, handbooks and criteria to facilitate their implementation into various public organizations.

SMART SPP Innovation through sustainable procurement

Smart SPP is a project implemented by the European Union aimed at introducing innovative, low carbon emission, integrated solution technology into the European market. The project promotes the inclusion of public authorities,

suppliers and innovative product developers in the pre-contracting phases. The website includes tools, manuals and case studies including a **User Guide** y un **Excel tool**.

The UNEP

The UNEP platform for the Latin American and Caribbean region includes a series of strategic documents, activity reports and other relevant information on the progress of the 10-Year Framework of Programs on Sustainable Consumption and Production (10YFP).

