



# Advancing Sustainability in UN Procurement

Final Report



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& Plimpton**

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and Debevoise & Plimpton LLP

## About the Project

The “Advancing Sustainability in UN Procurement Project” (“Project”)—facilitated by the United Nations Global Compact with the support of the Government of Sweden, and with project partners Telos Governance Advisers and Debevoise & Plimpton LLP—seeks to understand the current position of sustainability in UN procurement, and to identify practical ways for the UN to incorporate sustainability factors into its procurement processes more robustly by drawing on practices that have developed in the private and public sectors. In doing so, it is hoped that lessons learned and good practices adopted will assist the UN system in designing and implementing a sustainable procurement strategy and practices that, ultimately, will positively influence markets throughout the world to produce more sustainable goods and services.

## About the Report

This report, prepared by Telos Governance Advisers and Debevoise & Plimpton LLP, sets out findings and recommendations that have emerged from work on the Sustainable Procurement Project. The contents of this report are a reflection of the findings of its authors based on this research. The observations and recommendations outlined do not necessarily reflect official policy positions of the United Nations Global Compact or the Government of Sweden.

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Project facilitated by:



**United Nations**  
Global Compact

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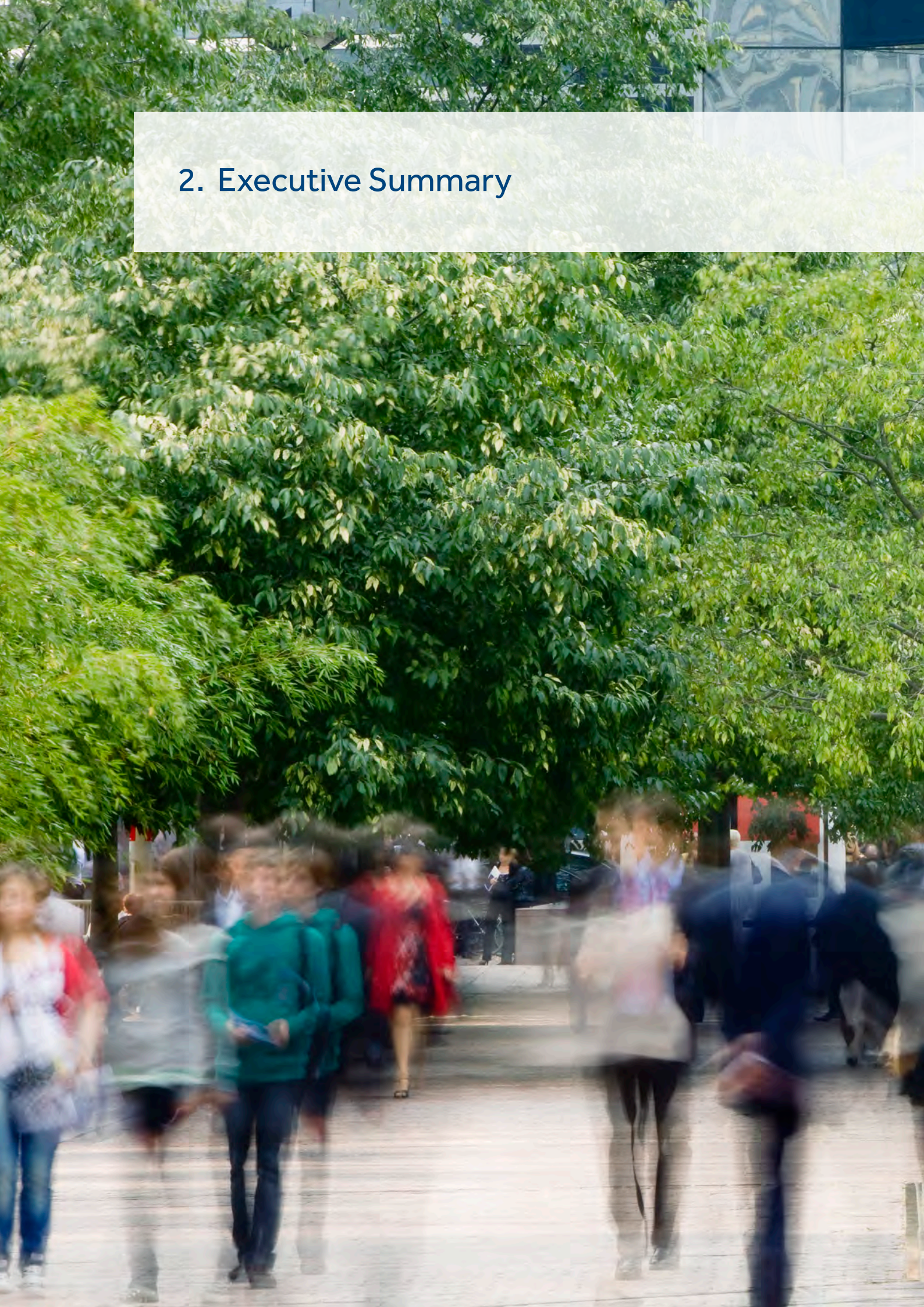
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# 1. Table of Abbreviated Terms

<b>Buying for a Better World Guide</b>	<i>Buying for a Better World: A Guide on Sustainable Procurement for the UN System (2011)</i>
<b>Code of Conduct</b>	UN Supplier Code of Conduct
<b>FRR</b>	UN Financial Regulations and Rules
<b>General Conditions</b>	UN General Conditions of Contract
<b>Handbook</b>	UN Procurement Practitioner's Handbook
<b>HLCM PN</b>	UN High-Level Committee on Management Procurement Network
<b>Project</b>	Advancing Sustainability in UN Procurement Project
<b>RFP</b>	request for proposal
<b>RUTF</b>	ready-to-use therapeutic food
<b>SDGs</b>	Sustainable Development Goals
<b>SPWG</b>	Sustainable Procurement Working Group
<b>Sustainability factors or sustainability principles</b>	Environmental, social, and good governance factors or principles
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDP</b>	UN Development Programme
<b>UNDP Guide</b>	UNDP Practitioner's Guide to Sustainable Procurement
<b>UNDS</b>	UN Development System
<b>UNEP</b>	UN Environment Programme
<b>UNGM</b>	UN Global Marketplace
<b>UNICEF Procedure</b>	UNICEF Procedure on Sustainable Procurement (February 2018)
<b>UNICEF Statement</b>	UNICEF Implements Sustainable Procurement (September 2018)
<b>UNOPS Procurement Manual</b>	UNOPS Procurement Manual, version 6.1 (April 1, 2019)
<b>UNOPS SPF</b>	UNOPS Sustainable Procurement Framework (January 1, 2020)
<b>UNPD</b>	UN Procurement Division

## 2. Executive Summary





**In 2019, the United Nations collectively spent more than US\$ 19.9 billion procuring goods and services for its numerous activities.**

Despite the considerable volume of resources flowing through UN procurement channels, and the significant leverage with prospective suppliers and the positive impacts on local economies such volume creates, the extent to which environmental, social, and good governance factors (commonly known as ESG but for purposes of this report and for ease of reference we will refer to, collectively, as “**sustainability factors**” or “**sustainability principles**”) are given priority in UN procurement has to date been relatively constrained.

Events and trends in 2020 and 2021—including the disruption of global supply chains caused by the COVID-19 pandemic and responses to that disruption, combined with the ongoing shift toward “reshoring” of production processes and the localization of supply chains shaped by recent trade tensions and the modernization and automation of manufacturing<sup>1</sup>—have brought to the fore discussion of procurement practices across private and public sectors. This presents a unique opportunity for the UN to do more to promote sustainability and accelerate progress on the Sustainable Development Goals. By helping drive markets to produce sustainable goods and services through the deliberate mainstreaming of sustainability factors in its procurement processes, the UN could make positive impacts on local economies and people around the world.


The “Advancing Sustainability in UN Procurement Project” (“**Project**”)—facilitated by the UN Global Compact with the support of the Government of Sweden, and with project partners Telos Governance Advisers and Debevoise & Plimpton LLP—seeks to understand the current position of sustainability in UN procurement, and to identify practical ways for the UN to incorporate sustainability factors into its procurement processes more robustly by drawing on practices that have developed in the private and public sectors. In doing so, it is hoped that lessons learned and good practices adopted will assist the UN system in designing and implementing a sustainable procurement strategy and practices that, ultimately, will positively influence markets throughout the world to produce more sustainable goods and services.

The Project work has involved extensive desk research and wide-ranging interviews with stakeholders from the UN Procurement Division, and numerous UN funds, programmes and agencies, as well as representatives of the private sector, government and civil society, and has focused primarily on addressing the following overarching questions:

- (1) What is the current position regarding sustainability in UN procurement?
- (2) What is the current position regarding sustainability in procurement more generally, including in the public and private sectors?
- (3) What are the limitations to incorporating sustainability factors into UN procurement?
- (4) What are the strategies and means of addressing, and where appropriate overcoming, those limitations?

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1. See, e.g., UNCTAD, *World Investment Report, 2020*, at iv; Kearney, *Trade War Spurs Sharp Reversal in 2019 Reshoring Index, Foreshadowing COVID-19 Test of Supply Chain Resilience, 2020*, at 4-12, <https://www.kenney.com/operations-performance-transformation/us-reshoring-index/full-report>; UNCTAD, *World Investment Report, 2020*, at 138, 142-143.

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- (5) What are the emerging good practices regarding sustainability in procurement?
  - (6) What does sustainable procurement for the UN look like?
  - (7) What good practices might be effective in the context of UN procurement?
  - (8) What practical considerations for the UN system will need to be addressed?

## Overview of Findings

- The UN has to date dedicated significant resources to identifying the benefits of more sustainable procurement practices and has made meaningful efforts toward more sustainable procurement at both the UN Secretariat and at the funds and programmes level.
- The perceived lack of formal mandate constrains a more ambitious and coordinated approach to sustainable procurement within the UN system as a whole and, in particular, at the UN Secretariat.
- The perceived lack of support for increased sustainable procurement from some UN Member States masks a more nuanced set of circumstances both inside and outside the UN.
- The perceived costs of sustainability are often cited as a bar to more sustainable procurement practices, though less attention has been paid to the tangible and quantifiable long-term benefits, including cost savings, of those practices.
- The UN system has underutilized internal expertise in adopting and implementing sustainable procurement practices, especially at the funds and programmes level.

## Overview of Recommendations

In light of its findings, the Project team has identified a number of recommendations to encourage and increase more sustainable practices in UN procurement which if implemented will, the authors believe, assist the UN in improving sustainability in its own procurement practices while also helping the UN become a greater force in achieving the SDGs related to sustainable production practices.

While this report cannot assess the full impact on procurement practices precipitated by the COVID-19 pandemic and the new trends that will develop in its wake, the vulnerabilities exposed by the pandemic reinforce the need for a shift away from a singular focus on short-term cost optimization in procurement practices and may present new opportunities for advancing the SDGs and supporting local economies through those practices. The current calls for ensuring resilience, long-term planning, and capacity building in supply chains align with the recommendations set out at the end of this report and present the opportunity for greater UN leadership on sustainable procurement.

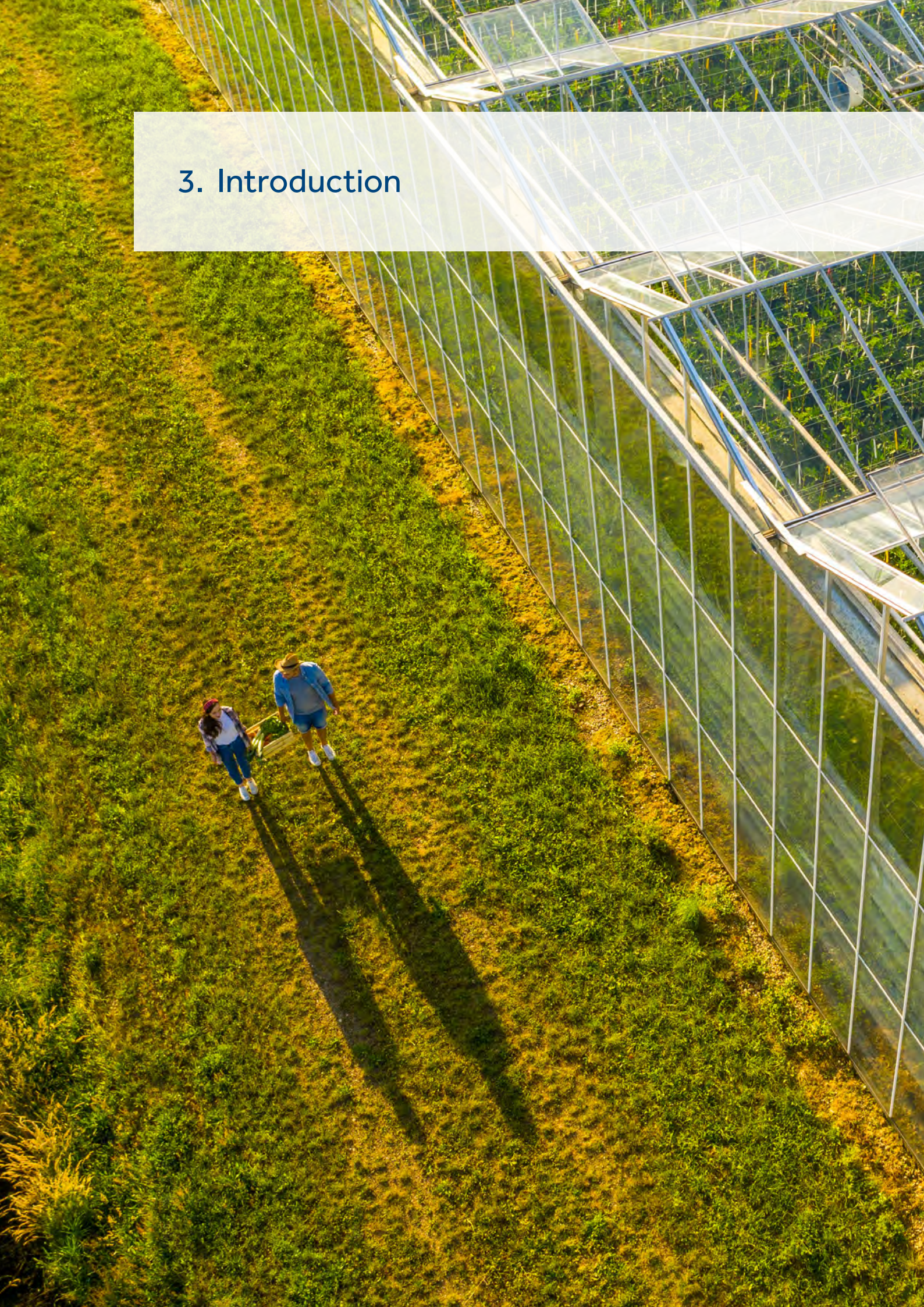




Areas of focus for the recommendations include:

- Changing the “narrative” within the UN system regarding sustainable procurement from one that focuses on increased costs and burden to one that emphasizes opportunities for advancing an array of UN objectives, so that UN Member States and other stakeholders, including vendors, can overcome perceived concerns and come to understand the substantial benefits from advancing sustainable procurement.
- Channeling, through collaborative procurement practices, increased amounts of procurement for the UN system as a whole through the funds and programmes that are less constrained when it comes to promoting sustainability through their procurement activities.
- Amending key UN documents governing procurement to replace less effective, weak terminology (such as “expects” and “encourages”) with language that is more imperative and robust on sustainability.
- Strongly encouraging (and ultimately requiring) all UN procuring entities to assess and report on their procurement activities, take increased steps to promote sustainable practices within each entity, and formally require all UN suppliers to adhere to stricter codes of conduct in keeping with the UN’s sustainability goals, including alignment with the UN Global Compact’s Ten Principles.
- Leveraging relationships both within the UN and with experienced third parties to develop partnerships and platforms that will work to advance sustainable procurement and allow for innovative solutions within the UN system.

### 3. Introduction





1. The global sustainability movement is here to stay. This achievement is in no small measure the result of years-long efforts of the United Nations and civil society, and such success is to be highly commended. While relatively niche 20 years ago, the sustainability movement has been embraced by numerous sectors and across a wide range of geographies today. Activist campaigns in recent years and the COVID-19 crisis in 2020–2021 have also increased focus on sustainability issues and ESG (“**environmental, social, and governance**”) factors in investment and operational decisions worldwide<sup>2</sup>, and a variety of innovative work—from considerations of ESG and SDG reporting, to operationalizing the SDGs, to conceptualizing how organizations can contribute to “good governance”—is flourishing despite the challenging circumstances of recent years. In fact, in the private sector, executives are increasingly being asked by investors and stakeholders for updates on ESG performance.<sup>3</sup>
2. Put succinctly, “sustainable” products and services take account of their social, environmental, and economic impacts, on a whole life cost basis, and run the gamut from food and infrastructure to financial and investment products and apparel. The drive toward making these products and services mainstream is part of the UN’s own 2030 Agenda for Sustainable Development, which contains specific targets related to sustainable production and emphasizes the contribution of the private sector to the achievement of the goals.
3. Even more importantly, the sustainability movement reflects the growing recognition that the world simply cannot afford to feed the increased consumption in the coming decades with goods and services produced without regard to their environmental, social, and economic costs.



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2. J.P. Morgan, Why COVID-19 Could Prove to Be a Major Turning Point for ESG Investing, July 1, 2020, [https://www.jpmorgan.com/global/research/covid-19-esg-investing?source=cib\\_pr\\_cc\\_esginvestinga0620](https://www.jpmorgan.com/global/research/covid-19-esg-investing?source=cib_pr_cc_esginvestinga0620).
  3. R.G. Eccles; S. Klimenko, “The Investor Revolution: Shareholders are getting serious about sustainability”, Harvard Business Review, May–June 2019, available at: <https://hbr.org/2019/05/the-investor-revolution>.

**Table 1: Defining “Sustainable Procurement”**

“Sustainable procurement is a process which incorporates sustainability considerations throughout the procurement process in order to achieve optimal [value for money] in delivering development objectives. It is said that sustainable procurement is ‘smart’ procurement, as it takes a three-dimensional life cycle approach versus the traditional one-dimensional, economics-focused approach.”<sup>4</sup>

“Sustainable procurement is a purchasing and investment process that takes into account the economic, environmental and social impacts of the entity’s spending. Sustainable procurement allows organizations to meet their needs for goods, services, construction works and utilities in a way that achieves value for money on a whole-life basis in terms of generating benefits not only to the organization, but also to society and the economy, while remaining within the carrying capacity of the environment.”<sup>5</sup>

4. While the UN has been an instigator and driving force of the larger sustainability movement, and deserves significant credit for sparking the developments that are currently taking hold, the “UN system” itself—a term which for purposes of this report we use to describe the array of funds, programmes, agencies, and related entities that constitute the broader UN family, even as we recognize the considerable diversity among the various UN entities, including as regards their progress on sustainable procurement—has not been at the forefront of sustainable practices in its own operations. While the UN can fairly claim responsibility for creating the movement, and in certain areas for having created global normative frameworks (e.g., the UN Guiding Principles on Business and Human Rights), actors in the private and public sectors have in recent years taken the lead in developing new standards and innovative practices. The UN itself is still at the early stages of the sustainability journey, giving it a unique opportunity to learn from the private and public sectors and make substantial strides between now and the 2030 deadline for the SDGs.
5. While the UN is behind when it comes to sustainable procurement—“at least 10 years behind the private sector,” in the words of one insider—the good news is that there are any number of sustainable procurement champions within the UN and many sources of good practice to draw upon. Momentum is building for greater leadership by the UN on sustainable procurement. The potential benefits of improving the game are significant, something which the UN system already recognizes. For example, the UN Procurement

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4. The World Bank, Procurement Guidance: Sustainable Procurement An Introduction to Practitioners to Sustainable Procurement in World Bank IPF Projects, April 2019, at 2–3, <http://pubdocs.worldbank.org/en/788731479395390605/Guidance-on-Sustainable-Procurement.pdf>.

5. Chartered Institute of Procurement & Supply and National Institute of Governmental Purchasing, Inc., Sustainable Procurement Practice, 2012, <https://www.cips.org/Documents/Knowledge/Categories-Commodities/Public-Sector-Services/GPPP/SOPSustainableProcurement.pdf>. See *infra* note 6.



Practitioner's Handbook notes that the purchasing power the UN system brings to bear through billions in annual expenditure on procuring goods and services<sup>6</sup> “could be used as leverage to encourage sustainable business practices as well as send an important signal to the global market.<sup>7</sup> In this respect, UN procurement could play a role in shaping the future business culture of its suppliers,”<sup>8</sup> while also helping to enable its suppliers to be sustainable. Further, as reflected in a key document informing UN sustainable procurement practices, “One of the ways we can effectively collaborate to create lasting change is by using our combined purchasing power. ... [W]e need to do all we can to ensure we are putting [the UN's considerable] purchasing power in serving our sustainable development objectives. That does not just mean getting the lowest price but also using procurement to promote social justice and human rights, to ensure environmental sustainability and to build a future of equitable development and prosperity.”<sup>9</sup>

6. As the UN has recognized, its procurement budget gives the UN significant leverage to incentivize better, more sustainable practices by suppliers around the world, which practices can contribute directly to progress with the Sustainable Development Goals (“SDGs” or the “Goals”). Advancing sustainable procurement to meet its own procurement needs would allow the UN to take advantage of the leverage it has to maximize progress with the SDGs, including the UN's own commitments to the Goals. Moreover, if the UN misses the opportunity to promote sustainable practices, it could risk inadvertently supporting production behaviors that are counter to the UN's mission.
7. On the other hand, increasing the UN's sustainable procurement practices could lead to any number of benefits that would be valued by the UN and its Member States. These include **economic benefits**, such as the achievement of long-term cost efficiencies, the development of SMEs as potential suppliers, and directing of investments into developing economies; **social benefits**, such as improved workers' rights and providing decent working conditions, progress with gender equality, local employment, disability inclusion efforts, supporting SMEs and social progress generally; and **environmental benefits**, in reduced carbon emissions, incentivizing the development of innovative and sustainable technologies, the protection and promotion of biodiversity, and reduced environmental impacts. Overall, sustainable procurement practices contribute to creating more inclusive and resilient global supply chains.

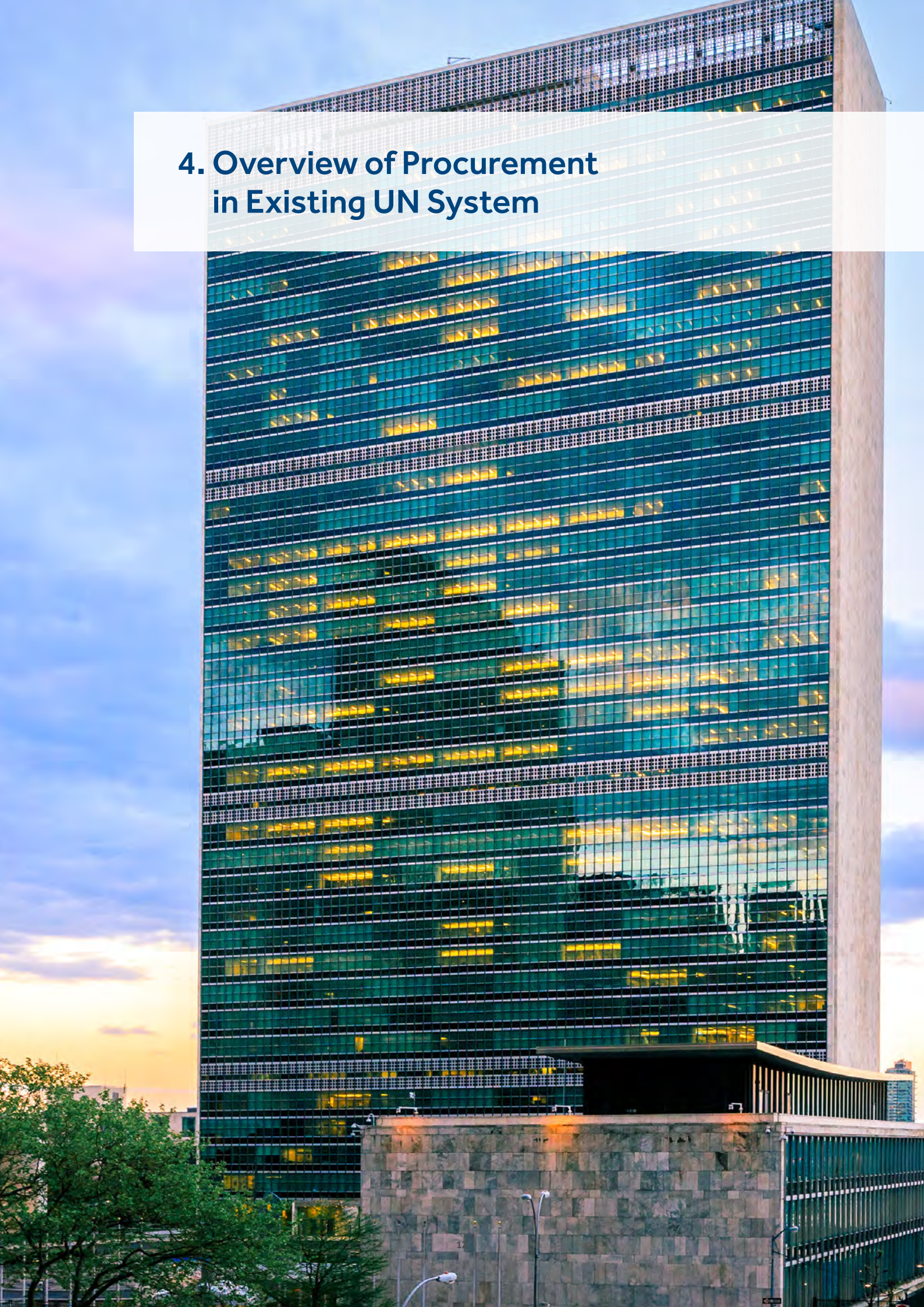
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6. This figure varies from year to year but has increased to US\$19.9 billion in 2019. See UNOPS, 2019 Annual Statistical Report on United Nations Procurement, 2020, <https://www.ungm.org/Shared/KnowledgeCenter/Document?widgetId=4547&documentId=987395> (hereinafter “2019 ASR”).
  7. UN Procurement Practitioner's Handbook at 181, <https://www.ungm.org/Shared/KnowledgeCenter/Document?widgetId=3518&documentId=980577>.
  8. UN Procurement Practitioner's Handbook at 181, <https://www.ungm.org/Shared/KnowledgeCenter/Document?widgetId=3518&documentId=980577>.
  9. UNEP, UNOPS, ILO and ITC ILO, Buying For a Better World: A Guide on Sustainable Procurement for the UN system, 2011, at 3, [https://www.ungm.org/Areas/Public/Downloads/BFABW\\_Final\\_web.pdf](https://www.ungm.org/Areas/Public/Downloads/BFABW_Final_web.pdf).





8. Given that the UN endorses sustainable development and business practices *and* that good practices already exist on sustainable procurement, it is useful to consider factors that might inspire greater progress. A message received during our work on this report is that increased political will and centralized messaging from within the UN system would go a long way to enhancing the UN’s position when it comes to sustainable procurement. It is clear that there is no shortage of knowhow, or standards or good practices when it comes to sustainable procurement within the UN. Similarly, while there is need for capacity building and greater understanding and knowledge sharing regarding what sustainable procurement is and how it can be delivered, there are a range of champions who have planted the seeds for good practices to grow.
  
9. In this report, we set out the current position of the UN system with respect to sustainable procurement and describe the good practices and standards that have been developed both within the UN and in the public and private sectors. No one organization has perfected an approach to sustainable procurement and there is no “one size fits all” solution. However, the report aims to identify good practices across sectors that have guided our assessment of the challenges and potential paths forward for advancing sustainable procurement in the UN system. We hope that by doing so, the UN system can become a leading participant in the transformative sustainability journey it successfully instigated.

## 4. Overview of Procurement in Existing UN System





## 4.1 What is “sustainable procurement” in the UN context?

10. Sustainable procurement is the incorporation of principles of sustainable development—economic, environmental, and social—into the procurement process.<sup>10</sup> Though most commonly associated with environmental concerns,<sup>11</sup> the UN Environment Programme (“UNEP”) explains that to be truly sustainable, procurement needs to address more than the environment:

“[s]ustainable public procurement is a process whereby public organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life-cycle basis in terms of generating benefits not only to the organization, but also to society and the economy, while significantly reducing negative impacts on the environment.”<sup>12</sup>

11. Sustainability principles, also referred to as the “three pillars” of sustainable development, therefore include:

- economic factors, such as consideration of the costs of products and services over their entire life cycle (including acquisition, maintenance, operations, end-of-life management, and waste disposal costs), as well as local economic development and employment;
- social factors, such as human and labour rights and decent working conditions, eradication of poverty, and equality and diversity; and

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10. See, e.g., European Commission, Environment, Green and Sustainable Public Procurement, [https://ec.europa.eu/environment/gpp/versus\\_en.htm](https://ec.europa.eu/environment/gpp/versus_en.htm) (“Sustainable Public Procurement (SPP) is a process by which public authorities seek to achieve the appropriate balance between the three pillars of sustainable development—economic, social and environmental—when procuring goods, services or works.”); The World Bank, Procurement Guidance: Sustainable Procurement An Introduction to Practitioners to Sustainable Procurement in World Bank IPF Projects, April 2019, at 2–3, <http://pubdocs.worldbank.org/en/788731479395390605/Guidance-on-Sustainable-Procurement.pdf> (“The concept of sustainability is based on three pillars, namely: economic, environmental and social. Effective sustainable procurement supports sustainable development. . . . Sustainable procurement is a process which incorporates sustainability considerations throughout the procurement process in order to achieve optimal VfM in delivering development objectives. It is said that sustainable procurement is “smart” procurement, as it takes a three-dimensional life cycle approach versus the traditional one-dimensional, economics-focused approach.”); EcoVadis and NYU Stern Center for Sustainable Business, Sustainable Procurement Barometer 2019, <https://www.stern.nyu.edu/sites/default/files/assets/documents/2019-sustainable-procurement-barometer-from-compliance-to-performance.pdf> (“Sustainable procurement, meanwhile, is the adoption and integration of sustainability principles into procurement processes and decisions, while also ensuring they meet the requirements of the company and its stakeholders.”); ICLEI, Sustainable Procurement Platform, What is Sustainable and Circular Procurement?, <https://sustainable-procurement.org/sustainable-procurement/> (“Sustainable procurement means making sure that the products and services an organisation buys achieve value for money and generate benefits not only for the organisation, but also for the environment, society and the economy. Sustainable procurement entails both Green Public Procurement (GPP) and socially responsible public procurement (SRPP).”).

11. UN Environment, Global Review of Sustainable Public Procurement, at ix, [https://www.oneplanetnetwork.org/sites/default/files/globalreview\\_web\\_final.pdf](https://www.oneplanetnetwork.org/sites/default/files/globalreview_web_final.pdf).

12. UN Environment, Global Review of Sustainable Public Procurement, at 1, [https://www.oneplanetnetwork.org/sites/default/files/globalreview\\_web\\_final.pdf](https://www.oneplanetnetwork.org/sites/default/files/globalreview_web_final.pdf) (internal citations omitted).



- environmental factors such as resource depletion, water scarcity, and emissions to air, land, and water over the whole product life cycle.<sup>13</sup>
- 12. As defined in the 2009 Sustainable Procurement Statement of the UN High-Level Committee on Management Procurement Network (“HLCM PN”),<sup>14</sup> “sustainable procurement” refers to “practices that integrate requirements, specifications and criteria that are compatible and in favor of the protection of the *environment*, of *social progress* and in support of *economic development* by seeking resource efficiency, improving the quality of products and services and ultimately optimizing costs.”<sup>15</sup>
- 13. The 2009 Statement recognized the role of the United Nations in advancing human rights and sustainable development as expressed in its commitments and called on UN organizations to adopt and implement sustainable procurement practices. The Working Group also recommended that the “transition to Sustainable Procurement should be seen as a dynamic process ... accompanied by an effort in policy development, capacity building, training and guidance to support UN organizations in the gradual transition to more sustainable practices.”<sup>16</sup>
- 14. Since the 2009 Statement, the HLCM PN Working Group on Sustainable Procurement has developed common guidelines to support procurement practitioners in implementing sustainable procurement practices within the UN system, including the 2011 *Buying for a Better World: A Guide on Sustainable Procurement for the UN system* (the “**Buying for a Better World Guide**”)<sup>17</sup> and the UN Procurement Practitioner’s Handbook (the “**Handbook**”).

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- 13. See United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2017, at 179–180; Report of the Secretary-General, Comprehensive Report on United Nations Procurement Activities Addendum, Sustainable Procurement, August 11, 2009, A/64/284/Add.2, at 4; Commonwealth of Australia, Department of the Environment and Energy, Sustainable Procurement Guide, 2018, at 7, <https://www.environment.gov.au/system/files/resources/7b8df2bd-3bb9-49cc-b417-5f2eb6e0ce37/files/sustainable-procurement-guide.pdf>; U.S. Environmental Protection Agency, Sustainability Primer, 2015, [https://www.epa.gov/sites/production/files/2015-05/documents/sustainability\\_primer\\_v9.pdf](https://www.epa.gov/sites/production/files/2015-05/documents/sustainability_primer_v9.pdf).
  - 14. The HLCM PN, established in 2007, focuses on improving the efficiency and effectiveness of the procurement function within the UN system. Currently led by UNOPS, the HLCM PN has procurement officer representatives from 40 UN organizations and reports to the High-Level Committee on Management and in turn, the Chief Executives Board for Coordination, chaired by the UN Secretary-General. The HLCM PN is responsible for the UN Global Marketplace procurement portal. See UN system Chief Executives Board for Coordination, Procurement Network, available at <https://www.unsystem.org/content/procurement-network>; UN system Chief Executives Board for Coordination, Chief Executives Board for Coordination, available at <https://www.unsystem.org/content/ceb>.
  - 15. UN High Level Committee on Management Procurement Network, Sustainable Procurement Statement, February 2009, <https://www.ungm.org/Shared/KnowledgeCenter/Document?widgetId=4108&documentId=823605> (emphases added); see also UNGM website, “What is sustainable procurement,” [https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT\\_SUST](https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT_SUST); UNEP, UNOPS, ILO and ITC ILO, *Buying For a Better World, a Guide on Sustainable Procurement for the UN system*, 2011, at 7; UNOPS, Annual Statistical Report on United Nations Procurement, 2018, at 27; UN High Level Committee on Management Procurement Network, UN Procurement Practitioner’s Handbook, 2020, at 179.
  - 16. See UN High Level Committee on Management Procurement Network, Sustainable Procurement Statement, 2009. The Statement expressly references the commitments of Agenda 21 (adopted at the 1992 UN Rio Conference on Environment and Development), the 2002 World Summit on Sustainable Development, the Millennium Development Goals, the 1998 International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and other international protocols for the protection of the environment such as the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer and the 1977 Kyoto Protocol on reducing emissions, as well as initiatives promoting social and environmental responsibility such as the UN Global Compact, launched in 2000.
  - 17. See UN system Chief Executives Board for Coordination, Working Group on Sustainable Procurement, available at <https://www.unsystem.org/content/working-group-sustainable-procurement>.

15. Significantly, a number of UN organizations have issued organization-specific policy and procedure guidelines incorporating sustainable procurement practices, and there is considerable innovation with regard to sustainable procurement policies and practices taking place at the funds and programmes level. For example, the procurement strategy of the UN Development Programme (UNDP) recognizes procurement as a strategic function essential to the fulfillment of UNDP's mandate, and commits the UNDP to encourage its vendors to adopt sustainable and socially responsible policies aligned with the Ten Principles of the UN Global Compact in the areas of human rights, labour, the environment and anti-corruption.<sup>18</sup> In its practices, UNDP incorporates sustainable development criteria in key purchasing decisions and commits to shifting from a narrow focus on "price" to a calculation based on the "total cost of ownership throughout the life cycle of products and services."<sup>19</sup>
16. Generally speaking, across the UN system, advances in sustainable procurement have been enabled and supported by the increased focus on sustainable development and climate change globally. In the context of the 2012 United Nations Conference on Sustainable Development in Rio de Janeiro, Member States have called on "UN system organizations to integrate principles of sustainable development in the management of facilities and operations."<sup>20</sup> More recently, the adoption of the 2030 Agenda for Sustainable Development—particularly Goal 12 ("Ensure sustainable consumption and production patterns") and Target 12.7 which commits stakeholders to "[p]romote public procurement practices that are sustainable, in accordance with national policies and priorities"—has been a key driver for further change in sustainable procurement practices within the UN system.<sup>21</sup>

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18. UNDP, Procurement Strategy 2015–2017, July 1, 2015, available at <http://www.undp.org/content/dam/sweden/Procurement%20Strategy%20Final%20July%201%202015.pdf>.
  19. UNDP, Procurement Strategy 2015–2017, July 1, 2015, available at <http://www.undp.org/content/dam/sweden/Procurement%20Strategy%20Final%20July%201%202015.pdf>.
  20. General Assembly Resolution A/RES/66/288, September 11, 2012, ¶ 96; see also General Assembly Resolution A/RES/67/226, January 22, 2013 ("Call[ing] upon the United Nations system to improve the management of facilities and operations by taking into account sustainable development practices, building on existing efforts and promoting cost-effectiveness, in accordance with legislative frameworks, including financial rules and regulations, while maintaining accountability to Member States."); see also General Assembly Resolution A/RES/70/205, February 4, 2016, ¶ 14 ("Request[ing] the Secretary-General, as a follow-up to paragraph 96 of the outcome document of the United Nations Conference on Sustainable Development, entitled 'The future we want,' to submit an action plan for the Secretariat that will be designed to work within existing procurement rules and policies aimed at integrating sustainable development practices into its operations and facilities management, building on existing efforts and promoting cost-effectiveness, and in accordance with legislative frameworks, including financial rules and regulations, while maintaining accountability to Member States, with the specific goal of a United Nations that does not, through its operations or facilities management, have a negative impact on the climate, as soon as possible, or by 2020, if practicable[.]"); General Assembly Resolution A/RES/71/228, February 7, 2017, ¶ 14 (recalling its request for an action plan); Report of the Secretary-General, Action Plan for Integrating Sustainable Development Practices into Secretariat-Wide Operations and Facilities Management, A/72/82, April 27, 2017, ¶ 7 (stating "[i]n accordance with General Assembly resolutions 70/205 and 71/228, the United Nations is expected to contribute to those goals by integrating sustainable development considerations into its own management practices. In that context, the United Nations system has specifically committed to improving the environmental performance of its facilities and operations."); General Assembly Resolution A/RES/72/219, December 20, 2017 ("Endors[ing] the action plan for integrating sustainable development practices into Secretariat-wide operations and facilities management submitted by the Secretary-General, and requests the Secretary-General to implement his relevant recommendations within existing resources.").
  21. United Nations, Transforming Our World: The 2030 Agenda for Sustainable Development, A/RES/70/1, 2015; see UNGM website, "What is sustainable procurement," [https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT\\_SUST](https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT_SUST); UN, Sustainable Development Goals Knowledge Platform, Sustainable Development Goal 12, <https://sustainabledevelopment.un.org/sdg12>.



17. Significantly, in the January 2019 Report of the Secretary-General on Procurement Activities in the UN Secretariat, the Secretariat committed to “leveraging its strategic procurement function in advancing sustainable development” in order to “better align its operations with the Sustainable Development Goals.”<sup>22</sup> While noting environmental objectives in particular, the report also states that:

the Secretariat expects procurement to *support sustainable development wherever possible*, notably: (a) by generating long-term operational efficiencies and savings; (b) by using more local resources more responsibly, thereby negating the harmful impact of pollution and waste; (c) by reducing hazardous substances and the impact on human health and the environment; (d) by *advancing economic and social development*, thereby signaling to the market the need for sustainable solutions and nurturing and helping product and service innovation.<sup>23</sup>
18. In line with these commitments, the Secretariat is implementing a “category management” approach “that focuses on the major areas of organizational spending and involves multifunctional teams to develop and implement category-specific strategies that maximize long-term value for an organization by adopting a tailored approach to each supply market that effectively delivers on the needs of that organization...[and] emphasizes value creation to improve the total cost of ownership—‘life cycle cost’—factoring in quality, innovation, risk management and sustainability principles.”<sup>24</sup>
19. In line with these developments, the 2019 Annual Statistical Report on United Nations Procurement reports broadly increasing trends to formalize and incorporate sustainable procurement practices.
20. For example, 23 organizations in the UN system reported having or planning to have a formal sustainable procurement policy in 2019; 20 noted having (or planning to have) a formal sustainable procurement strategy; and 14 reported having established (or planning to establish) measurable targets or objectives.<sup>25</sup> In particular, more than 97 percent of organizations reported including environmental considerations in the procurement process at different stages, including in requirements definitions, the total cost of ownership in the financial evaluation, and sustainability aspects in contract terms.<sup>26</sup> This inclusion of environmental considerations represents a sharp increase of more than 34 percentage points from 2017, while

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22. Report of the Secretary-General, Procurement Activities in the United Nations Secretariat, January 10, 2019, A/73/704, ¶ 73.

23. Report of the Secretary-General, Procurement Activities in the United Nations Secretariat, January 10, 2019, A/73/704, ¶¶ 73–74 (emphases added).

24. Report of the Secretary-General, Procurement Activities in the United Nations Secretariat, January 10, 2019, A/73/704, ¶¶ 6–7.

25. UNOPS, Annual Statistical Report on United Nations Procurement, 2019, at 45, [https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr\\_report](https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr_report).

26. UNOPS, Annual Statistical Report on United Nations Procurement, 2019, at 46, [https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr\\_report](https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr_report).

inclusion of economic and social considerations remained relatively static at 56.4 % and almost 77%, respectively.<sup>27</sup> Interviewed UN officers anecdotally reported a sense of wide consensus on the inclusion of environmental concerns in procurement practices, while sensitivities remained on inclusion of social and economic considerations.

## 4.2 Current procedures and practices

### 4.2.1 UN Secretariat

21. The United Nations Procurement Division (“UNPD”) is responsible for the procurement of goods and services for the Secretariat department and offices including field missions.<sup>28</sup> Administrative heads or procurement staff outside the Headquarters conduct local procurement activities within their delegated authority under the guidance of the UNPD.<sup>29</sup> The UN Secretariat procurement activities are funded from the regular budget of the UN approved by the General Assembly.<sup>30</sup>
22. Beyond its procurement function for the Secretariat, the UNPD has a leading role in UN procurement as “the largest and most experienced procurement entity in the United Nations system.”<sup>31</sup> It provides guidance and oversight to other procurement offices, and delivers trainings to procurement officials in the UN system.<sup>32</sup>
23. The UNPD has been consistently one of the largest organizations in the UN system by procurement volume. According to the 2019 Annual Statistical Report on United Nations Procurement, the UNPD procured US\$2.084 billion in goods and services in 2019—ranking third in the UN system by reported procurement volume, after UNICEF (US\$3.826 billion) and the World Food Programme (US\$3.637 billion).<sup>33</sup>

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27. UNOPS, Annual Statistical Report on United Nations Procurement, 2019, at 46, [https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr\\_report](https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr_report).

28. UN Global Marketplace, United Nations Procurement Division, <https://www.ungm.org/Shared/KnowledgeCenter/Pages/unpd>. In recent years, the UN Secretary-General has undertaken certain structural reforms to the UN Secretariat’s procurement function. These reforms include, for example, those set out in General Assembly resolution 73/704 A, which distributes various aspects of the procurement function among the Office of Supply Chain Management’s Logistics Division, Procurement Division, Uniformed Capabilities Support Division and Enabling and Outreach Service, which together form the Secretariat’s integrated supply chain and uniform capabilities support. See UN General Assembly Resolution A/RES/73/704, January 10, 2019, available at <https://undocs.org/pdf?symbol=en/A/73/704>. For purposes of this report, and for ease of reference, we follow the practice used in the Annual Statistical Report on United Nations Procurement in referring generically to the UN Procurement Division, or “UNPD”, when discussing the UN Secretariat’s procurement function generally. Readers are referred to General Assembly resolution 73/704 A for details on the Secretary-General’s recent reforms.

29. UN Global Marketplace, United Nations Procurement Division, <https://www.ungm.org/Shared/KnowledgeCenter/Pages/unpd>.

30. See UN Global Marketplace, United Nations Procurement Division, <https://www.ungm.org/Shared/KnowledgeCenter/Pages/unpd>.

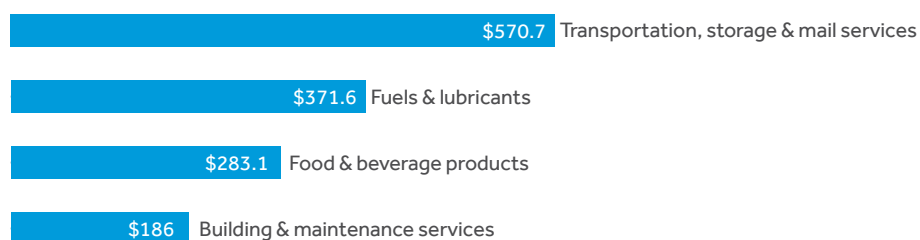
31. Report of the Secretary-General, Procurement Activities in the United Nations Secretariat, December 12, 2016, A/71/681, ¶ 1.

32. Report of the Secretary-General, Procurement Activities in the United Nations Secretariat, December 12, 2016, A/71/681, ¶ 1.

33. UNOPS, Annual Statistical Report on United Nations Procurement, 2019, at 11, [https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr\\_report](https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr_report).

24. The UNPD's top categories of procurement spend in 2019 as shown below were transportation, storage, and mail services (US\$570.7 million), fuels and lubricants (US\$371.6 million), food and beverage products (US\$283.1 million), and building and maintenance services (US\$186 million).<sup>34</sup>

The **UNPD's** top categories of procurement spend in 2019 (US\$millions)



25. Certain UN organizations have expressly adopted sustainable procurement policies and advanced their application of sustainable procurement in recent years. However, procurement officers in the UN system have noted the acute difficulties previously faced by the UNPD in implementing “innovative” sustainable procurement practices without an express mandate or changes to its governing documents. The absence of a formal mandate emanating from UN Headquarters regarding sustainable procurement for the UN system, and of policies implementing such a mandate, was frequently cited as a key impediment to increased sustainable procurement by the UN during our work on this report.
26. Given the recent commitment of the Secretariat to “better align its operations with the Sustainable Development Goals” and “leverage[e] its strategic procurement function in advancing sustainable development,”<sup>35</sup> the UNPD should be positioned to play a leading role in advancing sustainable procurement across the UN system.
27. Within the UNPD, practitioners have both mandatory guidelines and a series of guidance documents:

#### **(a) Mandatory Guidelines**

28. The United Nations Secretariat's procurement activities are governed by mandatory regulations approved by the General Assembly, as well as administrative issuance and policies, procedures, and guidelines for procurement activities approved by the Assistant Secretary-General of the Office of Central Support Services and other officials with delegated authority.<sup>36</sup> These guidelines do not expressly mandate “sustainable procurement,” but there has been increasing recognition of and commitment to the

34. UN Global Marketplace, Procurement Data by Organization, [https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr\\_data\\_organization](https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr_data_organization).

35. Report of the Secretary-General, Procurement Activities in the UN Secretariat, January 10, 2019, A/73/704, ¶ 73.

36. See Department of Management, Office of Central Support Services, UN Procurement Division, United Nations Procurement Manual, Rev. 7, July 1, 2013.

potential to advance and support sustainable development through the United Nations' procurement activities, and of the value to the United Nations in incorporating sustainability considerations into its operations in recent years.

**(i) UN Financial Regulations and Rules (the "FRR")<sup>37</sup>**

29. The FRR are legislative directives concerning the financial management of the UN.<sup>38</sup> The FRR "not only provide details to further define the parameters within which staff and the Administration must exercise their responsibilities, but also constitute a statement as to the manner in which the Financial Regulations are to be implemented."<sup>39</sup> As such, the UNPD is obliged to follow the FRR in its procurement spending.
30. Regulation 5.12 of FRR directly addresses procurement functions including "all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works."<sup>40</sup> While the FRR do not expressly invoke sustainability principles—and indeed, the FRR do not include specific rules or regulations on sustainability—they do incorporate the following "general principles" that must be given due consideration when making procurement decisions: "(a) Best value for money; (b) Fairness, integrity and transparency; (c) Effective international competition; [and] (d) The interest of the United Nations."<sup>41</sup>
31. Most of these principles are not defined within the FRR. Regulation 105.14 does provide further detail on effective competition:

[P]rocurement contracts shall be awarded on the basis of effective competition, and to this end the competitive process shall, as necessary, include: (a) Acquisition planning for developing an overall procurement strategy and procurement methodologies; (b) Market research for identifying potential suppliers; (c) Consideration of prudent commercial practices; (d) Formal methods of solicitation, utilizing invitations to bid or requests for proposals on the basis of advertisement or direct solicitation of invited suppliers, or informal methods of solicitation, such as requests for quotations. ... ; (e) Public bid openings.<sup>42</sup>

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37. UN specialized agencies—such as the Food and Agriculture Organization (FAO), International Labour Organization (ILO) and World Health Organization (WHO)—are autonomous international organizations that coordinate their work with the United Nations through negotiated agreements and are not bound to the UN procurement regulations and rules. See United Nations, Funds, Programmes, Specialized Agencies and Others, <https://www.un.org/en/sections/about-un/funds-programmes-specialized-agencies-and-others/index.html>.

38. UN Financial Regulations and Rules, Secretary-General's Bulletin, ST/SGB/2013/4, July 1, 2013, p. iii.

39. UN Financial Regulations and Rules, Secretary-General's Bulletin, ST/SGB/2013/4, July 1, 2013, p. iii.

40. UN Financial Regulations and Rules, Secretary-General's Bulletin, ST/SGB/2013/4, July 1, 2013, Regulation 5.12.

41. UN Financial Regulations and Rules, Secretary-General's Bulletin, ST/SGB/2013/4, July 1, 2013, Regulation 5.12.

42. UN Financial Regulations and Rules, Secretary-General's Bulletin, ST/SGB/2013/4, July 1, 2013, Rule 105.14.



## (ii) UN Procurement Manual

32. The UN Procurement Manual is published by the UNPD and “constitutes authoritative guidance on functions and elements for the procurement process.”<sup>43</sup> It provides operational guidance on procurement policies and procedures to all staff members involved in procurement actions conducted by the UN in all offices.<sup>44</sup> As of the writing of this report, the Procurement Manual was last updated in June 2020.
33. The Procurement Manual provides further guidance on the four general principles of FRR Regulation 5.12 to be given due consideration in the exercise of procurement functions.
34. In particular, the Procurement Manual notes the duty of the United Nations “[a]s a steward of the funds entrusted to its care by the Member States . . . to achieve Best Value for Money (BVM) in procuring goods, services, and works, according to mandates given to the UN by the General Assembly.”<sup>45</sup> As specified in the Manual, the concept of Best Value for Money involves “the optimization of the total cost of ownership and quality needed to meet the user’s requirements, while taking into consideration potential risk factors and resources available.”<sup>46</sup> It is, however, separate from simply the cost of a given good or service. As the Manual expressly recognizes, the “Best Value for Money solution may not necessarily offer the lowest cost.”<sup>47</sup>
35. Several aspects of the Procurement Manual resonate with sustainability principles. For instance, the Manual refers to considerations of the full life-cycle of products and services and the risks and potential adverse impacts associated with the selection of those products and services. Similarly, to obtain the Best Value for Money, the Manual obliges procurement officials to ensure that “all costs are considered within the total cost of ownership, including transportation costs, installation costs, operating costs, maintenance costs, disposal costs, etc.” and “benefits are optimized, and financial and operational risks and any other adverse impacts are minimized.”<sup>48</sup> In its guidance on financial criteria for evaluating bids, the Manual provides that the United Nations “may state in the solicitation document that the financial evaluation will consider the full life-cycle cost. . . . Selection of

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43. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 2.1.2. *Cf. id.* (“For the sake of clarity, nothing in this Manual shall bind the United Nations to any particular process, outcome or course of action in relation to any particular procurement process or otherwise.”).

44. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 1.1.

45. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 1.4.

46. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 1.4.1.

47. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 1.4.1; *cf.* UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, Rev. 7, July 1, 2013, §§ 1.2.1.b (recognizing the goal of the principle is “to achieve maximum benefit for the Organisation. Accordingly, price alone is not necessarily determinative of Best Value for Money”).

48. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 1.4.1.



the lowest-priced offer based on life-cycle costing analysis can lead to win-win situations when cost savings go hand-in-hand with better overall sustainability.”<sup>49</sup>

36. The most recent version of the Manual also goes further than past editions. Compared to the 2013 version of the Procurement Manual, which included only passing references to supplier sustainability and life-cycle cost as possible considerations for the Best Value for Money,<sup>50</sup> the 2020 Procurement Manual notably includes a new section on sustainable procurement, titled “Sustainability Considerations.”<sup>51</sup> Referencing the SDGs and initiatives on procurement incorporate sustainable development principles in support of SDG 12 and target 12.7, as well as General Assembly and Security Council resolutions requesting the Organization to address and minimize the environmental impact of its operations, the Procurement Manual recognizes:

Given the scale of its procurement activities, the UN has the potential, *within its existing legislative framework and procurement guiding principles*, to motivate markets to innovate and contribute to achieving global goals. *The UN itself has been encouraged by the Member States to integrate sustainable development practices into its operations in support of the sustainable development agenda.*<sup>52</sup>

37. The Procurement Manual also emphasizes that staff involved in the procurement process “are expected to encourage UN vendors to adopt sustainable and socially responsible policies aligned with the UN Global Compact’s ten principles in the areas of human rights, labour, the environment, and anti-corruption in accordance with the UN Supplier Code of Conduct.”<sup>53</sup>
38. Thus, while the current Procurement Manual does not use the term “sustainable procurement” as such, it addresses how sustainable procurement practices are consistent with its guidelines. In line with the 2019 Report of the Secretary-General on Procurement Activities in the UN Secretariat, the Procurement Manual now specifically states that “[f]actoring sustainability considerations at the requirements definition stage can provide added value to the Organization, by promoting resource efficiency, leveraging innovation and advancing the SDGs.”<sup>54</sup> The economic, environmental, and social dimensions of the sustainable agenda are described as:

Integrating the economic dimension of the sustainable agenda means to strive for the best value for money and, in particular, the whole life costs of a product or service, as well as for wider support for economic development.

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49. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 6.4.6.3.

50. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, Rev. 7, July 1, 2013, §§ 1.2.1, 1.2.2

51. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 15.2.

52. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 15.2.

53. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 15.2.

54. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 15.2.



Considering its environmental dimension is to strive for reduction of the negative environmental impact a product or service has over its whole life-cycle, including issues such as water, land and air pollution, waste generation and disposal options, environmental risks from wastewater and hazardous waste, and greenhouse gas emissions that contribute to climate change, preservation of natural ecosystems, waste reduction and management, and air and water pollution.

The social dimension of the sustainable agenda considers the promotion of human rights, elimination of child labour, fair labour conditions, gender equality, and wider ethical issues in the supply chain.<sup>55</sup>

### **(iii) UN General Conditions of Contract (the “General Conditions”)**

39. The General Conditions form an integral part of every contract between the United Nations and a vendor for the purchase of goods services or other requirements.<sup>56</sup> The current versions of the General Conditions were revised in April 2012.<sup>57</sup>
40. The General Conditions contain provisions that relate to certain social aspects of sustainable procurement. These include clauses that prohibit child labor and sexual exploitation.<sup>58</sup> For example, pursuant to Section 27 of the General Conditions of Contract for the Provision of Goods and Services, “[t]he Contractor represents and warrants that neither it, its parent entities (if any), nor any of the contractor’s subsidiary or affiliated entities (if any) is engaged in any practice inconsistent with the rights set forth in the Convention on the Rights of the Child.”<sup>59</sup>

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55. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 15.2.

56. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 1.5.3.1; UN Procurement Division, Conditions of Contract, <https://www.un.org/Depts/ptd/about-us/conditions-contract>.

57. See UN General Conditions of Contract, Contracts for the Provision of Goods and Services, [https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/general\\_condition\\_goods\\_services.pdf](https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/general_condition_goods_services.pdf); UN General Conditions of Contract, Contracts for the Provision of Goods, [https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/general\\_condition\\_goods.pdf](https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/general_condition_goods.pdf); UN General Conditions of Contract, Contracts for the Provision of Services, [https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/general\\_condition\\_services.pdf](https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/general_condition_services.pdf); UN General Conditions of Contract, *De Minimis* Field Contracts, [https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/general\\_condition\\_field\\_contracts.pdf](https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/general_condition_field_contracts.pdf).

58. *Id.*; see, e.g., UN Development Programme, General Terms and Conditions for Contracts, [http://procurement-notices.undp.org/view\\_file.cfm?doc\\_id=191968](http://procurement-notices.undp.org/view_file.cfm?doc_id=191968); UN Entity for Gender Equality and the Empowerment of Women, General Conditions of Contract, Contracts for the Provision of Goods and Services, <https://www.unwomen.org/ /media/headquarters/attachments/sections/about%20us/procurement/un-women-general-conditions-of-contract-mixed-goods-services-en.pdf?la=en&vs=5631>.

59. UN General Conditions of Contract, Contract for the Provision of Goods and Services, § 27, [https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/general\\_condition\\_goods\\_services.pdf](https://www.un.org/Depts/ptd/sites/www.un.org.Depts.ptd/files/files/attachment/page/pdf/general_condition_goods_services.pdf).





**(iv) UN Supplier Code of Conduct (“Code of Conduct”)**

41. The Code of Conduct provides the minimum standards “expected” of UN vendors as well as their employees, parent, subsidiary, or affiliate entities, and subcontractors.<sup>60</sup> Acknowledgement of the Code of Conduct is a requirement to register as a vendor in the UN Global Marketplace.<sup>61</sup> The current version of the Code of Conduct was approved by the High Level Committee on Management on April 9, 2018.<sup>62</sup>
42. The Code of Conduct allows for the integration of the UN Global Compact’s principles on labor, human rights, the environment and ethical conduct, into the operations of the United Nations.<sup>63</sup> These principles largely coincide with the social, economic, and environmental aspects considered in sustainable procurement practices.<sup>64</sup>
43. On labour, the UN expects suppliers to adhere to certain labour standards based on the International Labour Organization Conventions and Recommendations, including: to recognize the rights to freedom of association and collective bargaining, to prohibit forced or compulsory and child labor, to ensure equality of opportunity and treatment in respect of employment and occupation without discrimination, to ensure the payment of wages and working conditions are on par with the best conditions prevailing locally, and to ensure that health and safety precautions are in place.<sup>65</sup>
44. On human rights, the UN expects suppliers to respect the protection of internationally proclaimed human rights and to ensure that they are not complicit in human rights abuses,<sup>66</sup> to not engage in harassment, harsh or inhumane treatment, and to not engage in the sale or manufacture of anti-personnel mines or components utilized in the manufacture of anti-personnel mines.<sup>67</sup> The failure of a supplier to take preventative, investigatory, or corrective measures against sexual exploitation or abuse constitute grounds for termination of any agreement with the United Nations.<sup>68</sup>

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60. UN Supplier Code of Conduct, Rev. 06, December 2017, ¶ 1.

61. UN Global Marketplace, UN Supplier Code of Conduct, [https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT\\_CC](https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT_CC); UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, September 30, 2019, § 1.5.3.1.

62. UN Global Marketplace, UN Supplier Code of Conduct, [https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT\\_CC](https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT_CC).

63. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 15.1; UN Supplier Code of Conduct, Rev. 06, December 2017, Preamble (“The Code of Conduct addresses the issues included in the Compact in the areas of human rights, labour, environment and anti-corruption and interpretation of the Code should be undertaken in a manner consistent with the Global Compact.”).

64. See United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2017, at 179–180.

65. UN Supplier Code of Conduct, Rev. 06, December 2017, ¶¶ 4–9.

66. In this regard, a noteworthy recent example of the UN’s efforts on human rights is the development of its Disability Inclusion Strategy, which includes an indicator related to UN procurement requiring that, at a minimum, procurement policies and processes do not create barriers that would prevent persons with disabilities obtaining procurement contracts with the UN. See United Nations Disability Inclusion Strategy, June 2019, available at: [https://www.un.org/en/content/disabilitystrategy/assets/documentation/UN\\_Disability\\_Inclusion\\_Strategy\\_english.pdf](https://www.un.org/en/content/disabilitystrategy/assets/documentation/UN_Disability_Inclusion_Strategy_english.pdf).

67. UN Supplier Code of Conduct, Rev. 06, December 2017, ¶¶ 10–12.

68. UN Supplier Code of Conduct, Rev. 06, December 2017, ¶ 11.

45. On the environment, the UN expects suppliers to comply with existing legislation and regulations regarding environmental protection, to identify and manage chemical and hazardous materials, to monitor, control and treat wastewater and solid waste, to manage air emissions, and to minimize waste.<sup>69</sup>
46. On ethical conduct, the UN expects suppliers to respect local laws, not engage in any form of corrupt practices, disclose a conflict of interest and not offer any benefit to a UN staff member to facilitate business with the UN.<sup>70</sup>
47. The Code of Conduct also “strongly encourages” suppliers to participate in the UN Global Compact.<sup>71</sup>

## **(b) Guidance Documents and Other Initiatives**

### **(i) Buying for a Better World Guide**

48. The 2011 Buying for a Better World Guide published by UNEP, UNOPS, ILO, and ITC-ILO, addresses key concepts behind the notion of sustainability and how sustainable procurement supports the UN mandate and policies and fits within existing UN procurement rules and procedures.<sup>72</sup>
49. The Guide focuses on the development of a sustainable procurement action plan and the integration of sustainable development principles in the UN procurement process.<sup>73</sup> For example, the Guide describes the utility of a sustainable procurement policy and action plan in delivering sustainable procurement in practice. The Guide also outlines six steps towards implementing the sustainable procurement action plan and measuring performance,<sup>74</sup> and sets out the best practices for evaluating supplier bids on the basis of balancing cost with sustainability and other non-financial factors.<sup>75</sup>

### **(ii) UN Procurement Practitioner’s Handbook**

50. The Handbook was developed by the HLCM PN to provide UN procurement practitioners with a common reference for good procurement practices in the UN system. The Handbook is a “descriptive and supplementary” reference document that describes common guiding principles, policies, procedures and practices. It is not a “prescriptive or normative document challenging existing organizational-specific procurement manuals,

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69. UN Supplier Code of Conduct, Rev. 06, December 2017, ¶¶ 13–17.

70. UN Supplier Code of Conduct, Rev. 06, December 2017, ¶¶ 18–20.


71. UN Supplier Code of Conduct, Rev. 06, December 2017, Preamble.

72. UNEP, UNOPS, ILO and ITC ILO, *Buying For a Better World, a Guide on Sustainable Procurement for the UN system*, 2011, at 9–24.

73. UNEP, UNOPS, ILO and ITC ILO, *Buying For a Better World, a Guide on Sustainable Procurement for the UN system*, 2011.

74. UNEP, UNOPS, ILO and ITC ILO, *Buying For a Better World, a Guide on Sustainable Procurement for the UN system*, 2011, pp. 26–31.

75. UNEP, UNOPS, ILO and ITC ILO, *Buying For a Better World, a Guide on Sustainable Procurement for the UN system*, 2011, pp. 55–57.



policies and procedures.”<sup>76</sup> Originally published in 2006, the Handbook was updated in 2017 to “align[] with the latest UN Initiatives, such as the SDGs, One-UN procurement reform initiatives, and the UN Global Compact,”<sup>77</sup> and then again most recently in February 2020.<sup>78</sup>

51. The Handbook recognizes UN procurement as a tool to advance UN policy goals, including the SDGs.<sup>79</sup> Given its “descriptive” nature, the Handbook only notes that “procurement can take some of these goals into consideration when procuring certain goods or services as well as selecting their suppliers.”<sup>80</sup> However, the Handbook makes clear that “[s]ustainable procurement is consistent with current business best practices and with existing UN system procurement principles and rules. The UN does not require new rules but simply a refined approach to implementation that is more sensitive to sustainability principles.”<sup>81</sup>
52. In the chapter on sustainable procurement, the Handbook notes new developments and progress within the UN system enabled by greater support for the integration of climate neutrality and principles of sustainable development in the management of UN facilities and operations.<sup>82</sup> The Handbook notes that a “core focus” of these efforts has been to develop an organization-specific policy.<sup>83</sup> In addition to an overview of sustainable procurement principles, the Handbook largely mirrors the Guide and describes best practices for developing a high-level sustainable procurement policy and implementing sustainable procurement in individual procurement operations.<sup>84</sup>

### **(c) UN Global Marketplace (the “UNGM”)**

53. The UNGM is an online portal used by 29 UN organizations, and 20 UN-affiliated bodies, as a centralized vendor database for the registration of potential vendors as well as the publication of tenders and contract awards.<sup>85</sup> These 29 UN organizations account for 98% of the total UN procurement spend.<sup>86</sup>

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76. United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2020, at 3.

77. UN Global Marketplace, UN Procurement Practitioner’s Handbook ver. 2017, available at <https://www.ungm.org/Shared/KnowledgeCenter/Pages/PPH2>.

78. United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2020.

79. United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2020, at 5.

80. United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2020, at 6.

81. United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2020, at 180.

82. United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2020, at 180.

83. United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2020, at 180.

84. United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2020, at 183–203.

85. See United Nations High Level Committee on Management, UN Procurement Practitioner’s Handbook, 2020, at 149; UNGM, About UNGM, <https://help.ungm.org/hc/en-us/articles/360012808600-Which-UN-organizations-use-UNGM->

86. UNGM, About UNGM, <https://help.ungm.org/hc/en-us/articles/360012808600-Which-UN-organizations-use-UNGM->

54. Upon registration, companies are required to provide different levels of information depending on the value of the project and the specific UN organization involved.<sup>87</sup> All registered vendors are screened against sanctions lists of the agencies of the UN, the UN Security Council Sanction Lists, and the World Bank Debarred Firms and Individuals List.<sup>88</sup> With limited exceptions related to women-owned businesses and disability inclusion, there is currently no requirement to provide information on sustainability certifications or factors, or status as a UN Global Compact member.

#### 4.2.2 By the funds, programmes and other UN entities

##### (a) Overview of procurement in these UN entities, and comparison to HQ/UNPD generally

55. The large majority of UN procurement expenditure occurs at the funds and programmes level rather than by the UN Secretariat in New York. In 2019, for example, of the US\$19.9 billion spent by the UN system as a whole on goods, services and works, only US\$2.5 billion was spent by the UNPD. The remainder, approximately US\$17.4 billion, was spent by the various funds, programmes, and agencies that constitute the larger UN family



87. Projects of less than US\$40,000 only require basic information, projects valued at between US\$40,000 and US\$500,000 require level 1 information and projects over US\$500,000 require level 2 information ("Doing Business with the United Nations" seminar, July 18, 2019). 1. At the Basic level, companies are required to provide general information (name, license number, address, etc.), information on the countries in which the company does business and the classification of its goods and services. Level 1 requires the same general information, but also asks vendors to provide their certificate of incorporation (or equivalent), details and email addresses of at least three independent, non-affiliated references with whom the company has conducted business and the names of the company's owners and principals and those of intermediates, agents and/or consultants if used in relation to UN bids. Level 2 requires, in addition, references to be from clients/companies that have bought goods and/or services from the company within the last 12 months, and financial documents for the last three years. UNGM, UNGM Registration Process, available at <https://www.ungm.org/Public/Pages/RegistrationProcess>.
88. United Nations High Level Committee on Management, UN Procurement Practitioner's Handbook, 2020, at 151.



of UN procuring agencies.<sup>89</sup> This expenditure was spread out across 39 UN entities, the vast majority which, approximately US\$15.5 billion, being expended by the nine largest organizations by procurement volume, excluding the UNPD. The 10 largest acquiring entities within the UN system in 2019, and their corresponding expenditure, are set out in Table 2.

**Table 2: 10 largest UN funds & programmes “spenders” by procurement volume in 2019<sup>90</sup>**

UNICEF	\$3,825.7 million
WFP	\$3,636.6 million
UNPD	\$2,511.6 million
UNDP	\$2,083.9 million
UNHCR	\$1,138.3 million
UNOPS	\$1,095.1 million
PAHO	\$1,006.5 million
IOM	\$959.7 million
WHO	\$893.2 million
UNFPA	\$404.2 million

56. The specific types of goods and services procured by these organizations vary considerably depending on the mandate, operations, and geographies served by the individual organization. In addition to variance in goods and services procured, there is also considerable divergence in volumes, predictability of procurement flows, and time horizons informing the individual organization’s procurement needs. Whereas procurement needs in certain contexts are relatively stable and predictable year on year, for example, that used to supply and maintain permanent UN operations in places like Geneva or New York, other procurement needs are project-based or tied to global events, such as those organized in response to pandemics, natural disasters, or conflict contexts.<sup>91</sup>

Table 3, on the following page, summarizes the 10 largest types of goods or services by volume as procured by the UN system.

89. ASR 2019 at 19.

90. ASR 2019 at 19.

91. ASR 2019 at 18; *see also* UN Procurement Practitioner’s Handbook at 4.



**Table 3: 2019 top 10 categories of procurement by volume<sup>92</sup>**

Pharmaceuticals, Contraceptives, Vaccines	\$3,239.3 million
Transportation, Storage, Mail Services	\$2,653.6 million
Food and Beverage Products	\$2,070.4 million
Management and Admin Services	\$1,782.3 million
Building and Maintenance Services	\$1,370.2 million
Engineering and Research Services	\$1,086.5 million
Medical Equipment	\$740.5 million
Fuels and Lubricants, etc.	\$599.5 million
Travel, Food and Lodging	\$572.0 million
Financial and Insurance Services	\$557.8 million

57. In such a context, it is therefore appropriate and necessary that any process adequate to meet the complex, varied, and often highly time-sensitive procurement needs of the UN system include a great deal of flexibility with significant delegated procurement authority provided to the individual funds, programmes and agencies to ensure that the right goods, adequate to meet the specific needs and according to the necessary time requirements, are procured.
58. The governance of UN procurement has to date been designed to effectuate this need for flexibility and delegated authority through a relatively decentralized model. With respect to the policies and standards that govern UN procurement, those promulgated by the UNPD, or advanced through the work of the UN General Assembly’s Fifth Committee, specifically apply to all procuring organizations within the United Nations.
59. For example, as discussed above, all UN procuring organizations must adhere to the broad guiding principles governing UN procurement as set out in the UN Procurement Practitioner’s Handbook and the rules laid out in the FRR, which are adapted to or inform the individual organization’s own procurement policies, procedures and practices. These may have unique characteristics, given the nature of the specific organization, but are broadly consistent with the vision and mandate of UN procurement.<sup>93</sup>
60. Stated differently, the policies and standards promulgated and enforced by the UNPD, including, for example, those set out in the UN Supplier Code of Conduct and the UN Procurement Practitioner’s Handbook, represent the “floor” for all procuring organizations within the UN system but not the “ceiling.”

92. ASR 2019 at 23.

93. UN Procurement Practitioner’s Handbook at 4.

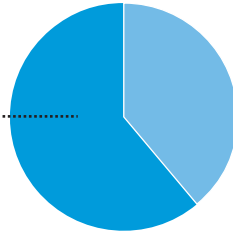


61. The sections immediately following consider the context for sustainable procurement within a handful of individual funds and programmes, including those that have committed considerable time and resources to thinking about how to advance sustainable procurement within the UN. The individual funds and programmes considered here are certainly not the only, or even the most advanced, organizations within the UN family that pursue sustainability within their procurement processes. Those reflected here have been selected because of specific recent initiatives related to sustainable procurement, or on the basis of the volume of their procurement expenditure, or in order to better reflect the variety of operational contexts in which UN organizations must act.
62. Note also that these sections are largely descriptive of the policies, standards or sustainability initiatives undertaken by the organizations discussed.

**(b) Consideration of specific funds/programmes/agencies, including observations of current practices**

**(i) The United Nations Office for Project Services ("UNOPS")<sup>94</sup>**

UNOPS procures approximately **US\$1.095 million** in goods and services each year, roughly **61%** of which comes from developing countries, countries with economies in transition and LDCs.



63. There is significant opportunity for UNOPS to leverage its procurement capacity to incentivize better governed and more sustainable procurement practices by its actual and aspiring suppliers.
64. UNOPS helps the UN and its partners provide peace and security, humanitarian and development solutions. On average UNOPS implements over 1,000 projects each year with a delivery of over US\$2 billion in more than 80 countries, often in the most challenging contexts in which the UN operates. UNOPS's services include infrastructure, project management, procurement, human resources and financial management. Its services are diverse. For example, UNOPS manages the construction of schools in Afghanistan, builds roads to allow food to reach remote villages in Central Africa, provides mine clearing services to conflict and post conflict zones, procures essential pharmaceuticals in Myanmar and Guatemala, and brings life-saving supplies into Yemen.
65. Sustainable procurement is deeply embedded in UNOPS's procurement policy. UNOPS often procures for other UN funds, programmes and agencies, making it one of the most important and advanced procuring entities in the UN system. As of January 2020, UNOPS implemented a range of mandatory measures through the mainstreaming of sustainable procurement in key policy instruments.

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94. ASR 2019 at 19.

66. As well as strong policies that embrace and embed sustainability in procurement, UNOPS has implemented dedicated programmes on both supplier sustainability and supplier diversity. For example, UNOPS’s supplier diversity programme (UNOPS Possibilities Programme), focuses on expanding diversity in the UNOPS supply base and leverages its scale of procurement volume to realise increased diversity within domestic markets by specifically targeting local MSMEs, women and youth-owned businesses and other special interest groups. This is done through different methods of capacity development as well as more tangible actions such as “reserve procurements,” which enable UNOPS to limit competition of certain procurement processes to diverse suppliers.
67. UNOPS’s sustainability strategy is based on supplier assessment, inspection and corrective action through its DRiVE programme (Delivering Responsibility in Vendor Engagement). The programme’s overall scope is to ensure UNOPS vendors operate responsibly and in accordance with high standards of integrity, with a focus on human rights, labour standards, equal opportunity, code of conduct, health and safety, quality management and environmental management. This allows UNOPS to evaluate the social and environmental impact of the measures that its suppliers take. This data-driven approach allows UNOPS to make evidence-based decisions on how best to engage with the suppliers to work towards continuous improvements.
68. UNOPS has a dedicated team within its Procurement Group that works specifically on sustainable procurement related issues. Their focus includes the development of policies, procedures and guidance as well as providing oversight and assurance on policy compliance and managing key programmes such as DRiVE and UNOPS Possibilities. The main document governing UNOPS procurement is its Procurement Manual, the latest version of which (Revision 6.1) was issued April 1, 2019 (“UNOPS Procurement Manual”).<sup>95</sup>
69. The UNOPS Procurement Manual includes relevant instructions and procedures related to sustainable procurement. It includes the statement that:
- [A]ll UNOPS personnel involved in procurement activities shall consider sustainable procurement to the extent possible, within the context of their work, the country, the industry sector, and the supply market, with the objective that in due time, sustainable procurement becomes the default modality of procurement in the organization.<sup>96</sup>
70. The UNOPS Procurement Manual provides a “mandatory but flexible” sustainable procurement framework. The Sustainable Procurement Framework (“**UNOPS SPF**”), effective January 1, 2020, applies to procurement expenditures in amounts of US\$5,000 or above. However, the framework does not apply where market conditions are “not deemed suitable for such considerations—either due to lack of availability or for value for money concerns,” in which case a waiver must be requested from the Director of the UNOPS Procurement Group.<sup>97</sup>

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95. Procurement Manual Revision 6.1, UNOPS Procurement Group, April 1, 2019, available at [https://content.unops.org/service-Line-Documents/Procurement/UNOPS-Procurement-Manual-2019\\_EN.pdf](https://content.unops.org/service-Line-Documents/Procurement/UNOPS-Procurement-Manual-2019_EN.pdf).

96. UNOPS Procurement Manual, Revision 6.1, April 1, 2019, at 162 (emphasis added).

97. UNOPS Procurement Procedures, Operational Instruction Ref. OI.PG.2019.01, March 15, 2019 at 15.



71. Section 15 of the UNOPS Procurement Manual, on page 161 of the document, is titled “Transverse Topics” and includes sections on the UN Global Compact and sustainable procurement.<sup>98</sup> The UNOPS Procurement Manual states that UNOPS “expects its suppliers to support the United Nations Global Compact and its principles” (emphasis added).<sup>99</sup>
72. The UNOPS Procurement Manual’s section on sustainable procurement includes the following in its second paragraph:
- The [Sustainable Procurement] concept maintains that government bodies, the public sector and the United Nations have an opportunity, through their collective and substantial purchasing power, to leverage markets to produce more sustainable goods and services. This market influence can be used as a strategic signal to further advance positive action on a wide range of sustainability issues and policy objectives. These may include, but are not limited to: the protection of labor rights, mitigation of adverse environmental impacts, poverty eradication, support for local development, and the achievement of the Sustainable Development Goals. Properly applied, [Sustainable Procurement] can help producers and recipient countries, especially in the developing world, become more efficient and competitive in regional and international markets.<sup>100</sup>
73. The UNOPS Procurement Manual sets out a number of considerations for why UNOPS undertakes sustainable procurement in its operations, including the following:
- It enhances risk management for UNOPS;
  - It encourages the development of more innovative solutions;
  - It serves the long-term development of markets;
  - It is aligned with the Sustainable Development Goals; and
  - It supports the UNOPS guiding procurement principles.<sup>101</sup>
74. The UNOPS SPF includes both general considerations—for example, the fact that sustainable procurement must be flexible (there is no “one size fits all” for sustainable procurement), and that considerations should be tailored to individual procurement needs and the ability of local markets to meet those needs. The UNOPS SPF also encourages procurement practitioners to consider sustainability factors early on in the procurement process and emphasizes that any decisions regarding sustainable procurement requirements be based on evidence—as well as detailed considerations for implementing sustainability factors into UNOPS procurement process.<sup>102</sup>
75. These considerations include detailed guidance on incorporating sustainability considerations in all the major stages of the procurement process, including during the planning stage where the UNOPS SPF encourages, in appropriate circumstances,

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98. Procurement Manual Revision 6.1, UNOPS Procurement Group, April 1, 2019, at 161.

99. Procurement Manual Revision 6.1, UNOPS Procurement Group, April 1, 2019, at 161.

100. Procurement Manual Revision 6.1, UNOPS Procurement Group, April 1, 2019, at 161.

101. Procurement Manual Revision 6.1, UNOPS Procurement Group, April 1, 2019, at 162.

102. Procurement Manual Revision 6.1, UNOPS Procurement Group, April 1, 2019, at 163

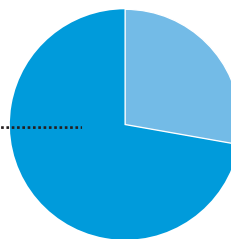


procurement practitioners to conduct market analysis to discover what if any sustainable solutions already exist in a given market. The UNOPS SPF also recommends that procurement practitioners conduct a “sustainability risk assessment,”<sup>103</sup> as well as seeking to “engag[e] with local suppliers to understand where there is potential to enhance their own sustainability,” noting that “the UN Global Compact has a network of local chapters around the world that may be helpful to your suppliers.”<sup>104</sup>

76. The UNOPS SPF includes detailed guidance on including sustainability considerations into the process for defining requirements for any given procurement, as well as sourcing, solicitation, contract financialization and issuance, and contract management.<sup>105</sup>

**(ii) The United Nations Development Programme (“UNDP”)<sup>106</sup>**

The UN Delevopment Programme (“UNDP”) procuress approximately **US\$2 billion** in goods and services each year, with roughly **72%** of that coming from developing countries, countries with economies in transition and LDCs.



77. UNDP is the UN’s “global development network,” serving as both advocate for change and as a means of connecting countries to knowledge, experience and resources to advance their own developmental ambitions. UNDP provides countries advisory services, training and capacity building, and also provides grants to support programming in developing countries. It operates in 177 countries, and is dedicated to helping countries achieve the SDGs, which it does by focusing on poverty reduction, democratic governance, energy and the environment, social development and crisis prevention and recovery.
78. With respect to procurement, UNDP maintains an independent procurement strategy, most recently updated to cover the period 2015–2017.<sup>107</sup> Notably, the UNDP’s procurement strategy identifies procurement as a “strategic function” that is necessary for the fulfilment of UNDP’s vision and mandate to serve the developmental needs of the countries it serves.<sup>108</sup> Specifically, the UNDP’s procurement strategy targets four key purchasing criteria in its effort to “shift[] from a narrow focus on ‘price’ to a calculation based on ‘the total cost of ownership throughout the life cycle of products and services’”. These purchasing criteria are: sustainability, the social costs of carbon emission, women’s empowerment and South-South cooperation.<sup>109</sup>

103. Procurement Manual Revision 6.1, UNOPS Procurement Group, April 1, 2019, at 164.

104. Procurement Manual Revision 6.1, UNOPS Procurement Group, April 1, 2019, at 163.

105. Procurement Manual Revision 6.1, UNOPS Procurement Group, April 1, 2019, at 164.

106. ASR 2019 at 10.

107. UNDP Procurement Strategy, 2015–2017, available at <https://www.undp.org/content/dam/sweden/Procurement%20Strategy%20Final%20July%201%202015.pdf>.

108. UNDP Procurement Strategy at 1.

109. NDP Procurement Strategy at 2.

79. Broadly speaking, UNDP identified six priority areas of work for the period following the launch of the strategy that will advance sustainable procurement in the operational activities of UNDP, set out here as Table 4.

Table 4: UNDP Sustainable Procurement Priority Areas for 2015-2017 <sup>110</sup>
Working to better incorporate sustainability criteria into UNDP’s purchasing evaluations
Developing monitoring mechanisms and assessments to promote vendor compliance in UNDP’s supply chain
Working to stimulate innovation through crowd-sourcing, functional specifications and piloting other innovative technologies
Improving the integration of sustainable procurement at the early stages of projects, including the project design stage
Promoting and utilizing public-private partnerships with companies that focus on innovation and sustainability
Enhancing existing high transparency standards in UNDP’s procurement activities

80. The UNDP’s procurement strategy notes that procurement at UNDP “shall” work to “mutually reinforce the principle-based framework for business contained in the UN Global Compact”—that is, in effect, find ways to encourage UNDP actual and aspirational suppliers to incorporate into their business practices the 10 principles of the UN Global Compact—and states that UNDP will “encourage[] its vendors to adopt sustainable and social responsible policies aligned with [the UN Global Compact’s] ten principles in the areas of human rights, labor, the environment and anti-corruption.”<sup>111</sup>

81. The strategy also commits UNDP to developing monitoring mechanisms that will verify suppliers’ sustainability performance, which will include assessments and spot checks of those suppliers, as well as ensure that vendors in UNDP’s supply chains are complying with national legislation and broader prohibitions on issues such as child and forced labor, disempowerment and abuse.<sup>112</sup>

82. In addition, UNDP maintains a Practitioner’s Guide to Sustainable Procurement (the “**UNDP Guide**”), which provides guidance to procurement professionals within UNDP on how to better embed sustainability factors in the UNDP procurement process.<sup>113</sup> The UNDP Practitioners Guide largely incorporates the policy vision contained in the

110. UNDP, Sustainable Procurement, available at <https://www.undp.org/content/undp/en/home/procurement/sustainable-procurement.html>.

111. UNDP Procurement Strategy at 3.

112. UNDP Procurement Strategy at 4.

113. UNDP Practitioner’s Guide to Sustainable Procurement, available at <https://www.greeningtheblue.org/sites/default/files/Practitioner%27s%20Guide%20to%20Sustainable%20Procurement-1.pdf>.



UN's Supplier Code of Conduct, including identifying the four principle values that govern UN system procurement generally, of seeking out best value for money in UN procurement; promoting fairness, integrity and transparency; undertaking effective international competition when it comes to procurement awards; and ensuring that UN procurement serves the best interest of the organization as a whole.<sup>114</sup>

83. The UNDP Guide instructs UNDP procurement professionals that the identification of adverse social and environmental impacts of products and services is an “important task,” and that when seeking to determine any adverse impacts from the goods and services procured, as the “optimal approach to sustainable procurement implementation,” the practitioner should seek to create a team that at a minimum includes the procurement staff and the requisitioner, as well as people with an in-depth knowledge of the particular product or service.”<sup>115</sup> Doing so “would enhance the ability to identify social and environmental impacts which should be addressed in the procurement.”<sup>116</sup> Notably, the Guide states that “[t]he sustainability outcome of the procurement process should be enhanced by taking into account social and environmental impacts alongside traditional economic and efficiency considerations at various stages of the procurement cycle.”<sup>117</sup>
84. The UNDP Guide identifies four principle means of promoting sustainability in UNDP's procurement process:
- Ensuring the inclusion of sustainable procurement during the project level procurement planning phase of any given project, including by considering carefully the procurement needs for a project; utilizing a procurement contract that conveys the importance of sustainability in the project tender; utilizing a sustainability risk assessment; and conducting a market analysis to assess the maturity of the sustainable products and services market from which specific goods or services might be procured.
  - When including sustainable procurement as a requirement of a project, do so in a way that refers to existing international standards, uses criteria from eco-labels or social labels, or specifies more sustainable production and process methods in order to better ensure its credibility.
  - Consider sourcing responsible suppliers directly, including by incorporating a commitment to the sustainability of the suppliers as part of the evaluation criteria and by ensuring suppliers have the required technical capacity when it comes to sustainability performance.

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114. UNDP Practitioner's Guide at 6.

115. UNDP Practitioner's Guide at 6.

116. UNDP Practitioner's Guide at 7.

117. UNDP Practitioner's Guide at 7.



- Consider utilizing sustainability criteria in the solicitation and evaluation phase of a project to help identify the offer that presents the best combination of quality and price as well as sustainability performance, including by specifying and using quantifiable sustainability criteria alongside other evaluation criteria, by considering life-cycle costs and recycling costs in financial evaluations, and by conducting background checks on potential suppliers related to their record of social and environmental responsibility.<sup>118</sup>
85. The UNDP Guide includes a section on how best to deploy sustainability factors into UNDP’s evaluation process for a request for proposal (“**RFP**”) and how to incentivize vendors to offer more sustainable products and services to UNDP, by incorporating sustainability criteria into UNDP’s existing 1,000-point technical evaluation process.<sup>119</sup> The guide takes a pragmatic approach to the inclusion of sustainability criteria in the evaluation process—noting that if a particular sustainability issue “is not important, or to improve the situation is almost impossible, then there is little point in spending time on dealing with that issue”<sup>120</sup>—while at the same time providing relatively detailed guidance on how to do so, including specifying that approximately 7% of evaluation points on a procurement, and not less than 3% of the points, should be given to sustainability considerations.<sup>121</sup>
  86. An annex included in the UNDP Guide provides detailed information on how procurement professionals at UNDP can incorporate more sustainability factors into the evaluation process for an RFP.<sup>122</sup> For example, the section of the sample template for the technical proposal evaluation form related to the expertise of the firm or organization, the template allocates 30 of the 300 obtainable points in this section to sustainability considerations, including whether the organization is a member of the UN Global Compact or complies with a relevant ISO standard or its equivalent, or whether it demonstrates significant commitment to sustainability through some alternative means.<sup>123</sup>
  87. The annex to the guide also includes sample questions that can be asked to better understand a bidder’s commitment to sustainability, including questions related to the bidder’s sustainable sourcing policy or designed to elicit examples from the bidder of previous successes on contracts where sustainability gains were made.<sup>124</sup>
  88. The guide also provides information on how procurement professionals at UNDP can incorporate sustainability factors in Invitations to Bid, including questions that seek to encourage the bidder to demonstrate any commitment to sustainability, including by asking whether they are a member of the UN Global Compact or whether the company has a

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118. UNDP Practitioner’s Guide at 7.

119. UNDP Practitioner’s Guide at 9.

120. UNDP Practitioner’s Guide at 9.

121. UNDP Practitioner’s Guide at 9.

122. UNDP Practitioner’s Guide at 10.

123. UNDP Practitioner’s Guide at 12.

124. UNDP Practitioner’s Guide at 13.

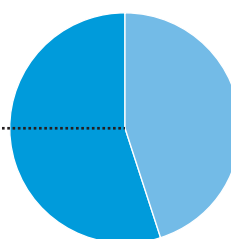


formal sustainability or environmental policy.<sup>125</sup> It provides guidance on how to write a Terms of Reference that promotes sustainable procurement. There is also guidance on how to assist vendors in developing more sustainable goods and services that would make them more competitive for UNDP contracts, in effect articulating a powerful business case for prospective bidders to improve their practices when it comes to sustainability broadly.<sup>126</sup>

89. In short, there is significant good practice and guidance that has been developed by UNDP, including as reflected in UNDP's Practitioner's Guide, that could be the basis for developing more ambitious approaches to sustainable procurement for the UN system more generally.

(iii) The United Nations Children's Fund ("UNICEF")<sup>127</sup>

UNICEF procures roughly **US\$3.8 billion** in goods and services each year ... roughly **55%** of UNICEF procurement came from developing countries, countries with economies in transition and LDCs.



90. UNICEF procures roughly US\$3.8 billion in goods and services each year, the vast majority of which is for vaccines for the children the organization seeks to serve.<sup>128</sup>
91. The mandate of UNICEF, the UN Children's Fund, is to address the long-term needs of children in developing countries everywhere. Its programs focus on developing community level services to promote the health and well-being of children. It currently has a presence in 192 countries, with more than 150 country offices, headquarters and other offices around the world.
92. With respect to procurement, UNICEF is relatively decentralized in its process and operations, with a central office located in Copenhagen Denmark that establishes policy and performs oversight with the large majority of the actual procurement being delegated out to the local offices.
93. UNICEF has a dedicated Sustainable Procurement policy and procedure, set out in "UNICEF Implements Sustainable Procurement" Statement, dated September 2018 (the "UNICEF Statement"), and the UNICEF Procedure on Sustainable Procurement, dated February 2018 (the "UNICEF Procedure").<sup>129</sup>

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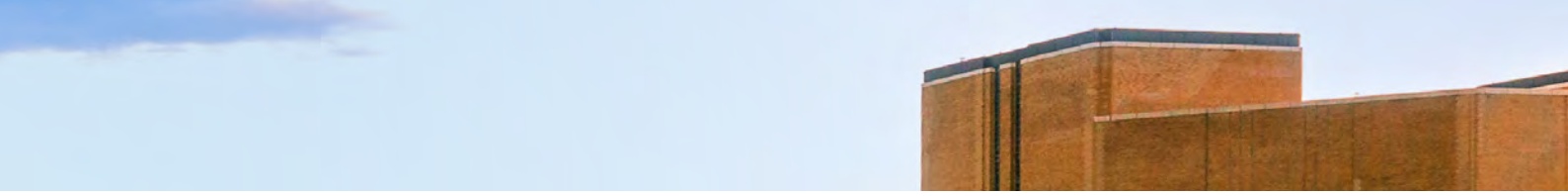
125. UNDP Practitioner's Guide at 16-17.

126. UNDP Practitioner's Guide at 24.

127. ASR 2019 at 10.

128. ASR 2019 at 10.

129. *UNICEF Implements Sustainable Procurement*, September 2018, available at [https://www.unicef.org/supply/files/Sustainable\\_Procurement\\_Information\\_Note.pdf](https://www.unicef.org/supply/files/Sustainable_Procurement_Information_Note.pdf); UNICEF Procedure on Sustainable Procurement, Document Number SUPPLY/PROCEDURE/2018/001, February 19, 2018, available at [https://www.unicef.org/supply/files/UNICEF\\_Procedure\\_on\\_Sustainable\\_Procurement.pdf](https://www.unicef.org/supply/files/UNICEF_Procedure_on_Sustainable_Procurement.pdf).

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94. The UNICEF Statement identifies as an objective of the organization to have “a bigger impact on the Sustainable Development Goals,” and that in order to achieve this objective it will “seek[] to apply a SP framework to its supply operations, to leverage its strategic procurement approach, and address the broad critical issues to advance and attain sustainable development.”<sup>130</sup> The UNICEF Statement notes that, because of the scale of its procurement expenditure, combined with the fact that UNICEF’s procurement services are utilized by governments and other external partners to access supplies, the “manner in which UNICEF procures is now as important as what it procures, especially considering the impact it can have in achieving the SDGs.”<sup>131</sup>
95. Under the UNICEF Procedure:  
UNICEF staff [are encouraged] to consider environmental, social, and economic issues in supply planning, procurement strategies and decisions wherever feasible and as applicable, whether they are for the procurement for UNICEF’s programmes, office assets and services or other procurement modalities supported by UNICEF, taking into consideration the full supply chain cycle, from requirements definition through to use by the end users, monitoring and evaluation, and disposal or decommissioning.<sup>132</sup>
96. The UNICEF Procedure mandates that each UNICEF office determine “‘how’ and ‘what’ aspects of sustainable procurement should be implemented based on the general considerations and guidelines” contained in the relevant documents.<sup>133</sup>
97. The UNICEF Procedure also sets out the following goals with respect to sustainable procurement in the organization:  
By 2019, UNICEF will have a clear and widely communicated strategic approach and framework for sustainable procurement. UNICEF will actively promote sustainable procurement in its engagement with partners, practitioners, suppliers and donors.  
By 2023, UNICEF will become a leading practitioner and contributor to UN sustainable procurement. Sustainable procurement will become a fundamental approach to UNICEF’s supply and logistics operations.  
By 2030, UNICEF sustainable procurement will demonstrate measurable contributions to achieving the SDGs.<sup>134</sup>

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130. *UNICEF Implements Sustainable Procurement* at 1.

131. *UNICEF Implements Sustainable Procurement* at 2.

132. UNICEF Procedure on Sustainable Procurement, Document Number SUPPLY/PROCEDURE/2018/001, at 1.

133. UNICEF Procedure on Sustainable Procurement, Document Number SUPPLY/PROCEDURE/2018/001, at 1.

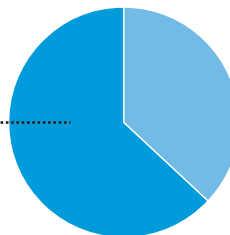
134. UNICEF Procedure on Sustainable Procurement, Document Number SUPPLY/PROCEDURE/2018/001, at 2-3.



98. UNICEF’s Procedure also encourages UNICEF offices to actively promote sustainable procurement considerations throughout the life of any given project, including in the pre-procurement stage, during the supply planning and procurement strategy phases as well as when developing detailed technical specifications for the procurement; the procurement stage, including urging that solicitation documents explicitly set out any sustainability measures to be included as part of the procurement evaluation criteria and stating that financial evaluation of a bid will, when feasible, be based on an analysis of whole-life costs; and post-procurement, which requires that UNICEF offices plan logistics in a manner that minimizes the environmental and financial costs of that activity and requiring that UNICEF offices monitor supplier environmental and social performance in carrying out any given contract in order to “continuously improve quality of supplies and services and strengthen supply chains.”<sup>135</sup>
99. UNICEF has made it a policy goal to procure as locally as possible, and has worked proactively to incentivize the development of local markets for goods it must procure in significant quantities.
100. For example, an important product that UNICEF procures in large quantities is ready-to-use therapeutic food (“**RUTF**”) which is a nutrient-rich food used primarily in emergency contexts to treat children who are suffering from acute malnutrition. For many years the RUTF market consisted primarily of one international supplier, from which UNICEF procured all its RUTF needs, with all of the negative environmental and societal impacts that came with it. In 2017, UNICEF worked to incentivize the development of local markets to produce supply availability nearer to where the need for RUTF was, and in the process advanced broader economic and development goals, generating new employment opportunities, and facilitating the transfer of technical, production and supply chain expertise, as well as reducing the negative environmental impacts incurred when transporting RUTF around the world.<sup>136</sup>

**(iv) The United Nations High Commissioner for Refugees (“UNHCR”)<sup>137</sup>**

UNHCR procures a little more than **US\$1.1 billion** in goods and services each year, with roughly **63%** coming from developing countries, countries with economies in transition and LDCs.



135. UNICEF Procedure on Sustainable Procurement, Document Number SUPPLY/PROCEDURE/2018/001, at 3-4.

136. *UNICEF Implements Sustainable Procurement* at 6.

137. ASR 2019 at 10.





101. The mandate of the United Nation’s High Commissioner for Refugees is to protect refugees, forcibly displaced communities and stateless people, and assist in their voluntary repatriation, local integration or resettlement to a third country, wherever they are. UNHCR is currently present in 134 countries, through a mixture of regional, branch and field offices, working to serve more than 70 million forcibly displaced people currently.
102. Given the nature of its mandate and mission, UNHCR purchases a range of goods, largely through local offices, necessary to support the various phases of emergency response, from tents, plastic sheeting and jerry cans to armored vehicles and even boats and motorcycles in certain jurisdictions.
103. UNHCR is currently working to decentralize its operations and many of its functions, including with respect to procurement.
104. UNHCR’s procurement process, like elsewhere in the UN system, is to focus on value for money, where sustainability issues factor into the quality consideration in the value for money analysis. There is a perception at UNHCR that sustainability considerations play a small role in procurement in the field, in crisis contexts, and also at headquarters, where sustainability considerations may be included as part of a “check list” when defining the procurement strategy for a given item.
105. However, UNHCR’s Doing Business guidance includes a section addressing sustainable procurement. There it states that “UNHCR makes a concerted effort to ensure that funds are spent in as environmentally friendly a manner as possible,” noting that UNCHR procurement is required to purchase “products that minimize any negative impact on the environment.”<sup>138</sup>

## 4.3 Current efforts to increase or improve sustainable procurement in UN system

### (a) Historical Context for UN Procurement Reform

106. Since as early as 1999 there have been ongoing efforts to reform UN procurement, including as regards issues of governance and sustainable procurement, with principal areas of reform having been codified in a number of official UN documents, particularly Resolution A/RES/54/14 of November 22, 1999. This Resolution sought to identify specific reform initiatives that would help to strengthen the principles of transparency, effectiveness and efficiency within UN procurement, while also serving to make procurement more reflective of the diverse international character of the United Nations as whole.

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138. Doing Business with UNHCR, available at <https://www.unhcr.org/afr/3b9203194.pdf>.



107. Resolution A/RES/54/14 of 1999 identified the specific reform initiatives for UN procurement set out in Table 5, below.

<b>Table 5: Priorities for reform of UN procurement set out in UN General Assembly Resolution A/RES/54/14, dated November 22, 1999.<sup>139</sup></b>
Increased opportunities to suppliers from developing countries and countries with economies in transition; wider participation of suppliers from all Member States in general; and improvement of communication with suppliers; improvement of system for registration of suppliers.
More transparent, open, impartial and cost-effective procurement processes, based on competitive tendering.
Increased use of modern electronic means of communication to disseminate/receive information regarding requests for proposals, invitations to bid and requests for expressions of interest.
Assurance that bids received through electronic means are not compromised.
Increased transparency of procurement decisions and maintenance of the principle of separation of responsibilities of the requisitioning and approving officers.
Improved use of acquisition planning.
Enhanced professionalism of procurement practitioners through increased training and formal certification in essential qualifications.
Improved cooperation and common regulations and rules.
Increased field support.
Enhanced accountability through greater delegation of authority.
Definition of conflict of interest and implementation of a zero-tolerance policy on gifts and hospitality.
Introduction of financial disclosure programs for procurement staff.
Introduction of independent procurement challenge systems.

108. In April 2007, what had to date been an informal working group of senior procurement staff from different UN agencies, known as the Inter-Agency Procurement Working Group, was formalized under the UN Chief Executives Board’s High Level Committee on Management. Today that body is known as the High-Level Committee on Management Procurement Network and consists of representatives of 40 UN organizations.<sup>140</sup>

139. UN General Assembly Resolution A/RES/54/14, November 22, 1999, available at <https://www.refworld.org/docid/3b00f2794.html>.

140. UN Procurement Practitioner’s Handbook at 12.



109. The stated purpose of the HLCM PN is to promote the strategic importance of procurement and supply chain management in the UN’s programmatic and service delivery, and to do so in a transparent and accountable manner. Its four working groups focus on professional development of procurement staff, strategic vendor management, harmonization of UN procurement business processes and practices, and helping to ensure that sustainable procurement is embedded in broader UN procurement efforts.<sup>141</sup>
110. Recently, the HLCM PN initiated a project seeking to eliminate human trafficking and forced labor in UN supply chains, the purpose of which is to “clearly demonstrate the UN and HLCM PN’s commitment to combat human trafficking and forced labour in its supply chains.” The project document for this initiative states its objective as:
- (a) to integrate this commitment [of eliminating human trafficking and forced labor in UN supply chains] into the procurement decisionmaking process;
  - (b) to promote policy coherence by developing harmonized policies and guidelines to reduce the exposure to and consequences of human trafficking and forced labour within the operations; and
  - (c) to sensitize the wider community of stakeholders (vendors, contractors and sub-contractors) on the existing practices of forced labour and human trafficking in supply chains. The proposed Framework will be based on the best practices outlined in the normative frameworks and government guidelines of international organizations. It will be supported by corresponding capacity building initiatives, practical due diligence measures, and performance reporting.
111. Among the identified outcomes of the project is the development of a UN Human Trafficking and Forced Labour Statement, communicating the UN commitment to addressing the topic of Human Trafficking and Forced Labour in UN Supply Chains, which ultimately will be included in both the UN Supplier Code of Conduct as well as in standard UN contract templates. The development of an overarching framework on this topic was expected to take place in early 2021 but we have not been able to confirm whether that has occurred.

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141. UN Procurement Practitioner’s Handbook at 12.





112. Separately, identified achievements to date of the HLCM PN are set out in Table 6, below.

Table 6: Principal reform achievements of the HLCM PN since 2007. <sup>142</sup>
Establishment and ongoing enhancement of the UN Global Marketplace: notably, the reform and simplification of the vendor registration process; facilitating information-sharing on sanctioned vendors; enabling integration with UN agency e-tendering and enterprise resource planning systems and development of a comprehensive knowledge center for the benefit of both external stakeholders and UN staff.
Development and implementation of a Model Policy Framework for Vendor Sanctioning, including vendor flagging functionality in UNGM.
Development of Guidelines for Common UN Procurement at the Country Level and corresponding training materials.
Agreement on best practice for sharing long-term agreements among UN agencies.
Standardization of the Table of Contents for UN procurement manuals.
Improved cooperation between UN agencies at headquarters-level through the establishment and strengthening of Common Procurement Teams.
Identification of key commodities and services for collaborative procurement; for example, vehicles, freight forwarding and cargo insurance.
Facilitation of supplier access to UN business opportunities, especially for entities from developing countries and countries with economies in transition: through coordinated business seminar activities; improving availability of web-based information and fostering partnerships with Chambers of Commerce and Trade Agencies, etc.
Development of sustainable procurement tools, guidelines, guides, training and indicators for the UNGM.
Development of Procurement Guidance for the implementation of the UN Disability Inclusion Strategy.
Compiling and sharing regular overviews of procurement training opportunities for reference purposes for UN procurement practitioners, including online training on sustainable procurement
Development and maintenance of the publication UN Procurement Practitioner's Handbook.

142. UN Procurement Practitioner's Handbook at 12–13.



113. More broadly, in August 2009 the UN Secretary-General submitted a report to the General Assembly, as an addendum to the Secretary-General's Comprehensive Report on United Nations Procurement Activities, detailing the "content of and criteria for the concept of sustainable procurement, including detailed information on its possible impact on the diversification of the origin of vendors and on international competition, including for developing countries and countries in transition."<sup>143</sup> Notably, this report reflects an understanding within the United Nations of sustainable procurement as "an acquisition process whereby organizations meet their requirements for goods, services, works and utilities in a way that achieves value for money on a whole of life basis in terms of generating benefits not only to the Organization, but also to society and the economy, while minimizing its impact on the environment."<sup>144</sup>
114. The Secretary-General's report highlighted his view that sustainable procurement is generally consistent with existing UN regulations and rules, including as relates to prohibitions on child labor, the sale or manufacture of mines, or engaging in sexual exploitation or unethical behavior as detailed in the UN Procurement Manual. The report also notes references contained in the UN Supplier Code of Conduct regarding the UN Global Compact and the UN's "encouragement" that suppliers to the UN register with UN Global Compact.<sup>145</sup>

#### **(b) Implications of DSG's reform initiatives for UN procurement**

115. Since UN Secretary-General António Guterres took up his position in January 2017 there has been renewed focus on UN reform, particularly with respect to the UN Development System ("UNDS"). Reform of the UNDS was mandated by the UN General Assembly, in Resolution A/RES/72/279 of May 31, 2018, which was issued in response to the Secretary-General's calls for a "UN development system to deliver on the 2030 Agenda."<sup>146</sup>
116. Beginning in January 2019, the UN system has begun implementing changes that, in the words of Secretary-General Guterres, represent "the most significant structure change process in the history of the United Nations," aimed at making the UN nimbler, less bureaucratic, more transparent and accountable, and more decentralized and effective.<sup>147</sup>

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143. Comprehensive Report of the Secretary-General on United Nations Procurement, Add 2, A/64/284/Add.2, 11 August 2009, available at [https://www.un.org/ga/search/view\\_doc.asp?symbol=A/64/284/ADD.2](https://www.un.org/ga/search/view_doc.asp?symbol=A/64/284/ADD.2).

144. Comprehensive Report of the Secretary-General on United Nations Procurement, Add 2, A/64/284/Add.2, 11 August 2009, at 3 (citing the definition for sustainable procurement adopted by the Task Force on Sustainable Public Procurement led by Switzerland and others in the context of the Marrakech Process on sustainable consumption and production).

145. Comprehensive Report of the Secretary-General on United Nations Procurement, Add 2, A/64/284/Add.2, 11 August 2009, at 6.

146. UN General Assembly Resolution A/RES/72/279, 31 May 2018, available at <https://undocs.org/en/A/RES/72/279>.

147. UN Secretary-General Antonio Guterres, Briefing on UN Reform, available at <https://reform.un.org/news/un-secretary-general-antonio-guterres-un-reform>.

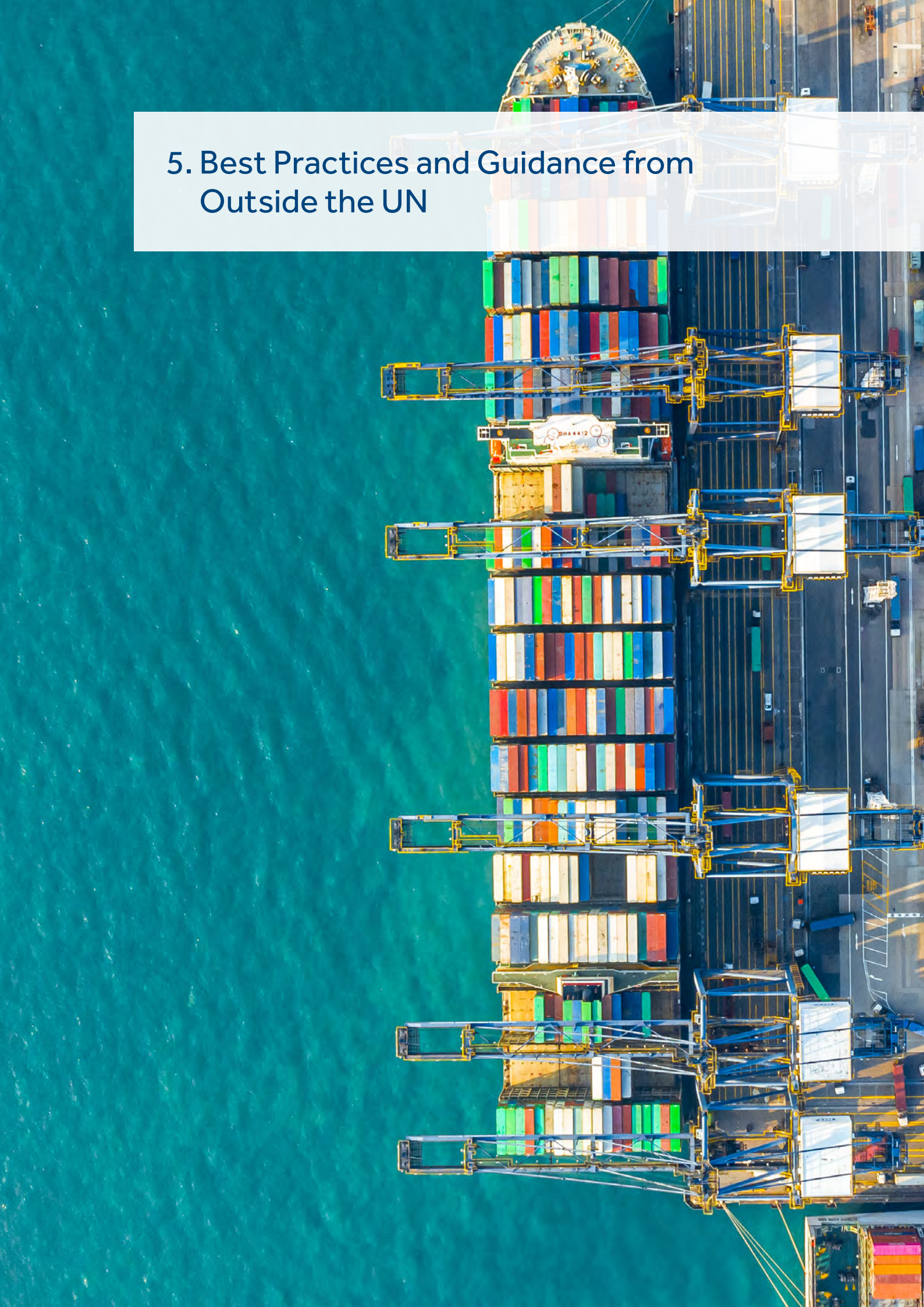


117. Secretary-General Guterres has delegated primary responsibility for UNDS reform to Deputy Secretary-General Amina Mohammed, and it has advanced through a series of meetings and workstreams with the ultimate objective of improving the governance and performance of the UN Development System in connection with the implementation of the 2030 Agenda for Sustainable Development.
118. To date, sustainable procurement for the UN system has not been a focus of these efforts, and it appears not to have been mentioned specifically in the various discussions and documents produced in connection with UN reform. These broader reform discussions would, however, represent an opportunity for more focused and ambitious consideration of increasing sustainable procurement within the UN.

### **(c) Sustainable Procurement Working Group**

119. Since 2007 there has been a Sustainable Procurement Working Group (“**SPWG**”), organized within the framework of the HLCM PN, the aim of which is to facilitate the integration of sustainable procurement interventions in the procurement activities of the UN system. In subsequent years the SPWG notably has actively promoted the sustainable procurement agenda within the UN system, and driven forward the development of a number of tools for procurement practitioners within the UN, including training courses, guidelines, frameworks and case studies.
120. In the context of the 2030 Agenda for Sustainable Development, which calls upon the UN system (among others) to effectively operationalize and embed the SDGs into its structure and activities—including SDG 12, which relates to “ensur[ing] sustainable consumption and production patterns and which includes Target 12.7, to “promot[e] public procurement practices that are sustainable, in accordance with national policies and priorities—here are ongoing efforts to update the objectives and working arrangements of the SPWG.
121. In 2017, UNOPS and UNEP relaunched the SPWG with revised terms of reference for a revitalized role for the group, which would see it become organized as a networking platform for fostering collaboration between UN agencies on sustainable procurement.
122. The SPWG has committed to developing a work plan detailing specific actions, as well as the distribution of responsibility for work plan implementation, and it will be open to the participation of all member organizations of the HLCM PN with participation being based on expression of interest by the agencies of the UN.

## 5. Best Practices and Guidance from Outside the UN





## 5.1 Relevance of private and public sector procurement to UN system procurement

123. In the last decade or so, largely as the result of efforts by organizations like the UN Global Compact, the Business Twenty (“B20”), and the World Economic Forum, there has been broader societal pressure promoting “responsible business conduct” and an alignment of standards and expectations related to the responsibility of companies to avoid and address adverse impacts of their activities. An increasing number of multinational and domestic businesses actively seek to operate in ways that minimize the negative effects of business behavior on environmental or social issues. Here, the private sector has been a pioneer in developing policies and good practices regarding sustainable procurement, broadly defined.
124. In a similar vein, many governments have been incorporating sustainability issues in their own procurement strategies and practices. At times this is in order to comply with domestic environmental regulation, or legislation related to the human rights impacts of procurement policies and business practices. At other times it is in order to align a state’s procurement practices with its national development plans.
125. While the UN system is unique—subject to a range of competing interests among various stakeholder groups and between the mandates of the various funds, programmes and agencies that carry out its work—there are elements of good practice and procedure that have developed in the private and public sectors regarding sustainable procurement that are relevant to procurement within the UN system, both at the UN Procurement Division level as well as at the funds and programmes level. Here we highlight a number of examples taken from the private and public sectors of organizations that are pioneering efforts to promote sustainable procurement and responsible supply chains.

## 5.2 Private sector

126. In the course of our research, we have reviewed the sustainable procurement practices and guidelines of various multinational business enterprises that are UN Global Compact members and recognized leaders in the field of sustainability, and publicly available information about corporate sustainable procurement practices more generally. We have also supplemented this review of publicly available information with interviews of members of the sustainable procurement teams at several multinational companies.
127. This section will first highlight some of the key sustainable procurement practices that are increasingly becoming standard practice in the private sustainability field. The section will then go on to discuss some of the more innovative approaches to private sector sustainable procurement discussed in interviews conducted for this report, or in publicly available materials.



## 5.2.1 Private sector procurement practices

### (a) Internal and external documentation regarding the implementation of sustainable development

#### (i) Codes of Conduct / Ethics and Guidance for Vendors

128. Most large organizations with cross-border operations have developed sets of documents—often in the form of codes of conduct, ethical guidelines, or similar materials—which outline their core business principles and the general behaviors that are expected of employees and third-party vendors.<sup>148</sup> The 2019 EcoVadis and NYU Stern sustainable procurement survey of 210 buying organizations across industries and geographies noted that the majority of respondents had a supplier code of conduct in place.<sup>149</sup> Many leading private sector players have taken this a step further, and devised sustainable procurement guidelines specifically for vendors.<sup>150</sup> These guidelines often contain straightforward language that seeks to ensure that vendors comply with the buyers’ core values and key international standards—such as the UN Global Compact principles, core ILO Conventions (in particular the ILO MNE Declaration), UN Guiding Principles for Business and Human Rights (UNGPs) OECD MNE Guidelines, and the UN Declaration of Human Rights.
129. Different companies address these values and standards with varying degrees of detail. While some provide for a basic overview, others provide a comprehensive and exhaustive list of duties and obligations applicable to vendors in their procurement codes with specific examples. For example, Lojas Renner, a Brazilian clothing manufacturer, lists in its code of conduct for suppliers a series of “mutual commitments” or general legal principles applicable to Lojas Renner’s suppliers.<sup>151</sup> Maersk, on the other hand, has opted for a supplier code of conduct that provides a more detailed description of the standards it requires its supplies to comply with.<sup>152</sup> Similarly, AB InBev, a multinational beverages company, lists a series of specific obligations in its responsible sourcing policy, which includes, for example, a requirement that its suppliers set carbon emission reduction

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148. Tannis Thorlakson, Joann F. de Zegher, and Eric F. Lambin, Companies’ contribution to sustainability through global supply chains, PNAS February 27, 2018 115 (9) 2072-2077; first published February 12, 2018 <https://doi.org/10.1073/pnas.1716695115> (“Responding to calls from the global community, companies are adopting a variety of voluntary practices to improve the environmental and/or social management of their suppliers’ activities.”)

149. EcoVadis, EcoVadis Supports Due Diligence Efforts Conducted by the Foundation for The Global Compact and Seven United Nations Agencies, October 30, 2018, p. 21, <https://resources.ecovadis.com/news-press/ecovadis-supports-due-diligence-efforts-conducted-by-the-foundation-for-the-global-compact-and-seven-united-nations-agencies>.

150. Tannis Thorlakson, Joann F. de Zegher, and Eric F. Lambin, Companies’ contribution to sustainability through global supply chains, PNAS February 27, 2018 115 (9) 2072-2077; first published February 12, 2018 <https://doi.org/10.1073/pnas.1716695115> (“By far the most common approach is a supplier code of conduct, with over 40% of companies having a code of conduct related to social and/or environmental issues in their supply chain.”)

151. Lojas Renner S.A., Code of Conduct for Suppliers of Lojas Renner S.A.

152. See, e.g., Maersk’s Third Party Code of Conduct, “Working and Employment Conditions”, p. 3.



targets.<sup>153</sup> Meanwhile, Michelin does not just specify the principles its suppliers are required to comply with, but also specifies the principles its suppliers are “expected” to comply with.<sup>154</sup> Nevertheless, there are certain common elements to procurement codes, including, for example, provisions outlining general international principles or standards, such as the UNGPs<sup>155</sup> OECD Guidelines for Multinational Enterprises, ILO MNE Declaration that suppliers must follow, and provisions outlining a standardized initial screening procedure for the hiring of new suppliers, and contemplating subsequent monitoring/audit rights.

### **(b) Integrating Procurement and Sustainability Functions**

130. Many private sector entities expressly incorporate sustainability goals into their procurement functions, which can then develop and promote a coherent set of principles, convey uniform messages and instructions across the enterprise and to the market as a whole, monitor the performance of suppliers directly, and work with suppliers to overcome potential challenges.<sup>156</sup> For example, half of the respondents to the 2019 EcoVadis and NYU Stern sustainable procurement survey stated that they expressly consider sustainability performance when selecting new suppliers and renewing contracts with existing suppliers.<sup>157</sup>
131. Sustainable procurement practices also include appointing a head of sustainable procurement or a dedicated team overseeing procurement that is in charge of developing and driving the company’s sustainability programs. For example, Grupo Bancolombia’s sustainable procedure policy states that “sustainability management” team will review for compliance with the sustainability policy.<sup>158</sup> Similarly, one of the companies interviewed for this report has a dedicated sustainable procurement team composed of three persons, which oversees approximately 3,000 people in charge of procurement globally.

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153. AB InBev’s Global Responsible Sourcing Policy, August 2020, ¶ 7.2.1.

154. See, e.g., Michelin’s Purchasing Principles, 2020.

155. Notably, the UN Guiding Principles articulate a due diligence process for assessing the potential human rights impacts of a business’s activities, including those of a business’s suppliers. The core components of the UNGPs’ human rights due diligence are: (a) identifying and assessing actual or potential adverse human rights impacts that the enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships; (b) integrating findings from impact assessments across relevant company processes and taking appropriate action according to its involvement in the impact; (c) tracking the effectiveness of measures and processes to address adverse human rights impacts in order to know if they are working; and (d) communicating on how impacts are being addressed and showing stakeholders that there are adequate policies and processes in place. The due diligence process established by the UNGPs, which has been widely adopted by the multinational business community, provides a useful model for assessing prospective UN vendors. See UN Guiding Principles on Business and Human Rights, [https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf).

156. See, e.g., Li, C., & Lehmann, M., *Multinational Companies’ (MNC’s) Implementation of Sustainable Supply Chain Management in Chinese Subsidiaries*.

157. EcoVadis, *EcoVadis Supports Due Diligence Efforts Conducted by the Foundation for The Global Compact and Seven United Nations Agencies*, October 30, 2018, p. 28, <https://resources.ecovadis.com/news-press/ecovadis-supports-due-diligence-efforts-conducted-by-the-foundation-for-the-global-compact-and-seven-united-nations-agencies>.

158. Grupo Bancolombia, *Corporate Policy of Sustainable Procurement*, Version No. 2, July 10, 2019, Article 7.2.



132. Many leading companies embed sustainability principles throughout their entire corporate structure. For example, General Electric has integrated sustainability throughout the corporation by using its human resource department to instill sustainability principles into the company's culture, including through hiring practices and training.<sup>159</sup>

### **(c) Sustainable procurement: from documents to practice**

#### **(i) Selection and Training of Suppliers**

133. Many private companies consider sustainability criteria in the selection process. For example, in its 2019 Sustainability Report, Orbia, a Mexico-based company, stated that, in 2020, it would begin to use the EcoVadis platform to evaluate its suppliers across a range of factors, including the environment, labor, human rights, ethics and sustainable sourcing practices.<sup>160</sup> Also, Mitsubishi, through its "Green Accreditation System," certifies suppliers who meet its sustainability standards.<sup>161</sup>

134. Some private sector players work with actual and prospective suppliers to raise awareness regarding sustainability and help them build or improve their capabilities to be more sustainable. For example, Croner-i, a UK-based information services provider, notes in its sustainable procurement policy that "[w]e will [...] encourage and influence our suppliers to improve their sustainability practice and will inform and educate potential suppliers on our corporate sustainability objectives."<sup>162</sup> Colbun, a Chilean electric company, has likewise adopted a Contractors and Providers' Management Model, in which the company has adopted a general commitment to training to its suppliers on sustainability.<sup>163</sup> Similarly, AB InBev has provided training to thousands of its suppliers on responsible sourcing.<sup>164</sup>

135. Others have programs to finance and incentivize the movement of suppliers towards sustainability: for example, a financing program for suppliers that offers sustainable suppliers a better discount rate on their invoices, or a program that uses returns on financing dedicated to corporate sustainability to train suppliers on sustainable practices. For example, in 2016, Starbucks issued the first U.S. corporate sustainability bond. A portion of the returns on that bond are used to train coffee farmers on sustainable agriculture and climate-smart farming.<sup>165</sup>

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159. J. Confino, "Best practices in sustainability: Ford, Starbucks and more", 30 April 2014, available at <https://www.theguardian.com/sustainable-business/blog/best-practices-sustainability-us-corporations-ceres>.

160. Orbia, 2019 Sustainability Report, p. 42

161. Mitsubishi Electric website, Sustainability, CSR, Social, Supply Chain Management, available at <https://www.mitsubishielectric.com/en/sustainability/csr/social/supplychain/index.html>.

162. Croner-i, Sustainable Procurement Policy, last reviewed 8 May 2019, available at <https://app.croneri.co.uk/topics/sustainable-procurement-corporate-social-responsibility-sustainability-procurement-goods-0>.

163. Colbun, Contractors and Providers' Management Model.

164. AB InBev, Suppliers Responsible Sourcing, available at: <https://www.ab-inbev.com/suppliers/sourcing-responsibly/>.

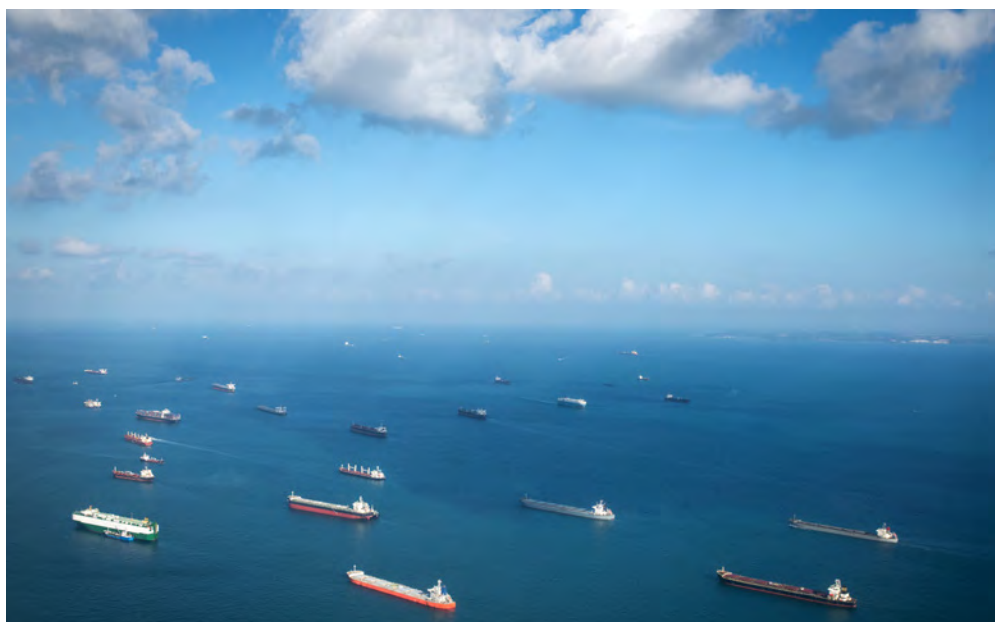
165. BSR, "New Models for Sustainable Procurement", February 2018, at 9.





## (ii) Adopting a Risk-Based Approach to Dealings with Suppliers

136. Many leading business entities adopt a risk-based approach to sustainable procurement—understanding the potential risks to which an organization is exposed and identifying ways to mitigate them to the extent possible—by conducting due diligence on actual or prospective suppliers.
137. Some private sector players have taken various approaches to supplier due diligence. Some rely on standardized risk assessments that capture a wide range of issues, including safety, human rights, and labor concerns to conduct due diligence. That was true for at least one of the companies we interviewed for this report. Representatives from other companies explained that their supplier evaluation process is customized based on the type of service provided, the risks associated with the relevant jurisdictions, and the extent to which the risks can be mitigated or otherwise controlled. Similarly, Viking Malt, a Nordic-based malting company, has introduced a supplier audit system in Finland, with a specific focus on crop rotation and improving nutrient balance and soil quality.<sup>166</sup>
138. Several leading companies outsource this process in part or in whole to service providers like EcoVadis, an organization that regularly works with UN agencies and whose sustainability assessment methodology is aligned with the UN Global Compact’s Ten Principles.<sup>167</sup> In particular, EcoVadis provides detailed insights into environmental, social, and ethical risks across 190 purchasing categories in 150 countries. Others conduct the process in-house, for example, by reviewing public databases, media reports or information channeled through its compliance ombudsman to identify risks and potential issues, and then performing regular audits on its suppliers.



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166. Viking Malt, Corporate Social Responsibility Report 2019, p. 25.

167. <https://resources.ecovadis.com/news-press/ecovadis-supports-due-diligence-efforts-conducted-by-the-foundation-for-the-global-compact-and-seven-united-nations-agencies>.



### (iii) Closing the Gap

139. When selected suppliers are not entirely suited to address certain sustainability-related concerns, leading private sector players work with their suppliers to establish a plan to identify issues and implement corrective measures. Such actions aiming at “closing the gap” contemplate helping suppliers identify sustainability issues and prioritize their resolution.
140. For example, companies can help suppliers identify and analyze potential issues by providing feedback from due diligence, evaluations, or audits of suppliers. Representatives from one company interviewed for this report explained that it helps suppliers identify and analyze potential sustainability-related issues. Hilton, the global hotel brand, also works with its suppliers to, for example, reduce plastic and food waste, increase recycling and collaborate with local communities on sustainable projects.<sup>168</sup> Similarly, Enel Américas, a conglomerate of South American electrical companies, gathers information from its suppliers about the environmental performance of their products and creates and implements co-innovation projects to improve suppliers’ production chains.<sup>169</sup> For sufficiently sophisticated suppliers, the identification of potential issues may be sufficient to allow the suppliers to address and correct these issues on their own. For smaller suppliers that may not have the capacity, the company can use the assessment process to provide more detailed guidance and assist with risk mitigation strategies.

## 5.2.2 Innovative approaches to sustainable procurement

141. Some companies have gone even further than the above-mentioned measures in an attempt to integrate sustainability into their supply chains, going beyond mere compliance and engaging with suppliers to achieve common sustainability goals. One project is Walmart’s “Project Gigaton,” which it launched in 2016 and is aimed at preventing the release of one gigaton of emissions in its global supply chain by 2030.<sup>170</sup> As part of this project, Walmart has asked its suppliers to make commitments to contribute toward achieving this goal.<sup>171</sup> Walmart has also promised to provide an emissions reduction toolkit to its suppliers to assist the suppliers in meeting their commitments.<sup>172</sup> Notably, Walmart’s efforts to incorporate sustainability into its supply chain have moved away from the traditional compliance-oriented approach, in which companies require suppliers to meet certain requirements and monitor compliance with audits. Instead, collective sustainability compliance is incentivized by providing recognition to those individual suppliers who meet their sustainability goals. For example, Walmart recognizes its top achieving suppliers as “Sparking Change” or “Giga-Guru” suppliers on its website.<sup>173</sup>

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168. SDC Executive website, Award, SDCE Green Supply Chain Award 2020: Sustainability Requires Accountability, available at <https://www.sdcexec.com/awards/green-supply-chain/article/21198202/sdce-green-supply-chain-award-2020-sustainability-requires-accountability>.

169. Enel Américas, 2019 Sustainability Report, p. 246.

170. BSR, “New Models for Sustainable Procurement”, February 2018, at 8.

171. BSR, “New Models for Sustainable Procurement”, February 2018, at 8.

172. BSR, “New Models for Sustainable Procurement”, February 2018, at 8.

173. P. Stevens, “Behind Walmart’s push to eliminate 1 gigaton of greenhouse gases by 2030,” CNBC, December 15, 2019, available at <https://www.cnbc.com/2019/12/15/walmarts-project-gigaton-is-its-most-ambitious-climate-goal-yet.html>.



142. Other companies have worked toward providing a platform for dialogue or the sharing of resources between its suppliers. For example, Mars, the global confectionary manufacturer, has created a “Farmer Income Lab,” which is a “think-do tank” that facilitates cross-sector dialogue in Mars’ supply chains in an attempt to increase farmer income in developing countries.<sup>174</sup>
143. Some companies have alternatively combined innovative technological practices with its supply chain to improve the sustainable performance of its suppliers. For example, Raymond, a New York-based forklift truck and pallet jack manufacturer, has installed supplemental active solar lighting into its supply chain.<sup>175</sup> Walmart also uses technology in its supply chain to predict demand, track inventory level and plan efficient transport routes.<sup>176</sup>

### 5.2.3 The “Greater Cost” Fallacy

144. Business enterprises adopting sustainable practices often have to overcome the perception—both within their organizations and among their suppliers—that sustainability equals higher costs or that there is a lack of resources or capacity to implement sustainable procurement approaches. Representatives from the companies interviewed for this report argued that the notion that increased sustainability always resulted in greater cost was a fallacy. They were firmly of the view that sustainable procurement has achieved better results for individual companies and different sectors as a whole. They stressed the need to move away from a mindset where sustainable practice was looked at as an added cost, and recognize the potential to develop new sustainable markets to replace outdated ones—such as the new market for food-grade recyclable plastics—and the broader positive impact sustainability has on working conditions, worker performance and corporate identity.
145. As management consulting firm McKinsey & Company confirms in its report on sustainable business practices: “[m]any companies are actively integrating sustainability principles into their businesses [...] and they are doing so by pursuing goals that go far beyond earlier concern for reputation management—for example, saving energy, developing green products, and retaining and motivating employees, all of which help companies capture value through growth and return on capital.”<sup>177</sup> Similarly, in the 2019 EcoVadis and NYU Stern sustainable procurement survey, companies with leading sustainable procurement programs reported a range of benefits including cost savings, as well as risk mitigation, innovation, and improved procurement metrics.<sup>178</sup>

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174. Mars website, Farmer Income Lab, available at <https://www.farmerincomelab.com/>.

175. Raymond website, News, 2020, Raymond Received 2019 Green Supply Chain Award, available at <https://www.raymondcorp.com/news/2020/raymond-receives-2019-green-supply-chain-award>.

176. D. Vella, “Using technology to improve supply chain management,” SourceToday website, November 14, 2012, available at <https://www.sourcetoday.com/supply-chain/article/21865881/using-technology-to-improve-supply-chain-management>.

177. McKinsey & Company, “The business of sustainability”, October 2011, available at <https://www.mckinsey.com/business-functions/sustainability/our-insights/the-business-of-sustainability-mckinsey-global-survey-results>.

178. EcoVadis and NYU Stern Center for Sustainable Business, Sustainable Procurement Barometer 2019, 40-41, <https://www.stern.nyu.edu/sites/default/files/assets/documents/2019-sustainable-procurement-barometer-from-compliance-to-performance.pdf>.



146. Recognizing the value and range of benefits in adopting sustainable practices, leading private sector players build support for sustainable procurement by presenting sustainability as an opportunity, rather than a potentially expensive burden, for the procuring company and its suppliers. This positive message on sustainability highlights the benefits of adopting of more sustainable business practices, including cost reduction in the longer-term for the procuring company and increased revenue opportunities through improved products or services for the supplier. For example, John Mitchell, a Scottish transport company, saved nearly GBP 300,000 on its diesel consumption by providing training to its drivers.<sup>179</sup> Natura & Co, a Brazilian beauty company markets itself by emphasizing that it uses locally-sourced ingredients that create sustainable supply chains.<sup>180</sup> Similarly, Sainsbury's, a UK-based supermarket chain, worked with its dairy farmers on animal welfare and, in doing so, gained a more detailed understanding of its dairy supply chain. This understanding in turn led to the development of a more holistic approach to dairy management, one that takes into account the amount dairy farmers are paid, gives greater attention to the health of herds and allows for greater investment back into the dairy farms<sup>181</sup>
147. Other companies have realized significant savings after working with suppliers to reduce emissions and improve environmental management.<sup>182</sup> Hewlett-Packard "helped its suppliers avoid 800,000 metric tons of CO2 emissions and save more than US\$65 million through developing energy-saving action plans targeting local efficiency improvements."<sup>183</sup> In 2008, Wal-Mart cut back on the number of driving miles of its trucks to reduce CO2 emissions by 200,000 metric tons, resulting in fewer trucks on the road and savings of nearly US\$200 million.<sup>184</sup>

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179. Scottish Government's Department for Transport, Case Study: Fuel Saving in a Scottish Haulage Fleet, February 2010 p. 10.

180. See e.g. Ethical Biotrade website, Brands, Natura, available at <https://www.ethicalbiotrade.org/brands-1/2018/6/12/natura>; O. Blach, "Natura commits to sourcing sustainably from Amazon," The Guardian, March 18, 2013, available at <https://www.theguardian.com/sustainable-business/natura-sourcing-sustainably-from-amazon>.

181. K. White, "Sainsbury's celebrates achievements of Dairy Development Group," the Grocer, November 15, 2017, available at <https://www.thegrocer.co.uk/dairy/sainsburys-celebrates-achievements-of-dairy-development-group/560151.article>.

182. J. L. Hardcastle, "How Hewlett-Packard, General Motors, Other Major Purchasers Helped Suppliers Save \$12.4 Billion by Reducing Emissions", January 24, 2017, available at <https://www.environmentalleader.com/2017/01/how-hewlett-packard-general-motors-other-major-purchasers-helped-suppliers-save-12-4-billion-by-reducing-emissions/>.

183. J. L. Hardcastle, "How Hewlett-Packard, General Motors, Other Major Purchasers Helped Suppliers Save \$12.4 Billion by Reducing Emissions", January 24, 2017, available at <https://www.environmentalleader.com/2017/01/how-hewlett-packard-general-motors-other-major-purchasers-helped-suppliers-save-12-4-billion-by-reducing-emissions/>.

184. Sustainable Procurement: An introduction for practitioners to sustainable procurement in World Bank IPF projects, the World Bank, April 2019, at 9.





## 5.3 Public sector

148. Recent procurement practices and guidelines by governments and international organizations also demonstrate an increased focus on sustainability. This section highlights examples of sustainable public procurement initiatives undertaken by governments and the approaches to sustainable procurement advanced by the World Bank and the OECD.

### 5.3.1 Governmental Approaches to Sustainable Procurement

149. States wield enormous purchasing power, with procurement often representing a substantial percentage of any given country's economic activity. The OECD estimates that public procurement accounts for approximately 12% of GDP and 29% of the national budget on average for OECD and partner countries.<sup>185</sup> States thus have tremendous opportunity to positively influence global value chains and to incentivize local businesses to take up more sustainable and responsible business practices.
150. Governments increasingly view the procurement of goods and services as a key vehicle for fulfilling their broader sustainability obligations, including with respect to the advancement of the Sustainable Development Goals. For example, the Government of Sweden, on its procurement portal maintained by the National Agency for Public Procurement, recognizes that “[p]rocurement is an important instrument in achieving socio-political objectives. Incorporating environmental considerations and social considerations into procurement practices contributes to sustainable development and to achieving Sweden’s national environmental-quality objectives.”<sup>186</sup> Sweden has developed a national public procurement strategy with commitments to environmentally responsible and socially sustainable public procurement, as well as sustainability criteria that may be considered for the procurement of specific types of goods or services.<sup>187</sup>
151. In September 2020, the UK government issued a Procurement Policy Note (PPN) launching a “new model to deliver social value through government’s commercial activities.”<sup>188</sup> The PPN mandates that “social value” be explicitly evaluated in all central government procurement, where the requirements are related and proportionate to the subject matter of the contract. This contrasts with the UK government’s prior practice

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185. OECD, *Responsible Business Conduct in Government Procurement Practices*, June 2017, available at <https://mneguidelines.oecd.org/Responsible-business-conduct-in-government-procurement-practices.pdf>.

186. National Agency for Public Procurement, *Sustainable Procurement*, available at <https://www.upphandlingsmyndigheten.se/en/sustainable-public-procurement/>.

187. Sweden’s Ministry of Finance, *National Public Procurement Strategy*, 2017, at 9, available at [https://www.upphandlingsmyndigheten.se/globalassets/english/procurement/national\\_public\\_procurement\\_strategy\\_english\\_web.pdf](https://www.upphandlingsmyndigheten.se/globalassets/english/procurement/national_public_procurement_strategy_english_web.pdf); National Agency for Public Procurement, *Sustainability Criteria*, available at <https://www.upphandlingsmyndigheten.se/en/sustainable-public-procurement/sustainable-procurement-criteria>.

188. Procurement Policy Note – Taking Account of Social Value in the Award of Central Government Contracts, Action Note PPN 06/20, dated September 2020, available at [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/921437/PPN-06\\_20-Taking-Account-of-Social-Value-in-the-Award-of-Central-Government-Contracts.pdf?ct=t\(RSS\\_EMAIL\\_CAMPAIGN\)&mc\\_cid=62a90c480e&mc\\_eid=dee7e9a54e](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/921437/PPN-06_20-Taking-Account-of-Social-Value-in-the-Award-of-Central-Government-Contracts.pdf?ct=t(RSS_EMAIL_CAMPAIGN)&mc_cid=62a90c480e&mc_eid=dee7e9a54e).



which, under the Public Services (Social Value) Act of 2012, required only that social value be “considered” in the contracting process. However, the PPN highlights that “[u]nnecessary burdens should not be placed on commercial teams and suppliers” as a result of the new model. The PPN further clarifies that “the overarching objective for the Government’s commercial activities will remain achieving the best commercial outcome, but must be balanced against a requirement that the “public sector must maximise social value effectively and comprehensively through its procurement.”<sup>189</sup>

152. While the approaches to encouraging sustainable procurement vary across governments, an increasing number of governments are adopting national sustainable procurement commitments within comprehensive action plans or regulations and policies that target specific aspects of sustainable procurement.<sup>190</sup> Sustainable public procurement remains still most commonly associated with environmental issues, but the scope of policies adopted by governments is widening to include social objectives as well,<sup>191</sup> as reflected in the UK government’s recent Procurement Policy Note highlighted above.

153. For example, Switzerland has developed guidelines for federal procurement officials that outline consideration of environmental as well as social and economic factors in its procurement.<sup>192</sup> Its 2016 to 2019 Sustainable Development Strategy, developed as the main instrument for implementing the 2030 Agenda and SDGs, sets out Switzerland’s goals to ensure its public procurement of goods “satisfy the high economic, environmental and social requirements throughout their life cycles” and “sets an example with its own procurement activities, by purchasing products and constructing buildings that are economical, environmentally compatible and healthy, and are produced or built by means that are as socially responsible as possible.”<sup>193</sup> Switzerland also requires a systematic status report on how the Confederation fulfils its corporate social responsibility as an employer, purchaser, investor and owner of state-run enterprises to assess action areas for the future and proposals for improvement.<sup>194</sup>

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189. Procurement Policy Note – Taking Account of Social Value in the Award of Central Government Contracts, Action Note PPN 06/20, dated September 2020, available at [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/921437/PPN-06\\_20-Taking-Account-of-Social-Value-in-the-Award-of-Central-Government-Contracts.pdf?ct=t\(RSS\\_EMAIL\\_CAMPAIGN\)&mc\\_cid=62a90c480e&mc\\_eid=dee7e9a54e](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/921437/PPN-06_20-Taking-Account-of-Social-Value-in-the-Award-of-Central-Government-Contracts.pdf?ct=t(RSS_EMAIL_CAMPAIGN)&mc_cid=62a90c480e&mc_eid=dee7e9a54e).

190. UNEP, Factsheets on Sustainable Procurement in National Governments, 2017, at vii, ix, available at <https://www.oneplanetnetwork.org/sites/default/files/factsheets2017.pdf>.

191. UNEP, Factsheets on Sustainable Procurement in National Governments, 2017, at vii, available at <https://www.oneplanetnetwork.org/sites/default/files/factsheets2017.pdf>; see also UNEP, Global Review of Sustainable Public Procurement, 2017, available at [https://wedocs.unep.org/bitstream/handle/20.500.11822/20919/GlobalReview\\_Sust\\_Procurement.pdf](https://wedocs.unep.org/bitstream/handle/20.500.11822/20919/GlobalReview_Sust_Procurement.pdf).

192. Swiss Federal Department of Finance, Sustainable Procurement: Recommendations for Federal Procurement Officials, June 2014, available at file:///C:/Users/ulyss/AppData/Local/Packages/Microsoft.MicrosoftEdge\_8wekyb3d8bbwe/TempState/Downloads/Recommendations%20for%20sustainable%20Procurement%20(1).pdf.

193. Swiss Federal Council, Sustainable Development Strategy 2016-2019, 2016, at 51, available at <https://www.are.admin.ch/are/en/home/sustainable-development/strategy-and-planning/sustainable-development-strategy-2016-2019.html>.

194. Swiss Federal Council, Sustainable Development Strategy 2016-2019, 2016, at 51, available at <https://www.are.admin.ch/are/en/home/sustainable-development/strategy-and-planning/sustainable-development-strategy-2016-2019.html>.



154. Canada has also implemented specific sustainable procurement policies containing both social and environmental elements toward its Sustainable Development Strategy.<sup>195</sup> For example, the Procurement Strategy for Aboriginal Business, aims “to increase the number of Aboriginal firms participating in the federal procurement process”<sup>196</sup> by, for example, encouraging joint ventures among Aboriginal and non-Aboriginal firms competing for government contracts and hiring of Aboriginal sub-contractors.<sup>197</sup> Canada has also adopted a broad-based commitment to green procurement, including a goal to make the Canadian government’s real property “low-carbon, client resilient, and green” and more specifically to lower its carbon footprint by 40% by 2030.<sup>198</sup>
155. Countries outside of Europe and North America have also made significant progress in developing sustainable procurement strategies and new practices. For example, Brazil has adopted a number of sustainable procurement policies and regulations, including Normative Instruction SLTI/MP nº 01/201032, which requires federal agencies to implement a Sustainable Logistics Management Plan.<sup>199</sup> The Brazilian government has also issued an executive decree that establishes criteria, practices and guidelines for the promotion of sustainable development in contracts issued by the Federal Public Administration.<sup>200</sup> South Korea also has implemented numerous sustainable procurement policies incorporating both environmental and socio-economic goals at the national level with monitoring systems in place for sustainable public procurement institutionalization and the purchases of sustainable products and services.<sup>201</sup> At the municipality level, the Seoul Metropolitan Government has played a leading role in promoting sustainable procurement, particularly on environmental objectives.<sup>202</sup> Since

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195. Government of Canada, Federal Sustainable Development Strategy, available at <https://www.canada.ca/en/services/environment/conservation/sustainability/federal-sustainable-development-strategy.html>.

196. Government of Canada website, Procurement Strategy for Aboriginal Business, available at <https://www.sacisc.gc.ca/eng/1354798736570/1610985991318>.

197. Government of Canada website, Procurement Strategy for Aboriginal Business, available at <https://www.sacisc.gc.ca/eng/1354798736570/1610985991318>.

198. Government of Canada, Greening Government, Federal Sustainable Development Strategy, available at <https://www.canada.ca/en/treasury-board-secretariat/services/innovation/greening-government/strategy.html>.

199. UNEP, Factsheets on Sustainable Procurement in National Governments, 2017, at 18, available at <https://www.oneplanetnetwork.org/sites/default/files/factsheets2017.pdf>; Produção e Consumo Sustentáveis, Jan. 16, 2015 (Bra.), available at <https://mma.gov.br/publicacoes/responsabilidade-socioambiental/category/90-producao-e-consumo-sustentaveis>.

200. UNEP, Factsheets on Sustainable Procurement in National Governments, 2017, at 16, available at <https://www.oneplanetnetwork.org/sites/default/files/factsheets2017.pdf>; Decree no. 7746 establishing criteria, practices, and guidelines for the promotion of national sustainable development in contracts by the Federal Public Administration, June 5, 2012 (Bra.), available at [http://www.planalto.gov.br/CCIVIL\\_03/\\_Ato2011-2014/2012/Decreto/D7746.htm](http://www.planalto.gov.br/CCIVIL_03/_Ato2011-2014/2012/Decreto/D7746.htm).

201. UNEP, Factsheets on Sustainable Procurement in National Governments, 2017, at 123-, available at <https://www.oneplanetnetwork.org/sites/default/files/factsheets2017.pdf>.

202. ICLEI Global Lead City Network on Sustainable Procurement, City of Seoul: Sustainable Procurement Profile, October 2018, [https://gicn-on-sp.org/fileadmin/user\\_upload/Publications/SP\\_Profiles/City\\_of\\_Seoul\\_GLCN\\_on\\_SP\\_Profile.pdf](https://gicn-on-sp.org/fileadmin/user_upload/Publications/SP_Profiles/City_of_Seoul_GLCN_on_SP_Profile.pdf).





2007, all public institutions in Seoul have been obligated to procure green products if available.<sup>203</sup> The city has focused on furthering sustainable procurement activities on key sectors through a series of specific targets, such as requiring all new public vehicles to be electric if available and requiring all newly constructed and renovated public buildings to acquire best-in-class building certification.<sup>204</sup>

156. Other examples confirm that local governments can also take a leading role in the implementation of sustainable procurement processes. For instance, the Government of the Autonomous City of Buenos Aires has sought to include sustainability criteria in public procurement processes since 2012 using a flexible and progressive implementation strategy, including drafting sustainability recommendations and guidelines, adopting sustainability criteria in the specification sheets for procurements, and training and engaging stakeholders across government bodies as well as suppliers.<sup>205</sup> The city includes sustainability criteria in 65% of all framework agreements and 75% of all centralized purchases. It has also set and achieved specific sustainability targets, such as becoming the first Latin America capital to replace 100% of public lighting with LEDs in 2019.<sup>206</sup> As a member of the Global Lead City Network on Sustainable Procurement, the City of Cape Town has committed to integrating sustainable procurement in its procurement policies and procedures and has developed targeted initiatives to promote the green economy and climate change response, such as investments in energy efficient lighting and the inclusion of sustainability criteria in its vehicle fleet tenders where possible.<sup>207</sup>

### 5.3.2 Guidance for Public Procurement from International Organizations

157. The World Bank defines sustainable procurement as “a process which incorporates sustainability considerations throughout the procurement process in order to achieve optimal [value for money] in delivery development objectives.”<sup>208</sup>

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203. ICLEI Global Lead City Network on Sustainable Procurement, Seoul—South Korea, <https://glcn-on-sp.org/cities/seoul/>.

204. ICLEI Global Lead City Network on Sustainable Procurement, Seoul—South Korea, <https://glcn-on-sp.org/cities/seoul/>.

205. ICLEI Global Lead City Network on Sustainable Procurement, Buenos Aires—Argentina, <https://glcn-on-sp.org/cities/buenos-aires/>.

206. ICLEI Global Lead City Network on Sustainable Procurement, Spotlight, June 17, 2020, <https://glcn-on-sp.org/spotlight?c=search&uid=39amZKIK>.

207. ICLEI Global Lead City Network on Sustainable Procurement, Cape Town (South Africa): Sustainable Procurement Profile, 2016, [https://glcn-on-sp.org/fileadmin/user\\_upload/Publications/SP\\_Profiles/City\\_of\\_Cape\\_Town\\_GLCN\\_on\\_SP\\_Profile.pdf](https://glcn-on-sp.org/fileadmin/user_upload/Publications/SP_Profiles/City_of_Cape_Town_GLCN_on_SP_Profile.pdf); ICLEI Global Lead City Network on Sustainable Procurement, Cape Town—South Africa, <https://glcn-on-sp.org/cities/cape-town/>.

208. Sustainable Procurement: An introduction for practitioners to sustainable procurement in World Bank IPF projects, the World Bank, April 2019, available at <http://pubdocs.worldbank.org/en/788731479395390605/Guidance-on-Sustainable-Procurement.pdf>.

158. These sustainability considerations are organized by the World Bank under what it terms the “three pillars of sustainability,” consisting, respectively, of economic, environmental and social considerations, and including the examples set out in Table 7, below.

<b>Table 7: World Bank’s Three Pillars of Sustainability<sup>209</sup></b>	
Economic	<ul style="list-style-type: none"> <li>Economic regeneration</li> <li>Sustainable economic development</li> <li>Emerging markets</li> <li>Development of SMEs</li> <li>Total cost of ownership and life cycle costing</li> <li>Value for money</li> <li>Poverty reduction</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>Environmental resource management</li> <li>Urban planning</li> <li>CO2 reduction</li> <li>Alternative energies: e.g., solar, wind</li> <li>Water management</li> <li>Sustainable agriculture</li> <li>Marine resources management</li> <li>Protection of ecosystems</li> <li>Pollution and waste management</li> </ul>
Social	<ul style="list-style-type: none"> <li>Human rights</li> <li>Clean drinking water</li> <li>Food security</li> <li>Fair pay and labor law practices</li> <li>Anti-child labor and forced labor laws</li> <li>Fair trade</li> <li>Health and safety</li> <li>Gender equality including universal education</li> <li>Child mortality and maternal health</li> <li>Healthy lives and well-being for all</li> </ul>

209. Sustainable Procurement: An introduction for practitioners to sustainable procurement in World Bank IPF projects, the World Bank, April 2019, at 2-3.



159 The World Bank, which considers sustainable procurement “smart” procurement in the sense that it takes what the World Bank describes as a “three-dimensional life cycle approach versus the traditional one-dimensional, economics-focused approach,” identifies five key business drivers as reasons for taking up sustainable procurement practices:

- *Financial*: Sustainable procurement reduces the total operating costs by procuring more efficient and sustainable goods or services, including by developing the market’s capacities to deliver sustainable solutions; increasing demand for sustainable solutions which also increases market competitiveness; striving for innovation and more sustainable outcomes; achieving cost savings by applying life-cycle costing; and minimizing disposal cost and the sustainable impacts of products at the end of their life.
- *Risk Management*: Sustainable procurement requires engaging in the mapping of economic, legal, environmental and social sustainability threats and opportunities and developing approaches to manage them.
- *Commitments and Goals*: Sustainable procurement helps reflect organizational culture, values and ethics, including through the development of sustainable procurement policies that are aligned with a country’s overall strategy.
- *Responses to Increasing Stakeholder Expectations*: Sustainable procurement helps meet increasingly wide-spread expectations from investors, civil society, and citizens for more socially responsible sustainable products.
- *Attractiveness*: Improving a country’s practices when it comes to sustainable procurement can improve the country’s image when it comes to attracting financial investors, boosting labor markets, and advancing development goals more generally.<sup>210</sup>

160. Guidance from the OECD identifies the following rationales that governmental organizations should leverage public procurement to encourage “responsible business conduct” and respect for human rights:

- Public funds should not contribute to the negative environmental or social impacts of business operations;
- Governments expect business to behave responsibly and should lead by example. Adopting responsible business conduct principles in the procurement process, such as supply chain due diligence, will create a better environment to deliver better outcomes;
- A growing body of evidence indicates that responsible business conduct is good for business, and these benefits, such as reduced costs, higher quality products, and more efficient supply chains, also apply to governments; and
- Governments have a national interest in encouraging other countries to integrate responsible business conduct considerations into their public procurement processes in order to promote a level playing field for their own companies when operating abroad.<sup>211</sup>

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210. Sustainable Procurement: An introduction for practitioners to sustainable procurement in World Bank IPF projects, the World Bank, April 2019, at 4.

211. Responsible Business Conduct in Government Procurement Practices, OECD, June 2017, at 4-6.



161. Practically speaking, the World Bank identifies the following stages in the public procurement process where sustainability issues can come to the fore:

- Initial identification of sustainability needs, which consists of determining the key sustainability impacts and issues that the procurement approach will address, which could arise from a given country's policies on economic, environmental or social sustainability issues, or from community needs and expectations, or from risks that naturally arise in the context of a given project
- Analysis of sustainability needs, which includes consideration of where and how sustainable procurement can be introduced into the strategic thinking and project management planning process in terms of meeting the needs of the project
- Developing sustainability requirements and evaluation methodology, which includes defining the sustainability requirements of the procurement, which may include "conformance based specifications," or those related to the technical requirements of the design, method of production, construction or delivery, or "performance based specifications," or those that describe the outcomes required in terms of business, functional or sustainable performance requirements. This can include the use of social-label criteria or eco-label criteria in mandating that a particular procurement must use, for example, Energy Star certified materials
- Supplier selection and awarding of contract, this includes potentially educating the market place about specific sustainability expectations or requirements to help ensure the market can and will fulfill these expectations, as well as developing detailed evaluation criteria, and their respective weighting, for any given procurement, evaluating the non-cost sustainability factors, considering life-cycle costs using available life-cycle costs tools, including in the contract award clauses that ensure the supplier is contractually bound to deliver according to the sustainability commitments identified, and the inclusion of Key Performance Indicators designed to assess performance against the sustainability commitments made.
- Managing contract implementation, including monitoring performance against the sustainability expectations for the project, reporting on the sustainability results, and development of sustainable disposal strategies if the goods must be disposed of at the end of the project or some later date thereafter.
- Post-contract implementation checks, including assessment of whether the sustainability outcomes and priorities were delivered, and if so, what impact they had. There are also assessments as to whether value for money was achieved, and consideration of any lessons learned for future sustainability procurements.<sup>212</sup>

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212. Sustainable Procurement: An introduction for practitioners to sustainable procurement in World Bank IPF projects, the World Bank, April 2019, at 9-32.



162. In June 2017 the OECD issued a guidance note on Responsible Business Conduct in Government Procurement Practices, identifying a number of areas of opportunity for sustainability issues within public procurement consistent with those in the World Bank guidance, including inclusion of responsible business conduct criteria and tender documentation and in efforts to monitor and follow up on procurement efforts.<sup>213</sup>
163. Finally, the International Organization for Standardization (ISO) is an international NGO with a membership of 164 national standards bodies which creates documents that provide requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose. ISO 20400:2017, on Sustainable Procurement Guidance, includes a list of key principles for sustainable procurement, highlighting that “[a]n organization should respect internationally recognized human rights.” It is guidance rather than a certifiable standard, but it identifies core subjects of sustainable procurement including:
- *human rights*: due diligence, human rights risk situations, avoidance of complicity, resolving grievances, discrimination and vulnerable groups, civil and political rights, economic, social and cultural rights, fundamental principles and rights at work;
  - *labor practices*: employment and employment relationships, conditions of work and social protection, social dialogue, health and safety at work, human development and training in the workplace; ...
  - *community involvement and development*: community involvement, education and culture, employment creation and skills development, technology development and access, wealth and income creation, health, social investment.<sup>214</sup>

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213. Responsible Business Conduct in Government Procurement Practices, OECD, June 2017, at 5-6.

214. ISO 20400:2017, on Sustainable Procurement Guidance, available at <https://www.iso.org/standard/63026.html>.

A photograph of several offshore wind turbines in the ocean at sunset. The sky is a mix of orange, pink, and purple, with the sun low on the horizon. The water is dark and reflects the colors of the sky. The turbines are silhouetted against the bright sky. A white rectangular box is overlaid on the top part of the image, containing the text '6. Observations and Recommendations'.

## 6. Observations and Recommendations

## Observations

164. In this Section, we lay out our observations of current UN practices regarding sustainable procurement and identify the perceived hurdles to greater adoption of sustainability principles across the UN system. At the outset, it is important to note that sustainability in procurement includes use of local sources, recognition of human rights and labour rights in global supply chains, and several other factors that the UN already takes into account when making decisions to procure goods and services. For that reason, even where “sustainable” procurement is not an express requirement, current practices may already incorporate sustainable features—albeit to varying degrees.

### **6.1 The UN has already dedicated significant resources to identifying the benefits of sustainable procurement practices and has made meaningful efforts toward more sustainable procurement.**

165. Calls for sustainable procurement within the UN are not new. The UN has long recognized the great potential impact of sustainable procurement practices, and since as early as 2007, it has made efforts towards increased sustainability in its procurement practices. The UN, however, has not always lived up to the expectations in its own exhortations.

166. Several guidelines have already been published on sustainable procurement practices. Notably, in 2008, UNEP, UNDP, and UNOPS published a training guide titled “Sustainable Procurement: Buying for a Better World,” providing an overview of the sustainable procurement concepts.<sup>215</sup> This guide was followed, in 2011, by “Buying for a Better World: A Guide for Sustainable Procurement in the UN,” providing guidance on the development of a sustainable procurement action plan and integration of sustainable development principles in the UN procurement process. These guides seek to provide practical support toward the progressive inclusion of sustainability considerations in the way UN works and operates.

167. In 2015, UN Member States adopted the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals at its heart.<sup>216</sup> With the adoption of these goals, the UN has been called to internalize the SDGs across policy, operational, and administrative aspects.<sup>217</sup> The way the UN manages its operations and procures should advance these goals by providing clear signals to the market in favor of sustainability, innovation, and the promotion of cleaner and more socially responsible products and services.<sup>218</sup>

168. At both the UN Secretariat and the funds and programmes levels, various UN bodies have started to increase sustainable procurement practices as well as transparency around


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215. UNEP, UNDP, and UNOPS, Sustainable Procurement: Buying for a Better World, 2008, [https://www.greeningtheblue.org/sites/default/files/Buyingforabetterworld\\_0.pdf](https://www.greeningtheblue.org/sites/default/files/Buyingforabetterworld_0.pdf).

216. UN, Sustainable Development Goals, Knowledge Platform, « Transforming our world : the 2030 Agenda for Sustainable Development (<https://sustainabledevelopment.un.org/post2015/transformingourworld>).

217. UN Global Marketplace, Sustainable Procurement Tools ([https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT\\_SUST](https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT_SUST)).

218. [https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT\\_SUST](https://www.ungm.org/Shared/KnowledgeCenter/Pages/PT_SUST).



sustainability across the UN system, with particularly notable progress taking place at the funds and programmes level.<sup>219</sup> In particular, we note the steps taken toward making sustainability a core procurement consideration at UNOPS and at UNDP, as reflected in the UNOPS Sustainable Procurement Framework and UNDP’s procurement strategy.<sup>220</sup>

169. Although sustainability is not a mandatory consideration, UN bodies, including the UNPD, have placed increased importance on sustainability considerations when interpreting the mandatory Financial Regulations and Rules.<sup>221</sup> Similarly, UN vendors on the UN Global Marketplace are required to acknowledge the UN Supplier Code of Conduct, which—though it does not expressly mandate sustainable practices—sets out the minimum standards expected of UN vendors that align with sustainability principles.<sup>222</sup>
170. However, despite these calls and efforts towards sustainable procurement, progress toward adoption of sustainable procurement practices has been uneven across the UN system. Those interviewed for this report have said that this is in part due to a perceived lack of mandate from or buy-in by Member States, concerns about costs, and a lack of expertise on sustainable procurement practices. We discuss each of these concerns briefly below.

## **6.2 The perceived lack of mandate constrains a more ambitious approach to sustainable procurement within the UN system as a whole and, in particular, at the UN Secretariat.**

171. Across the UN system, procurement officers have consistently cited the perceived lack of mandate as a key challenge for the greater adoption of sustainable procurement practices. Currently, governing documents and guidance material on procurement by the UN Secretariat encourage but do not mandate consideration of sustainable procurement principles.
172. For example, the 2017 UN Supplier Code of Conduct integrates the principles of the UN Global Compact on labor, human rights, the environment and ethical conduct, into the operations of the United Nations by setting out standards expected of UN vendors.<sup>223</sup> However, the standards are “expected” with no mandatory compliance requirements or obligations.<sup>224</sup> Consequently, the Supplier Code of Conduct does not set out any mandatory consequences for vendor noncompliance or require due diligence programs to assess vendor compliance.<sup>225</sup>

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219. See *supra* Section 4.2.1.

220. See *supra* Section 4.2.2.

221. See *supra* Section 4.2.1.

222. See *supra* Section 4.2.1; UN Supplier Code of Conduct, Rev. 06, December 2017, ¶ 1.

223. UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, § 15.1; UN Supplier Code of Conduct, Rev. 06, December 2017, Preamble.

224. See UN Supplier Code of Conduct, Rev. 06, December 2017, ¶ 1.

225. See UN Supplier Code of Conduct, Rev. 06, December 2017, ¶ 11.



173. The 2020 Procurement Manual published by UNPD includes new references to sustainability compared to past versions and recognizes that factoring in sustainability considerations “can provide added value” to the United Nations.<sup>226</sup> However, the Procurement Manual does not mandate consideration of sustainability considerations at any stage of the procurement process and avoids use of the term “sustainable procurement” altogether. Procurement officers are only “expected to encourage UN vendors to adopt sustainable and socially responsible policies ... in accordance with the UN Supplier Code of Conduct” and “may” consider full life-cycle costs, for example, in evaluating bids.<sup>227</sup>
174. Despite recent progress described in Section 4, there is no formal policy or strategy on sustainable procurement at the UN Secretariat. Without a clear commitment on sustainable procurement, efforts at the UN Secretariat have avoided the label of “sustainable procurement” and remained *ad hoc* without measurable targets and outcomes.
175. Even short of a formal commitment or mandatory policy, the guidance and message from the UN Secretariat could go further in endorsing and promoting procurement practices that support the UN sustainable development agenda and SDGs. Member States have already called on the UN system and UN Secretariat to integrate various aspects of sustainable development practices in its operations, and the broader UN reform discussions described in Section 4.3 represent an opportunity to adopt a more ambitious approach to sustainable procurement.<sup>228</sup> With its leading role in UN

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226. See Section 4.2.1(a)(ii).

227. See UN Procurement Division, Office of Supply Chain Management, Department of Operational Support, United Nations Procurement Manual, June 30, 2020, §§ 6.4.6.3, 15.2.

228. See, e.g., General Assembly Resolution A/RES/66/288, September 11, 2012, ¶ 96 (“We call upon the United Nations system to improve the management of facilities and operations, by taking into account sustainable development practices, building on existing efforts and promoting cost effectiveness, and in accordance with legislative frameworks, including financial rules and regulations, while maintaining accountability to Member States.”); General Assembly Resolution A/RES/67/226, January 22, 2013, ¶ 15 (“Calls upon the United Nations system to improve the management of facilities and operations by taking into account sustainable development practices, building on existing efforts and promoting cost-effectiveness, in accordance with legislative frameworks, including financial rules and regulations, while maintaining accountability to Member States.”); General Assembly Resolution A/RES/70/205, February 4, 2016, ¶ 14 (“Requests the Secretary-General, as a follow-up to paragraph 96 of the outcome document of the United Nations Conference on Sustainable Development, entitled ‘The future we want,’ to submit an action plan for the Secretariat that will be designed to work within existing procurement rules and policies aimed at integrating sustainable development practices into its operations and facilities management, building on existing efforts and promoting cost-effectiveness, and in accordance with legislative frameworks, including financial rules and regulations, while maintaining accountability to Member States, with the specific goal of a United Nations that does not, through its operations or facilities management, have a negative impact on the climate, as soon as possible, or by 2020, if practicable[.]”); General Assembly Resolution A/RES/71/228, February 7, 2017, ¶ 14 (recalling its request for an action plan); see also Report of the Secretary-General, Action Plan for Integrating Sustainable Development Practices into Secretariat-Wide Operations and Facilities Management, A/72/82, April 27, 2017, ¶ 7 (“In accordance with General Assembly resolutions 70/205 and 71/228, the United Nations is expected to contribute to those goals by integrating sustainable development considerations into its own management practices. In that context, the United Nations system has specifically committed to improving the environmental performance of its facilities and operations.”); General Assembly Resolution A/RES/72/219, December 20, 2017 (“Endorses the action plan for integrating sustainable development practices into Secretariat-wide operations and facilities management submitted by the Secretary-General, and requests the Secretary-General to implement his relevant recommendations within existing resources.”); General Assembly Resolution A/RES/73/236, December 20, 2018, ¶ 29 (“Calls upon the Secretary-General to promote renewable energy, energy efficiency and related sustainable practices in all United Nations facilities and operations around the world, set implementation targets and timelines by the end of 2019, building on and avoiding duplication with existing initiatives, and report on progress, within the most relevant existing reporting frameworks.”).


procurement, a clear message from the UN Secretariat emphasizing the opportunity to support the UN's mission through sustainable procurement practices that are consistent with UN procurement principles could help push past misconceptions and perceived lack of mandate to shift the “narrative” around sustainable procurement.

### **6.3 The perceived lack of support from some Member States masks a more nuanced set of circumstances inside and outside the UN.**

176. Another challenge to the UN's greater adoption of sustainability principles is the perceived lack of support for those principles from certain UN Member States. In particular, interviewed UN officers noted a general perception that some States—primarily, though not exclusively, those with developing or emerging economies—viewed sustainable procurement considerations as a disadvantage to suppliers in their countries. While the perceived lack of “buy-in” has a historical basis, recent years have seen an increase in sustainable vendors from across the world, including those from Developing Countries and LDCs.
177. The view that the developing world does not wholly support sustainable procurement stems, in part, from a 2009 Fifth Committee meeting where some Member States expressed concerns as to how sustainable procurement would affect competition and suppliers from their countries. That Committee concluded “the implementation of sustainable procurement should be explored with caution,” and explained that adoption of sustainable procurement practices “should not become a new challenge to the participation of developing countries and countries with economies in transition in United Nations procurement.”<sup>229</sup>

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229. See Report of the Advisory Committee on Administrative and Budgetary Questions, Comprehensive Report of the Secretary-General on United Nations Procurement Activities, October 23, 2009, A/64/501, ¶ 55; see also UN, Meetings Coverage, Budget Committee Takes Up United Nations Procurement, with Top Official Describing Spike in Volume during Surge in Peacekeeping, October 28, 2009, <https://www.un.org/press/en/2009/gaab3924.doc.htm> (reporting with respect to the view of the representative of Sudan, speaking on behalf of the “Group of 77” developing countries and China, that “the report on sustainable procurement did not address the concerns that the Assembly had expressed in resolution 62/269. It failed to provide sufficient information for an informed decision on the matter, in particular on its impact on the diversification of the origin of vendors and international competition, including for developing countries and economies in transition. The Assembly had not considered that concept for approval, and he urged the Secretariat to avoid any initiatives that would pre-empt a decision of the General Assembly”); *id.* (reporting with respect to the view of the representative of Pakistan that “the concept of sustainable procurement should not become a new conditionality to the participation of vendors from developing countries and countries with economies in transition”).

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178. In essence, the concern is that meeting sustainability goals may be impracticable, from a cost as well as a logistical perspective, for vendors and suppliers outside of the most developed countries. Indeed, subsequent Fifth Committee reports in 2013, 2015, and as recently as in 2017, reiterated “the need for caution” regarding sustainable procurement and rejected a pilot project on sustainable procurement as “premature.”<sup>230</sup> In those reports, the Committee expressed a need for further work by the Secretary-General “to refine the understanding of the concept of environmentally friendly and sustainable procurement and how it can be applied in practical terms to the United Nations.”<sup>231</sup>
179. Despite these concerns, procurement from developing countries, countries with economies in transition, and LDCs has consistently grown, and is currently at an all time high across the UN system.<sup>232</sup> Moreover, much of this growth occurred at the funds and programmes level, in organizations such as UNOPS and UNDP, which make sustainable procurement a core requirement of their tender and evaluation processes.<sup>233</sup>

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230. Report of the Advisory Committee on Administrative and Budgetary Questions, Comprehensive Report on United Nations Procurement Activities, March 18, 2013, A/67/801, ¶¶ 39-41 (“The Advisory Committee notes that the General Assembly has not endorsed the application of sustainable procurement criteria (see resolution 62/269). . . . The Advisory Committee reiterates its stated position that, should the General Assembly decide to approve the approach, the implementation of sustainable procurement should be explored with caution in a manner consistent with best practices in today’s global market and with the United Nations procurement principles of best value for money; fairness, integrity and transparency; effective international competition; and the interest of the United Nations (see A/64/501, para. 55).”); Report of the Advisory Committee on Administrative and Budgetary Questions, United Nations Procurement Activities Report, March 4, 2015, A/69/809, ¶ 39 (“The Advisory Committee takes note of the preliminary proposals presented by the Secretary-General and recalls that the United Nations system has been called upon to improve the management of facilities and operations by taking into account sustainable development practices, building on existing efforts and promoting cost-effectiveness, in accordance with legislative frameworks, including financial rules and regulations, while maintaining accountability to Member States (General Assembly resolution 66/288, para. 96). The Committee recalls, however, that the General Assembly has not considered for approval the concept of environmentally friendly and sustainable procurement, and has requested the Secretary-General to prepare a comprehensive report on the content of and criteria for such a concept, including its possible impact on the diversification of the origin of vendors and on international competition (see resolution 62/269). In this regard, the Committee is of the view that, in order for the Assembly to consider this matter, more work needs to be done by the Secretary-General to refine the understanding of the concept of environmentally friendly and sustainable procurement and how it can be applied in practical terms to the United Nations. The Committee therefore recommends that the Assembly request the Secretary-General to address this issue comprehensively in his next report on procurement at the United Nations. The Committee considers it premature for the Secretary-General to proceed with any pilot project on sustainable procurement at this time.”).

231. Report of the Advisory Committee on Administrative and Budgetary Questions, Procurement Activities in the United Nations Secretariat, March 2, 2017, A/71/823, ¶ 32 (“In this regard, the Advisory Committee notes that the General Assembly has not considered for approval the concept of environmentally friendly and sustainable procurement, and has requested the Secretary-General to prepare a comprehensive report on the content of and criteria for such a concept, including its possible impact on the diversification of the origin of vendors and on international competition (see Assembly resolution 62/269). In this regard, the Committee is of the view that, in order for the Assembly to consider this matter, more work needs to be done by the Secretary-General on refining the understanding of the concept of environmentally friendly and sustainable procurement and how it can be applied in practical terms to the United Nations (see A/69/809, para. 39).”).

232. 2019 Annual Statistical Report, at 36.

233. See *supra* Section 4.2.2; 2019 Annual Statistical Report, at 10.

## 6.4 The perceived costs of sustainability are often cited, with less attention paid to tangible and quantifiable long-term benefits.


180. Sustainable procurement is often viewed as a potential cost driver for the UN and its vendors. Indeed, the *Buying for a Better World Guide* suggests that UN agencies should evaluate supplier bids on the basis of balancing cost with sustainability and other non-financial factors.<sup>234</sup>
181. A 2011 report on UN sustainable procurement practices noted that some of the UN procurement officers interviewed for the report queried “how would it be possible for their organizations to cope with the increasing costs of adopting SP principles.”<sup>235</sup> During recent interviews conducted with representatives from the UN agencies, general concerns about the costs of sustainable procurement were again echoed by procurement officers.
182. The SDGs recognize, however, that adopting sustainable procurement practices—particularly by those with significant purchasing power—can influence the market as a whole in favor of sustainable development. Goal 12 of the SDGs is to “ensure sustainable consumption and production patterns,” and Target 12.7 specifically commits stakeholders to “[p]romote public procurement practices that are sustainable, in accordance with national policies and priorities.” Given the substantial sums spent on procurement by the UN collectively (roughly US\$19 billion annually), procurement provides a significant opportunity to realize the UN’s sustainable development mission, as endorsed in the SDGs and by the UN and its Member States.<sup>236</sup> Sustainable procurement would also ensure that the UN leads by example in advancing the SDGs.



234. UNEP, UNOPS, ILO and ITC ILO, *Buying For a Better World, a Guide on Sustainable Procurement for the UN system*, 2011, Chapter 5, pp. 55-57.

235. P. Lund-Thomsen and N. Costa, *Sustainable Procurement in the United Nations*, *Journal of Corporate Citizenship*, Issue Number 42, 2011, at 65.

236. See, e.g., Report of the Secretary-General, *Procurement Activities in the United Nations Secretariat*, January 10, 2019, A/73/704, ¶¶ 73-74.

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183. In any event, as outlined above, the notion that increased sustainability in procurement necessarily equals increased cost is outmoded and often inaccurate. When organizations approach cost from the perspective of the entire supply chain, or lifecycle of their products, sustainability often decreases costs, and indeed case studies in the field have reported long-term cost reduction as a benefit of sustainable procurement. One of the companies interviewed for this report explained that it not only has experienced these long-term benefits, but it often highlights to its vendors that sustainable business practices reduce long-term costs.
184. In the public sector, a study conducted by international sustainability non profit Forum for the Future estimated that the move to local and organic food procurement at Nottingham City Hospital generated around £115,000 in cost savings.<sup>237</sup>
185. At the UN, one UN agency officer explained that local suppliers, at potentially much lower environmental impact, provide better value for most procurement needs of that agency. The Handbook itself refers to the example of luminaires to show that sustainable procurement can generate long-term cost savings. It suggests that “it is usually cost effective to use a more expensive luminaire even if it is only 10–20% more efficient” and that “[u]sing more efficient luminaires can sometimes allow fewer luminaires to be installed, saving capital outlay.”<sup>238</sup>
186. Furthermore, case studies in the private sector demonstrate the risk reduction benefits and revenue growth opportunities of sustainable practices.<sup>239</sup> Sustainable procurement practices can reduce risks to brand value and supply chain disruption, for example, by minimizing exposure to potential recalls caused by faulty products from suppliers with sustainability issues. In 2008, Baxter spent US\$11 million on direct costs when it had to recall drug Heparin made by a supplier due to contamination.<sup>240</sup> Similarly, in December 2019, Maruti Suzuki recalled 63,493 vehicles due to a possible defect that occurred “during manufacturing by an overseas global part supplier.”<sup>241</sup> Sustainable practices can also be leveraged to generate additional revenues through innovation or branding of sustainable products or services. For example, H&M has adopted a goal of using only 100% recycled or sustainably sourced material by 2020, which is intended to “decouple future growth from resource use while accelerating innovation, more efficient operations and other business opportunities.”<sup>242</sup>

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237. Y. Nikitchenko, S. Berzina, G. Buzan, “Handbook on Sustainable Public Procurement: Integration Sustainability Criteria into Public Procurement Procedures”, State Ecology Academy of Postgraduate Education and Management at the Ministry of Ecology and Natural Resources of Ukraine, 2016, at 11.

238. UN High Level Committee on Management Procurement Network, UN Procurement Practitioner’s Handbook, 2017, at 185.

239. EcoVadis, PwC, Value of Sustainable Procurement Practices, 2010.

240. EcoVadis, PwC, Value of Sustainable Procurement Practices, 2010, at 13.

241. S. Mukherjee, “Maruti Suzuki recalls 63,493 units of Ciaz, Ertiga, XL6 to fix faulty part”, December 6, 2019, available at: <https://economictimes.indiatimes.com/industry/auto/cars-uvs/maruti-suzuki-recalls-63493-units-of-ciaz-ertiga-xl6-to-fix-faulty-part/articleshow/72397902.cms>.

242. E. Cosgrove, “H&M pledges 100% sustainable cotton by 2020”, April 1, 2019, available at <https://www.supplychaindive.com/news/hm-pledges-sustainable-cotton-by-2020/551723/>.

187. Accordingly, sustainable procurement should not be thought of as simply a cost driver. It not only has the potential to reduce costs, reduce risk, and drive revenue growth, but also presents the UN an underappreciated opportunity to promote sustainable practices across the globe.

## **6.5 The UN system has underutilized internal expertise in adopting and implementing sustainable procurement practices, especially at the funds and programmes level.**

188. Internal expertise on sustainable procurement exists in the UN system. However, UN procurement practitioners report a lack of internal expertise and guidance on sustainable procurement as a barrier to implementation of sustainable procurement practices across the UN system. This reported barrier underscores the need for greater collaboration and centralized commitment to sustainable procurement across the UN, so that existing internal expertise and resources do not remain siloed and underutilized. While different parts of the UN may differ in their mandates, organizational structures, and procurement profiles, the existing resources and expertise within the UN system can be leveraged to a greater extent to promote sustainable procurement practices.

189. As described above, a number of UN funds and programmes have developed sustainable procurement policies, guidance materials, and experience implementing sustainable procurement practices.

190. For example, UNOPS and UNDP have published detailed practice guidance on incorporating sustainability considerations in all the major stages of the procurement process.<sup>243</sup> These guidance materials adopt a flexible and pragmatic approach in recognizing that sustainability considerations will need to be tailored to specific procurement needs and local market conditions, while providing detailed information on implementing sustainable procurement practices that is currently lacking in the UN Procurement Manual and UN Procurement Practitioner's Handbook.<sup>244</sup> The existing guidance and experience developed by these entities should be consulted or adapted for use by other funds and programmes to fit their procurement needs.

191. In addition to guidance materials, a number of UN funds, programmes, and other entities can play a greater role in sharing existing internal expertise and resources to support the implementation of sustainable procurement practices at other UN organizations, including by drawing on the work of the Sustainable Procurement Working Group and UNEP's Sustainable UN Facility.<sup>245</sup> For example, UNOPS has a dedicated team within its procurement group focused on sustainable procurement

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243. UNOPS Procurement Group, Procurement Manual, June 30, 2020; UNDP Practitioner's Guide to Sustainable Procurement, <https://www.greeningtheblue.org/sites/default/files/Practitioner%27s%20Guide%20to%20Sustainable%20Procurement-1.pdf>; see Section 4.2.2(b)(i)-(ii).

244. See Section 4.2.2(b)(i)-(ii).

245. See Greening the Blue, at <https://www.greeningtheblue.org/about>.



policies and practices, and already plays a procurement role for other UN bodies in implementing projects undertaken by the United Nations.<sup>246</sup> UNICEF also has developed sustainable procurement policies and practices and offers procurement services to UN agencies, governments, and non-governmental organizations.<sup>247</sup> UNEP co-leads the One Planet Network Sustainable Public Procurement Programme, a global network that supports the implementation of sustainable public procurement around the world.<sup>248</sup> The existing network brings together resources, tools, and case studies on sustainable public procurement from diverse partners, including civil society, government, and private sector organizations, such as EcoVadis, that could be further leveraged to advance sustainable procurement within the UN system.<sup>249</sup>

192. While UN bodies new to sustainable procurement begin to develop strategies and practices, those with expertise can also serve as centers for increased collaborative procurement—a practice in which different groups combine efforts to undertake procurement in cooperation or share the outcome of a procurement process. Collaborative procurement encompasses activities such as “piggybacking” on existing long-term agreements or contracts and using the procurement services of other UN entities such as UNOPS, or procuring from other UN organizations.<sup>250</sup>



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246. See UNOPS, Annual Statistical Report on United Nations Procurement, 2019, at 51; UN Global Marketplace, Collaborative Procurement Data, [https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr\\_data\\_collaboration](https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr_data_collaboration).

247. See UNICEF, Procurement Services Partners, [https://www.unicef.org/supply/index\\_26072.html](https://www.unicef.org/supply/index_26072.html).

248. See One Planet Network, Sustainable Public Procurement: About, <https://www.oneplanetnetwork.org/sustainable-public-procurement/about>.

249. See One Planet Network, Sustainable Public Procurement: Actors, <https://www.oneplanetnetwork.org/sustainable-public-procurement/actors>.

250. UNOPS, Annual Statistical Report on United Nations Procurement, 2019, at 51-56.

193. Nearly all UN organizations reporting on procurement data for the Annual Statistical Report on United Nations Procurement already use collaborative procurement approaches.<sup>251</sup> In 2019, the estimated total collaborative procurement volume was US\$882 million, or 4.4% of the total UN procurement volume.<sup>252</sup> This was a significant decline however from the 2018 figures, wherein collaborative procurement volume was US\$2.6 billion, or rough 13.4% of the total.<sup>253</sup> UNOPS was the top supplying organization for procurement taking place within the UN system in 2019 (US\$134 million).<sup>254</sup>
194. The current focus on collaborative procurement approaches is to achieve cost savings through reducing prices through economies of scale and reducing duplication across the UN system.<sup>255</sup> However, these existing practices could be further utilized, where feasible, to increase the proportion of sustainable procurement spend within the UN system and to enable organizations without sustainable procurement expertise to learn from others and gain experience with sustainable procurement practices.

## Recommendations

Emerging from the observations detailed above, this Section sets out broad considerations and specific recommendations for how the UN system, and champions of sustainable procurement operating within it, can work to advance sustainable procurement by the UN, notwithstanding constraints that currently exist.

### **6.6 Seek opportunities within existing constraints to advance sustainable procurement outcomes while actively supporting progressive change in understanding, mindsets, and culture within the organization as a whole.**

Such opportunities include:

1. Channeling increased amounts of procurement for the UN system as a whole through funds and programmes that are less constrained when it comes to promoting sustainability through their procurement activities. Where feasible, the funds and programmes that are more advanced when it comes to sustainable procurement could serve as centers for increased collaborative procurement—an existing practice utilized by nearly all UN organizations by which different organizations can combine efforts

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251. UNOPS, Annual Statistical Report on United Nations Procurement, 2019, at 51.


252. See UNOPS, Annual Statistical Report on United Nations Procurement, 2019, at 51; UN Global Marketplace, Collaborative Procurement Data, [https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr\\_data\\_collaboration](https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr_data_collaboration). UNICEF's technical collaboration with the World Health Organization for technical and quality assurance expertise (US\$1.7 billion) accounted for a significant portion of the estimated collaborative procurement volume in 2018.

253. UNOPS, Annual Statistical Report on United Nations Procurement, 2018, at 33.

254. UN Global Marketplace, Collaborative Procurement Data, [https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr\\_data\\_collaboration](https://www.ungm.org/Shared/KnowledgeCenter/Pages/asr_data_collaboration).

255. See UNOPS, Annual Statistical Report on United Nations Procurement, 2019, at 53; see also High-Level Committee on Management Procurement Network, Harmonizing UN Procurement: Common UN Procurement at the Country Level, 2015, at 1-2, [https://www.ungm.org/Areas/Public/Downloads/15\\_06%20HarmonizingUNProcurement\\_GUIDELINES\\_final.pdf](https://www.ungm.org/Areas/Public/Downloads/15_06%20HarmonizingUNProcurement_GUIDELINES_final.pdf).






to undertake procurement in cooperation or share the outcome of a procurement process.<sup>256</sup> Seizing opportunities to channel procurement needs through those funds and programmes—particularly UNOPS and UNDP, as among the more advanced UN entities on sustainable procurement—can thereby increase the impact of this expenditure on relevant sustainability factors.

2. Engaging with local business communities, including SMEs, through UN Global Compact Local Networks and otherwise, to support and raise awareness of the business case for becoming a sustainable supplier, emphasizing that sustainable practices need not be a burdensome additional cost but rather a competitive advantage, not only with respect to winning business from the UN but also from procurers in public and private sectors. Leading private sector players actively work with, and invest in the training and capacity building of, vendors to counter the view that sustainable practices are cost centers negatively impacting the competitiveness of prospective suppliers. With such engagement, local producers increasingly recognize the business benefits from providing more sustainable goods and services to the marketplace, resulting in more business for those suppliers and benefits to local economies.
3. Spearheading efforts to “change the narrative” within the UN system regarding sustainable procurement, so that UN Member States and other stakeholders come to understand the range of benefits to the UN from advancing sustainable procurement, including the positive impact on the Sustainable Development Goals; risk mitigation benefits in screening for potential vendor issues; and long-term cost savings. At present, the “narrative” regarding sustainable procurement in certain UN stakeholder groups is that sustainable procurement is at best a nice to have and at worst a burdensome additional cost to be avoided. This narrative is based on an inaccurate understanding of sustainable procurement, and efforts should be made to put this understanding on proper footing and the context in which UN procurement occurs, including through highlighting case studies and past “success stories” from within the UN.
4. Developing a multi-stakeholder, multi-sectoral initiative, with representation from the public sector, private sector, and UN system, focused on advancing sustainable practices within local business communities globally, building on the work of, for example, the Sustainable Public Procurement Programme of the One Planet Network.<sup>257</sup> There is much common ground and shared interest within these various procuring sectors for incentivizing more sustainable practices in a greater number of suppliers, including by virtue of the considerable overlap between their respective suppliers. There is also significantly greater leverage in combined purchasing power, as well as the benefit of sharing knowledge, information, and good practices.

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256. See *supra* Sections 4.3, 6.5.

257. See One Planet Network, “Sustainable Public Procurement,” at <https://www.oneplanetnetwork.org/sustainable-public-procurement>.

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5. Amending the governing and guidance documents on UN procurement to replace compromised language such as “expects” and “encourages” with respect to sustainable procurement with language that is more robust, exhortatory, and demonstrative of the importance and seriousness with which sustainable procurement is taken within the UN system.

## **6.7 Take tactical steps that both support the current progress on sustainable procurement within the UN system and lay the groundwork for a more ambitious approach to sustainable procurement in the future.**

Such steps include:

1. Strongly encouraging (and ultimately requiring) all UN procuring entities to assess and provide detailed reporting on the impacts of their procurement activities on an identified set of sustainability factors in their submissions for the Annual Statistical Report. At present, participating UN organizations report on sustainable procurement through a voluntary online survey for the ASR on a limited number of metrics that do not provide insight on sustainability impacts and outcomes of the procurement activities.
2. Strongly encouraging (and ultimately requiring) all UN procuring entities to formally require any supplier above an identified threshold to comply with the UN Supplier Code of Conduct with mandatory consequences for vendor noncompliance. At present, such compliance is not required of suppliers and UN procuring entities, with few exceptions, do not have due diligence programs to assess compliance.
3. Strongly encouraging (and ultimately requiring) all UN procuring entities to formally require any supplier above an identified threshold to commit to acting in accordance with the Ten Principles of the UN Global Compact and to proactively work toward becoming a formal UN Global Compact signatory. At present, prospective suppliers to the UN are encouraged to become signatories to the UN Global Compact but only a limited number in fact do so. This appears to result from several factors, including the exhortatory nature of the expectation and, perhaps, the perceived costs of being a Global Compact signatory compared to perceived benefits. Committing to the Ten Principles, while working toward becoming an active Global Compact signatory, is a less onerous obligation that advances progress toward the desired end.
4. Strongly encouraging (and ultimately requiring) all UN procuring entities to implement robust and well-considered requirements for the inclusion of identified sustainability factors in supplier or RFP evaluation criteria. At present, there is limited incorporation of sustainability considerations in tenders and evaluation criteria by UN procuring entities. A possible model to draw on is that of the UN Development Programme, which includes sustainability criteria in its RFP technical evaluation process, dedicating 7%, and no less than 3%, of scoring to sustainability factors. In doing so, it is important to ensure that a prospective supplier’s performance on sustainability factors can not only improve their evaluation but also that negative performance can harm the evaluation.



5. Developing a formal evaluation review process for suppliers that explicitly takes account of sustainable procurement considerations such as: (1) Does the supplier have its own sustainability policy, and if so, is it sufficient? (2) If the supplier does not have its own policy, will the supplier sign the UN Supplier Code of Conduct and commit to adhering to it? (3) Mandate a third-party sustainability assessment. (4) Depending on the outcome of the assessment, work with the supplier to remedy deficiencies, for example, by providing feedback, guidance on best practices, training, or capacity building for companies of all sizes, including SMEs. Where possible, engaging with suppliers to support their transition to sustainable practices, such that they recognize the benefits and rewards to themselves of those practices, has a better chance of producing enduring change than compliance-oriented approaches do.
6. Ensuring that assessments of UN suppliers identify outcomes relating to actual sustainability impacts, not simply outputs such as developing sustainability policies and procedures.
7. Working toward making sustainable procurement an official mandate of the UN system. Given the centrality of sustainable development to the mission of the UN, promoting sustainability should be a central component of its own procurement practices and an official mandate recognized by the UN General Assembly.
8. Ensuring that procurement governing documents identify specific priority sustainability factors that suppliers must address in detail, either at the time of supplier onboarding into the UN Global Marketplace and/or in connection with responding to an RFP, including such critical issues as climate and environmental impact; governance arrangements; child labor, forced labor, and modern slavery; and others.
9. Designating a senior member from each fund and programme as being formally responsible for producing an annual sustainable procurement report. At present, only a few UN organizations, such as UNOPS and UNDP, voluntarily publish reports on sustainable procurement efforts by the organization and reporting remains largely *ad hoc* without a common reporting language or metrics on sustainability impacts and outcomes.
10. Undertaking a mapping, assessment and prioritization of risks and opportunities with the UN supply chain in order to gain a comprehensive understanding of the most significant sustainability impacts of UN procurement. At present, there appears to be no clear understanding of how UN procurement intersects with the broad range of sustainability factors or SDGs on the ground in places where the UN procures goods and services.
11. Consider making an element of performance evaluation for leadership within the funds and programmes turn on successfully achieving KPIs related to sustainable procurement goals. These KPIs can evolve over time, starting with the development and implementation of sustainable procurement policies and practices to ultimately including indicators for sustainability impacts and outcomes.

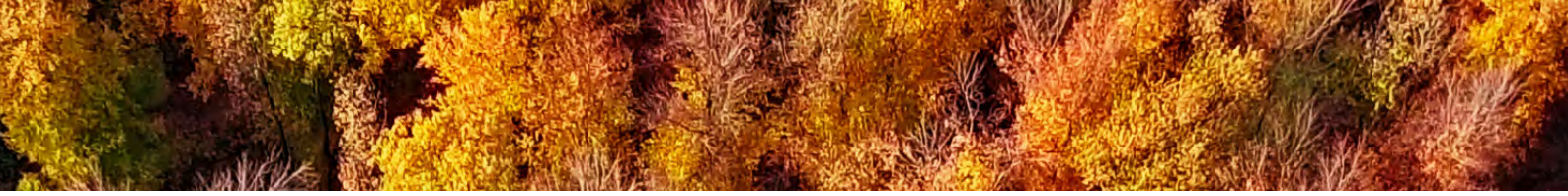
## **6.8 Leverage relationships with champions of sustainable procurement within the UN and without to develop partnerships and platforms that will work to advance sustainable procurement within the UN system.**

Such relationships include:

1. Identifying a third-party sustainability assessment firm to undertake initial vetting of potential suppliers in a relatively simple and cost-effective manner. These firms are widely used in the private sector, with EcoVadis being a common choice. While it is not possible to outsource supplier sustainability assessments entirely, the use of such firms could be an impactful initial step.
2. Exploring opportunities for a more robust, collaborative engagement between the UN system and UN Global Compact, particularly around the identification of sustainable suppliers, and more considered leveraging of the UN Global Compact's Ten Principles in UN system procurement practices. The Ten Principles, which are well established as a framework for sustainable business practices, offers an existing set of standards for aspiring UN suppliers to adhere to.



## 7. Annex: Cited Documents

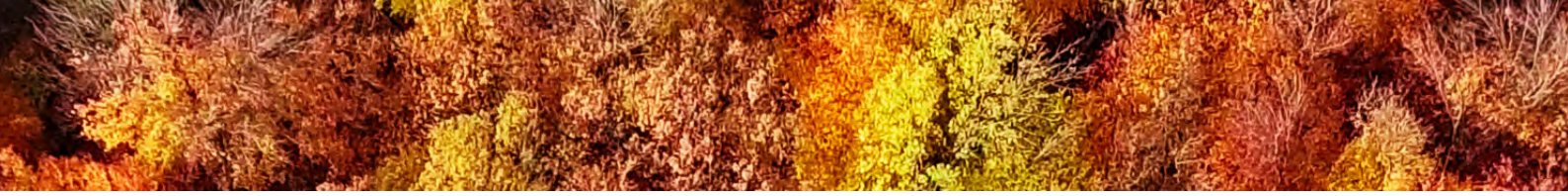


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