



**SUSTAINABLE  
PROCUREMENT  
IN THE UN SYSTEM**

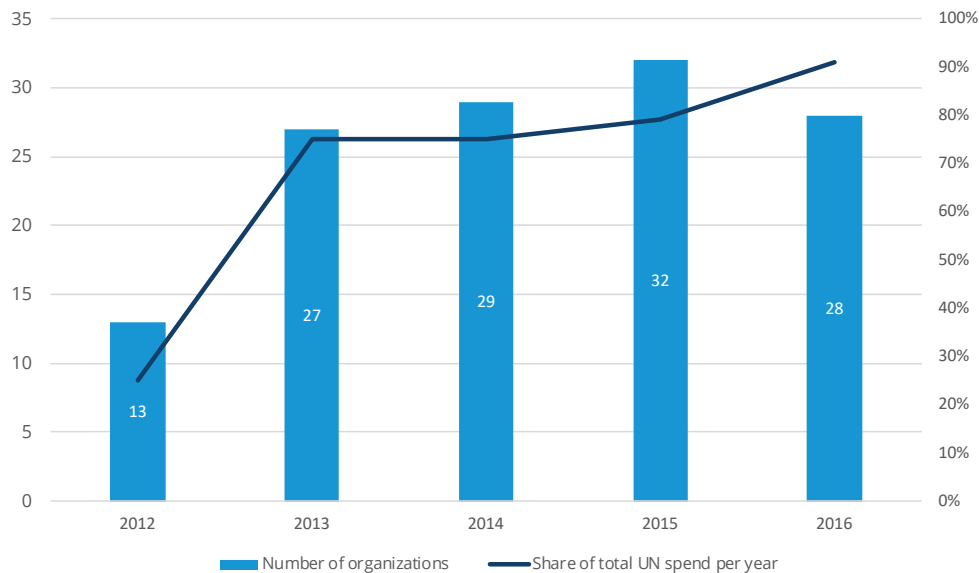
## Introduction



*Sustainable Procurement practices integrate requirements, specifications and criteria that are compatible and in favour of the protection of the environment, of social progress and in support of economic development, namely by seeking resource efficiency, improving the quality of products and services, and ultimately optimizing costs.<sup>54</sup>*

UN organizations, with a purchasing power of almost \$18 billion per year, have the potential to send a signal to the market in favour of sustainable development. In 2016, sustainability consideration continued to play an important role in procurement decisions conducted within the UN system. The following results were collected through a voluntary survey on Sustainable Procurement (SP), which was submitted by 28 UN organizations versus 32 in 2015. Of the 28 that submitted this year, 3 organizations reported for the first time, while 25 of the original 32 from 2015 continued to report<sup>55</sup>.

**Figure 14.** Organizations reporting on sustainable procurement (in number of organizations & share of total UN spend per year)



The procurement spend of reporting organizations in 2016 accounted for approximately 91 per cent of the total 2016 UN spend of \$17.7 billion, as compared to 79 per cent in 2015<sup>56</sup> (Figure 14). In addition, 67 per cent of reporting organizations indicated at least one new development since the last survey in their efforts to implement SP. Examples provided included the development of new SP reporting tools, key performance

<sup>54</sup> United Nations High-Level Committee on Management Procurement Network (HLCM-PN) (2009) – Sustainable Procurement Statement, Adopted by the HLCM Procurement Network meeting in Vienna, February 2009.

<sup>55</sup> Organizations that chose not to report this year cited resource constraints and changes to their current ERP system as the main reasons for not submitting information.

<sup>56</sup> The observed increase in the procurement spend of reporting organizations as a share of the total UN spend is mainly due to the fact that almost all UN organizations with large procurement spend responded to the SP survey this year.

indicators, as well as other actions, such as the inclusion of environmental considerations in the evaluation criteria of tenders, and the use of standard sustainability specifications for categories such as Information and communication technology (ICT), lighting and furniture.<sup>57</sup>

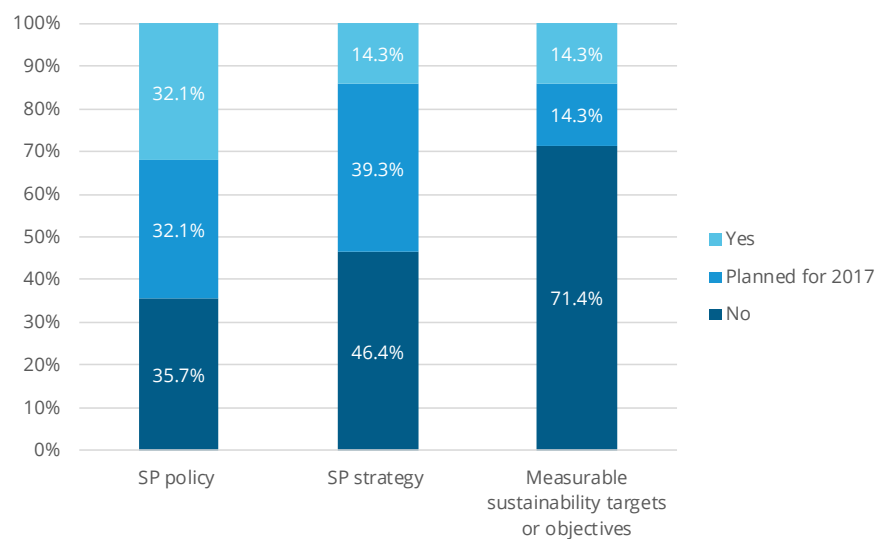
## Policy and strategy

The inclusion of sustainability considerations into an organization's procurement policy and strategy can enable personnel, suppliers and other stakeholders to achieve a high level of commitment to more sustainable procurement practices, by providing the foundations and frameworks for action.

In 2016, 64 per cent of reporting organizations noted having already adopted or planning to adopt a formal procurement policy that includes sustainability considerations, while 54 per cent noted having already adopted or planning to adopt a procurement strategy that includes sustainability considerations (Figure 15). This information was further reinforced by the sustainable procurement outlook for 2017<sup>58</sup>, which showed that reporting organizations have placed a high priority on the development of SP policies and strategies for the coming year.

Lastly, more than 28 per cent of reporting organizations also noted establishing or planning to establish measurable sustainability targets or objectives in their procurement processes.

**Figure 15.** SP policy, strategy and sustainability targets (2016)<sup>59</sup> (in percentage of reporting organizations)



<sup>57</sup> In line with efforts to develop a clear understanding of the extent to which sustainable procurement practices are being implemented within the UN system, this year, several questions included in the voluntary survey were modified, while others were removed and new ones were added. These adjustments were made following inputs received from several organizations at the end of the previous reporting cycle. Where possible, comparisons to previous years' data have been provided in the report.

<sup>58</sup> The sustainable procurement outlook for 2017 is presented on page 50 of this report.

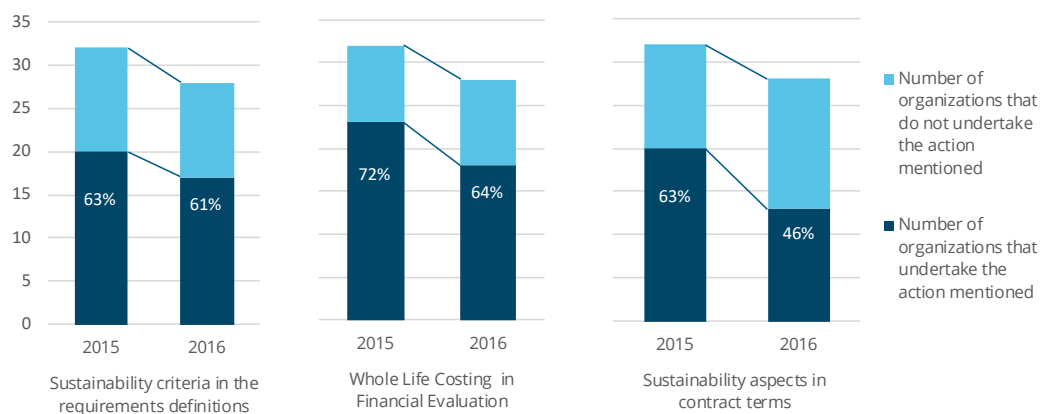
<sup>59</sup> The question used to generate this graph was modified significantly from the previous year to enhance the clarity and accuracy of the responses, and to further probe the extent to which sustainability considerations were applied in the processes of reporting agencies. As a result, comparative information for previous years was not available.

## SP integration in the procurement process

Sustainability considerations can be integrated at different stages of the procurement process. Following the methodology used in the 2015 report, the framework for determining the efforts of reporting organizations to integrate sustainability in the procurement process included three key areas: embedding criteria into the requirements definitions of tenders<sup>60</sup>, using whole life costing<sup>61</sup> in the financial evaluation of tenders and including sustainability aspects in contract terms.

In 2016, the most common action taken by reporting organizations continued to be the use of whole life costing in the financial evaluation, followed by the integration of sustainability criteria in requirements definitions. Importantly, however, a portion of reporting organizations reduced the application of these measures in their tenders over the previous year, with the most notable reduction being found in the inclusion of sustainability aspects in contract terms, which noted a relative share decrease of 27 per cent (Figure 16)<sup>62</sup>.

**Figure 16.** Estimated SP integration in the procurement process (2015-2016) (in a percentage of reporting organizations by type of activity)



This year, for the first time, the voluntary survey distinguished between two categories of procurement for the inclusion of sustainability criteria in requirements definitions: technical and administrative. The procurement for technical categories included procurement for project-related needs in field locations, while administrative categories included office needs such as furniture, ICT and paper<sup>63</sup>. The data submitted noted that reporting organizations increasingly included sustainability considerations in the procurement process for administrative categories, with 53 per cent stating that sustainability considerations were included in more than 20 per cent of the requirements definitions of their tenders.

60 The general purpose of a requirements definition is to identify the precise needs of the requisitioner and to determine the best solution to meet those needs, in a way that will facilitate the procurement process.

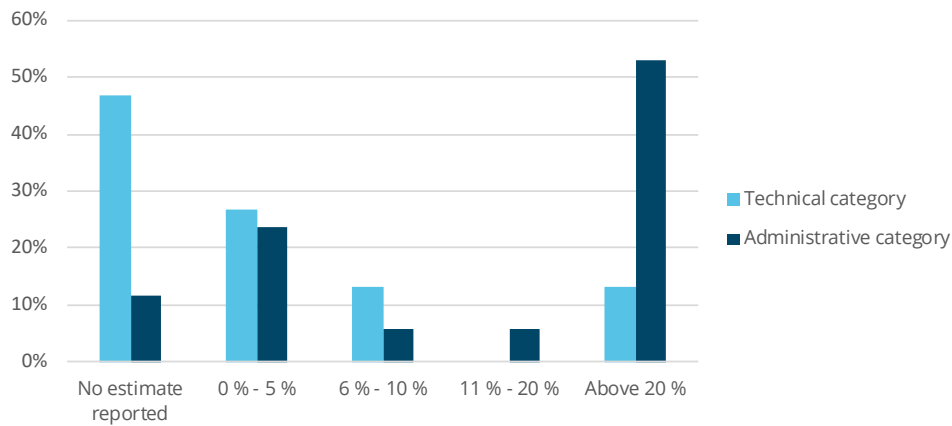
61 Whole-life costing as defined in the survey was “the sum of all recurring and one-time costs over the full lifespan of a good, service, structure, or system. It includes purchase price, installation cost, operating costs, maintenance and repair/upgrade costs, and remaining residual or salvage value at the end of ownership or its useful life.”

62 While additional data were not available at the time of writing this report to clearly identify a rationale for the decrease from 2015-2016, this could be explained by several things including, but not limited to, political uncertainty, enhancements made to internal measurement and reporting systems that improved the accuracy of their reporting, changes to personnel or other factors.

63 These two categories are general descriptions. They do not correspond to the taxonomy of the UNSPSC®.

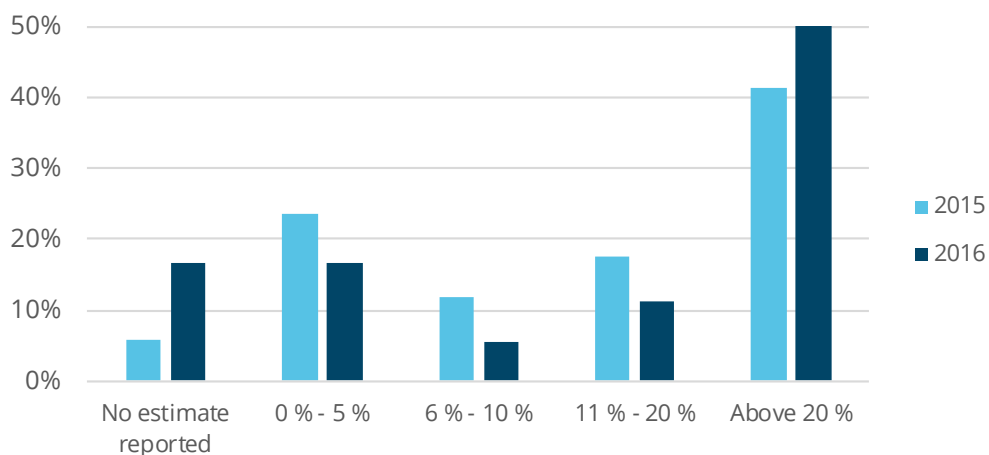
With regard to the inclusion of similar considerations for technical procurement categories, the data submitted noted that this was less pronounced (Figure 17). Importantly, data availability for these technical categories was also highlighted as an important challenge, with 47 per cent of reporting organizations not being able to provide estimates.

**Figure 17.** Integration of SP considerations in requirements definitions (2016)<sup>64</sup> (in percentage of reporting organizations and their respective tenders)



Regarding the adoption of whole life costing in the financial evaluation of tenders, the data gathered showed that reporting organizations continued to employ this tactic as part of their procurement processes (Figure 18). Half of the reporting organizations noted that this practice was applied in 20 per cent or more of their tenders; this accounted for a relative share increase of 9 per cent over 2015 data. Importantly, data availability was also reported as a challenge, with 17 per cent of the organizations not being able to estimate the extent to which whole life costing was included in the financial evaluations of their tenders.

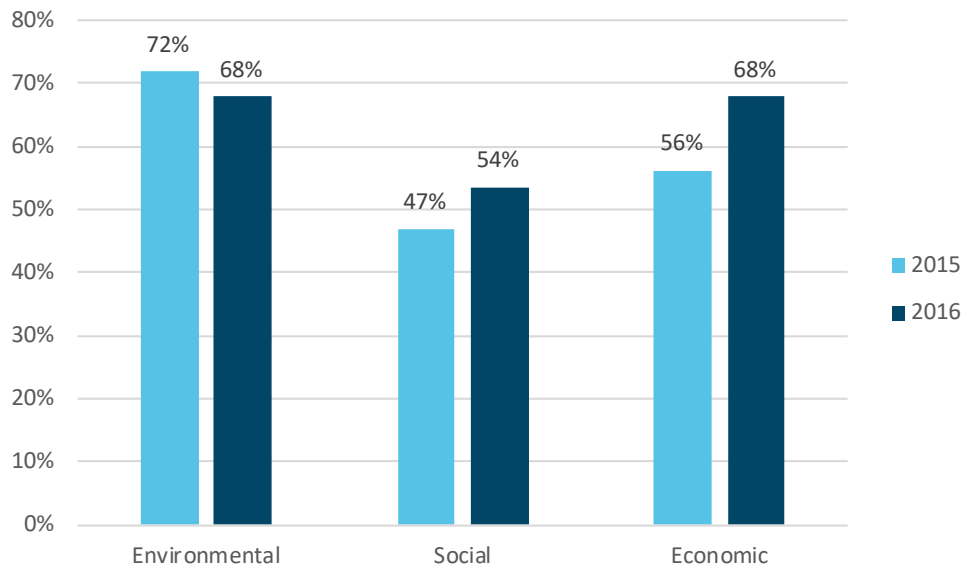
**Figure 18.** Integration of whole life costing in financial evaluations for tenders (2015-2016) (in percentage of reporting organizations and their respective tenders)



<sup>64</sup> Since the distinction between technical and administrative categories of procurement was introduced for the first time in this year's SP survey, comparative information for previous years was not available.

In 2016, reporting organizations noted several changes with regard to the types of sustainability considerations used in their tenders. Overall, environmental and economic considerations were applied to the same extent in the tenders of UN organizations, while social considerations, despite a relative share increase of 7 per cent compared to 2015, continued to lag slightly behind (Figure 19).

**Figure 19.** Integration of SP considerations in procurement tenders (2015-2016) (in share of reporting organizations and their respective tenders)

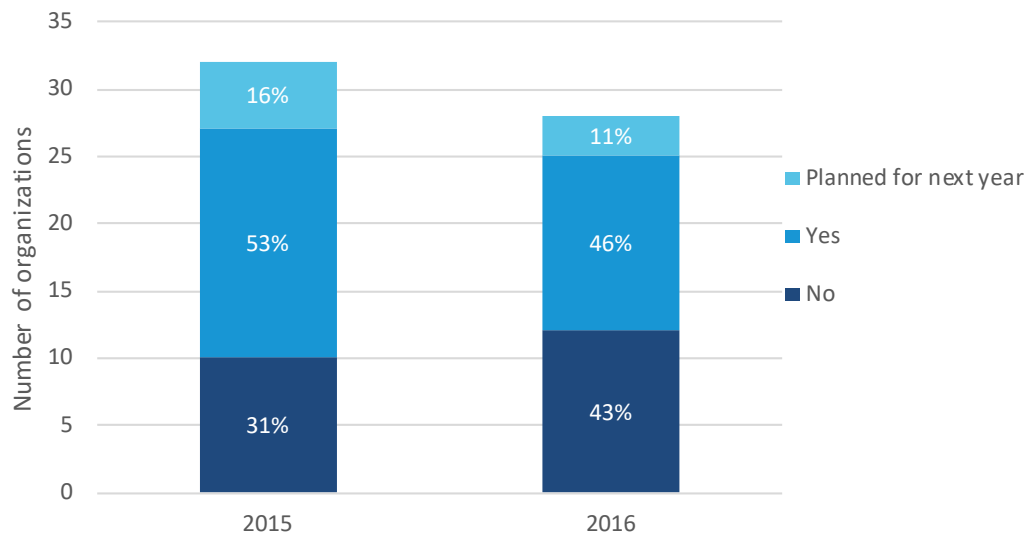


## Internal capacity development

Internal capacity development can be an important enabler for organizations to successfully integrate sustainability considerations into their procurement processes. In 2016, reporting organizations noted that current or planned SP training interventions decreased from 69 per cent to 57 per cent (Figure 20)<sup>65</sup>. Importantly, 11 of the reporting organizations also noted that in 2016, they made several investments in other activities to enhance their internal capacity on SP. Some notable examples provided included the recruitment of additional SP professionals and the development of new online tools to facilitate the incorporation of sustainability criteria in tenders.

<sup>65</sup> While additional data were not available at the time of writing this report to clearly identify a rationale for the decrease from 2015-2016, this could be explained by budget decreases or uncertainty, or due to the fact that existing personnel were previously trained.

**Figure 20.** SP training interventions (2015-2016) (in number and percentage of reporting organizations)



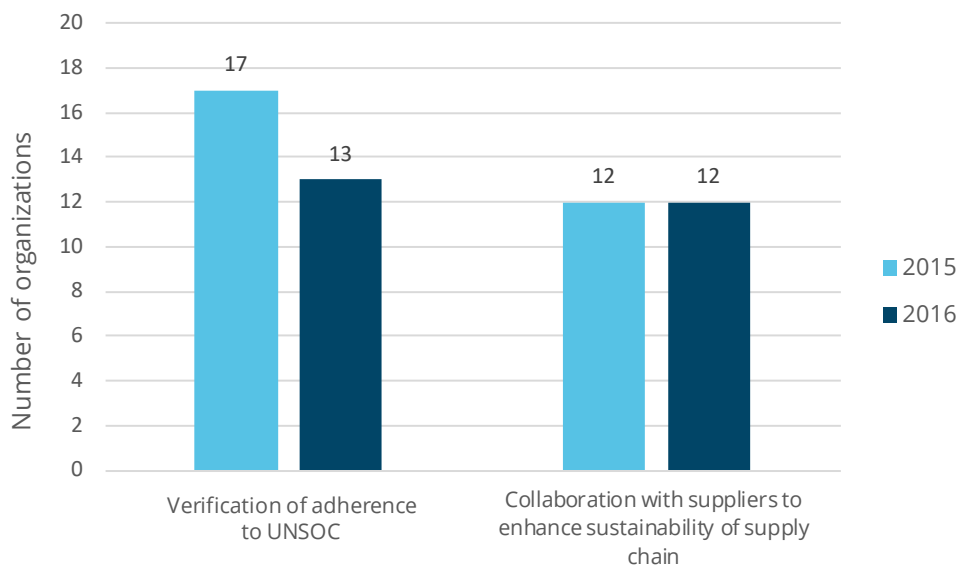
## Supply chain development

Suppliers can play an important role for the advancement of more sustainable practices. Through the UN Supplier Code of Conduct (UNSOC)<sup>66</sup>, the UN has summarized its expectations of all suppliers in terms of labour and human rights, protection of the environment and ethical conduct. Ensuring that suppliers comply with the Code of Conduct and collaborating with them to enhance sustainability practices can help UN organizations address potential and current sustainability risks throughout the entire supply chain.

From the available data for 2016, verification of supplier adherence to the UNSOC noted a relative share decrease of 7 per cent over the previous year (Figure 21). Reporting organizations noted that active verification primarily included the maintenance of a UNGM roster and/or the use of a supplier questionnaire. In addition, 12 organizations noted that they actively collaborated with suppliers to enhance the sustainability of their supply chains, namely by undertaking common efforts towards reducing packaging and increasing transport efficiency.

66 See: <https://www.un.org/Depts/ptd/about-us/un-supplier-code-conduct>.

**Figure 21.** Supplier engagement on sustainability (2015-2016) (in number of reporting organizations by type of engagement activity)



## UN procurement from Global Compact participants

UNGC is the world’s largest corporate sustainability initiative, calling on companies to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and urging them to take actions that promote sustainable development. All UN vendors, regardless of their size or location, are actively encouraged to align with the UNGC’s ten principles<sup>67</sup> and become UNGC participants<sup>68</sup>. Participation in the UNGC is voluntary and depends upon the submission of an annual report outlining the commitment to continuous improvement of the participant in adherence to the UNGC’s principles during the previous year and actions undertaken to advance sustainability.

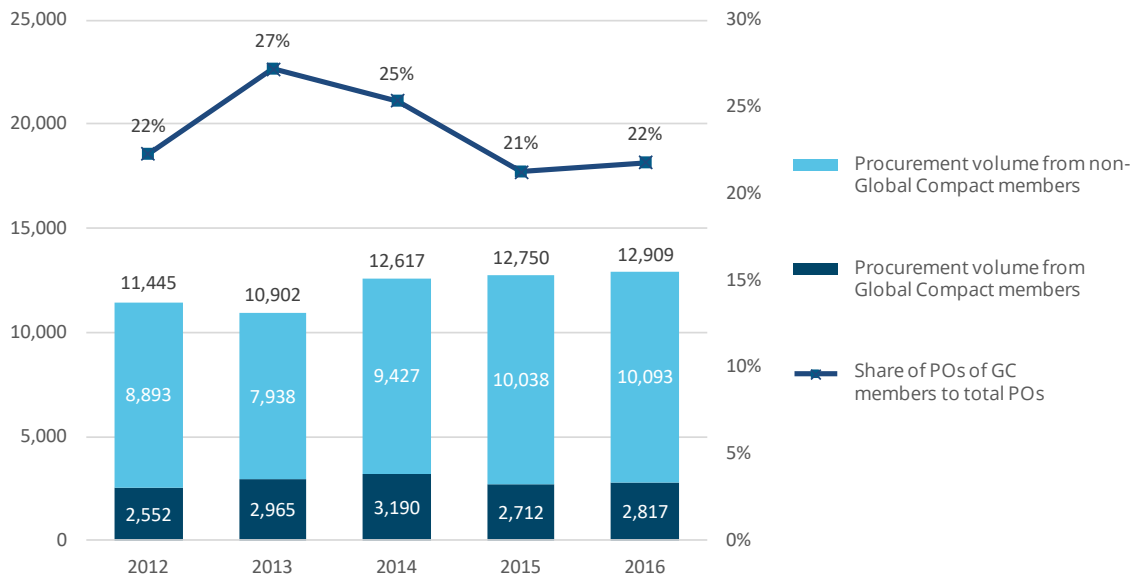
For the tenth consecutive year, as part of the voluntary survey on sustainable procurement, the ASR included a separate section on UN suppliers’ participation in the UNGC. Overall, the data for 2016 noted that the procurement from UNGC participants increased in both absolute and relative terms (Figure 22). More concretely, UN organizations procured goods, services and works for \$2.8 billion from UNGC participants, or 22 per cent of the total procurement volume of the UN system for the last year.

67 For more information on the UN Global Compact principles, please see: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

68 UNGC participants are required to make a public commitment to sustainability and to report annually on their progress, through the development of a Communication on Progress Report, which is submitted directly to the UNGC.

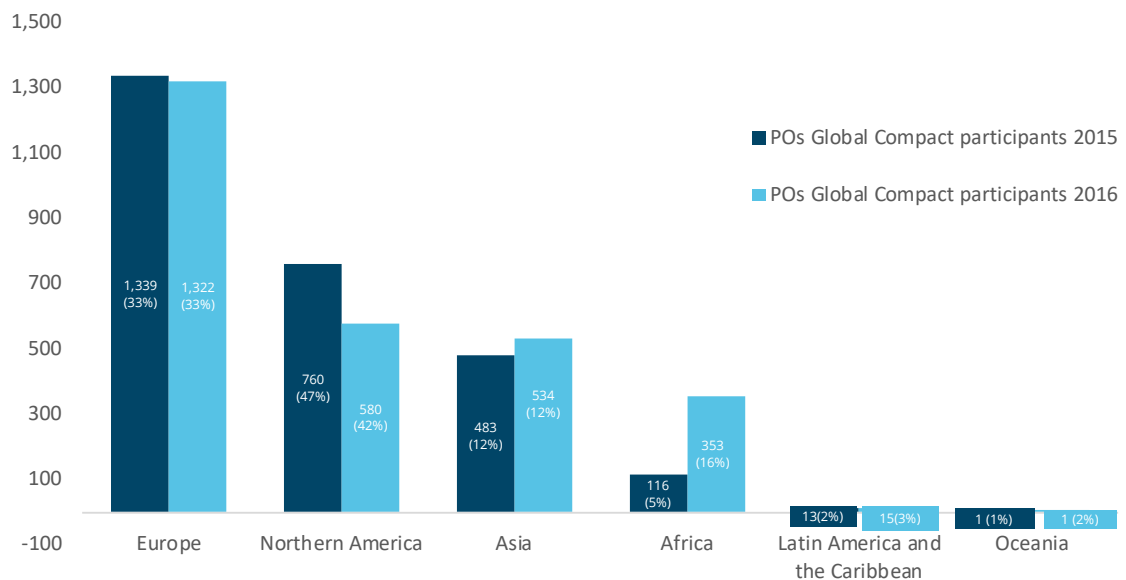


**Figure 22.** Share of UN procurement from Global Compact participants (2012-2016)<sup>69</sup> (in millions of US dollars and percentage of total UN procurement, for orders > \$30,000)



With regard to regional differences, the observed increase in the procurement from UNGC participants, however, was not equally distributed across all regions (Figure 23). For example, while the share of procurement from UNGC participants decreased in Northern America, it more than tripled in Africa, reaching 16 per cent of the procurement volume for this region in 2016.

**Figure 23.** Share of UN procurement from Global Compact participants by region (2015-2016)<sup>70</sup> (in millions of US dollars and percentage of procurement by region, based on orders >\$30,000)

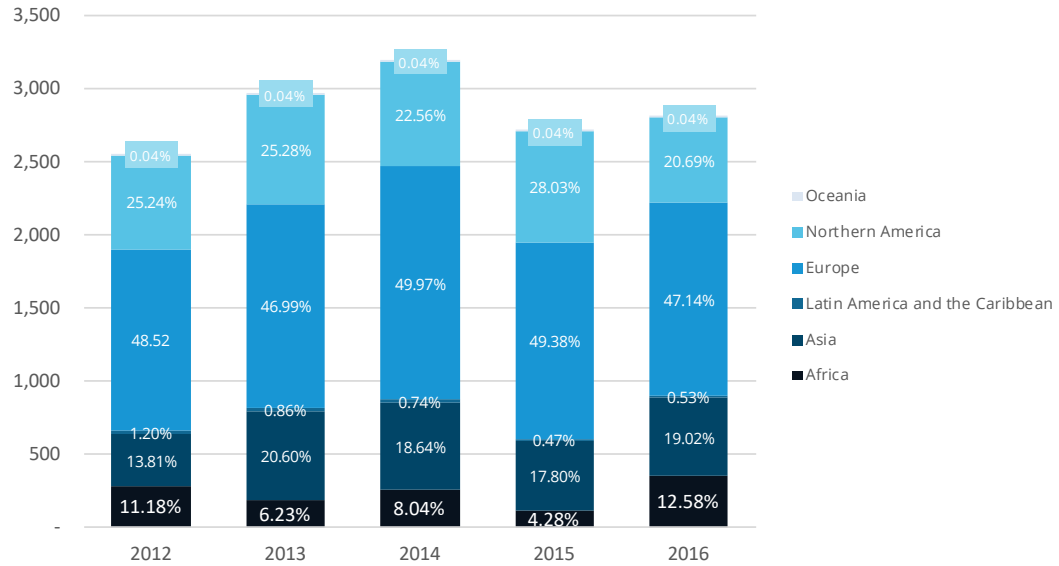


<sup>69</sup> Purchase orders from suppliers whose names were removed (for example due to security concerns), or whose country of origin was not specified, were excluded from this analysis.

<sup>70</sup> *ibid*

Europe and North America continued to be major regions of origin for UNGC participant-suppliers (68 per cent of the total UNGC procurement volume for the last year), while Asia and Africa is steadily increasing (Figure 24).

**Figure 24.** Regional breakdown from Global Compact participants (2011-2015)<sup>71</sup> (in millions of US dollars and percentage of GC procurement by region, based on orders >\$30,000)

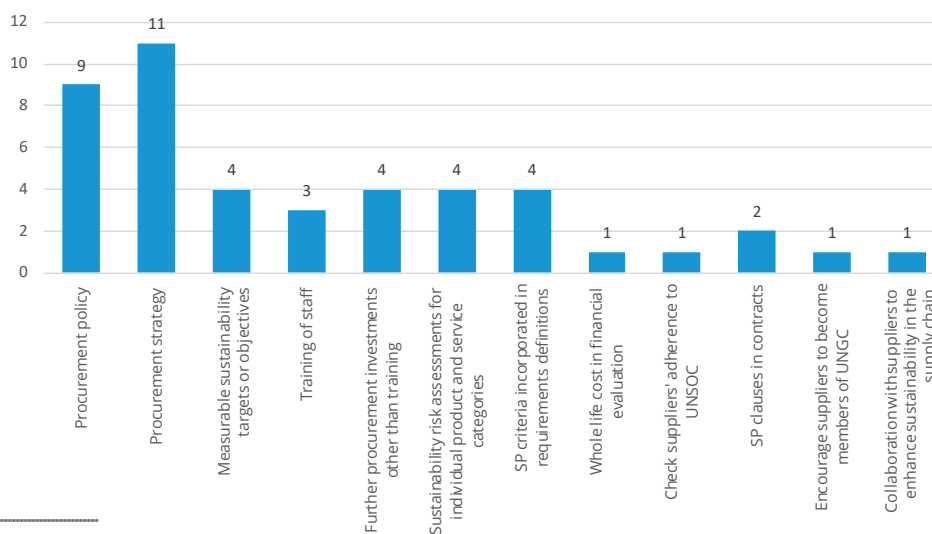


## Sustainable procurement outlook for 2017

SP can play an important role in the efforts of the UN system to contribute to sustainable development, and it continues to evolve within the UN system. In total, 36 per cent of the 2016 reporting organizations noted tangible ways in which the implementation of SP practices in their work will support the advancement of the SDGs. Examples provided included the mainstreaming of SDG objectives into procurement activities and the empowerment of small- and medium-sized enterprises, as well as women-owned businesses through procurement.

In addition, the planned SP activities for 2017 showed that priority will continue to be given to high-level commitment, through the development of new procurement policies and strategies incorporating sustainability considerations (Figure 25).

**Figure 25.** Planned SP activities for 2017 (in number of reporting organizations by type of activity)



71 ibid 69