



# CHECKLIST

for Implementing Green Public Procurement in Bhutan

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June 2017



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དངུལ་རྩིས་ལྷན་ཁག།

**ROYAL GOVERNMENT OF BHUTAN  
MINISTRY OF FINANCE  
TASHICHO DZONG**



**Foreword**

The Royal Government of Bhutan has always recognized the importance of environment conservation as it is one of the four pillars of Gross National Happiness (GNH). The Ministry of Finance (MoF) accordingly places high importance on sustainable and green initiatives, in particular Green Public Procurement (GPP). The GPP is an instrument to promote green and environmentally-friendly procurement practices.

Globally, the use of public procurement as a policy instrument has been increasingly recognized, and MoF is grateful to the GPP Bhutan project for introducing the concept in Bhutan.


In Bhutan, public procurement represents approximately 21% of the GDP or around 60-70% of the annual government budget. This demonstrates the importance of using public procurement to enhance service delivery, and to support the shift towards sustainable consumption and production. The MoF is in cognizance of SDG 12 to ensure sustainable consumption and production pattern in the society. The MoF recognizes that GPP enables the public sectors to obtain the best value-for-money and procure low-carbon, environmentally-friendly goods, works and services. GPP therefore ensures efficient use of public finances.

In addition, GPP also represents an opportunity for industries and suppliers to venture into green businesses.

The MoF in partnership with the World Bank and the Asian Development Bank, has made progress in public procurement in the past three decades. From the development of the Procurement Manual in 1988 and the Procurement Rules of 1992 and 1998, to the Procurement Rules and Regulations of 2009 and Procurement Guidelines of 2012, MoF strives to continually improve procurement in Bhutan. The most recent initiative of the Government is the launch of electronic Government Procurement (e-GP). The MoF is also currently reviewing the Procurement Rules and Regulations (PRR), mainly to identify opportunities for incorporation of green/sustainable elements.

The “10 Recommendations” are at various stages of consideration and implementation. In addition, MoF has received resolutions from Parliament to strengthen the procurement system.

The MoF acknowledges the contributions made by GPP Bhutan for promoting green procurement in Bhutan. The MoF is also grateful to the EU SWITCH-Asia programme for funding the project and the local and international partners for implementing it. Through this publication, as well as previous publications such as the research findings and the GPP Handbooks, GPP Bhutan project has gathered valuable knowledge and experience in pursuing sustainability through green public procurement. The MoF looks forward to continuing the journey to achieving Green Public Procurement.

  
Nim Dorji  
Finance Secretary





འབྲུག་གི་རྒྱལ་ཡོངས་ཚོགས་མཉེན།  
NATIONAL COUNCIL OF BHUTAN



No. NC/Gen/2017/ 3933

March 21, 2017

The Project Director,  
Green Public Procurement,  
Bhutan Project,  
Thimphu.

**Sub : : Letter of appreciation.**

Dear Sir,

Thank you very much for the 1<sup>st</sup> high level seminar on Green Public Procurement which was conducted on 10<sup>th</sup> December, 2015 and 22<sup>nd</sup> April 2016 to the Members of Parliament and other high level dignitaries. This has given us the much needed insights and also helped our Committee to discuss and debate on Public Procurement Policy and its process in the Parliament. The National Council has passed a seven points resolution and submitted to the Royal Government for further action on the Public Procurement Policy and its System.

I would like to convey my heartfelt appreciation for the research conducted and the recommendations provided on Green Public Procurement.

Sincerely Your's,

(Tempa Dorji)  
**Chairperson**  
Good Governance Committee  
National Council of Bhutan

## About GPP Bhutan

Green Public Procurement in Bhutan: A cross-sectoral strategy for sustainable industrial competitiveness (herein GPP Bhutan project) is an EU-funded project under its EuropeAid SWITCH-Asia Programme. It aims to establish a strategic approach to scaling-up public demand for environmentally and socially preferable goods, services and infrastructure in Bhutan. The project seeks to promote value-for-money across the asset lifecycle rather than simply at the point of purchase, in order to reduce the negative environmental impacts and maximize social benefits of consumption and production.

The GPP Bhutan project is composed of a consortium of five non-governmental organizations, namely International Institute for Sustainable Development (Project Leader, Canada/Switzerland), Bhutan Chamber of Commerce and Industry (Bhutan), Royal Institute of Management (Bhutan), Royal Society for Protection of Nature (Bhutan), and the Collaborating Centre on Sustainable Consumption and Production (Germany).

The 3.5 year GPP Bhutan project officially ended in June 2017. Information about the project and all publications produced by the project can be accessed at:

GPP Knowledge Platform, RIM: <http://gpp.rim.edu.bt/>

GPP Bhutan website: <http://gppbhutan.bt/>

IISD website: <http://www.iisd.org/project/green-public-procurement-bhutan-cross-sectoral-strategy-sustainable-industrial>

## Acknowledgements

The entire project team is grateful to the European Union and the EuropeAid SWITCH-Asia Programme for financing the project, Green Public Procurement in Bhutan: A cross-sectoral strategy for sustainable industrial competitiveness.

We extend our appreciation and thanks to the Gross National Happiness Commission, the Ministry of Finance and the National Environment Commission, representing the Royal Government of Bhutan, for their continued support and guidance.

Finally, the GPP Bhutan team at IISD (Bhutan and International) would like to extend their thanks to the Royal Society for Protection of Nature (RSPN), the Bhutan Chamber of Commerce and Industry (BCCI), the Royal Institute of Management (RIM), and the Collaborating Centre on Sustainable Consumption and Production (CSCP) (Germany), for providing their partnership and their assistance in the project.

## Disclaimer

This publication has been produced with the assistance of the European Union – SWITCH-Asia programme. The contents of this publication are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union.



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## Introduction

This checklist has been designed to help the Bhutanese public procurers and policymakers get started on purchasing green and sustainable goods, services and works, thereby demonstrating the government's commitment to sustainable development and Gross National Happiness.

Getting started on green procurement can be challenging, given that public procurement procedures tend to be formal, arduous, involve coordination among multiple divisions and reporting hierarchies, and budget flexibility is limited. Many procurement procedures are also entrenched in heavy administration procedures that have not been revisited for many years. That said, the Bhutanese government has made considerable advancements in its procurement procedure and system, the most recent being the launch of e-procurement which represents a valuable opening for initiating and improving on green procurement, as both processes require a change in mindset coupled with more streamlined and transparent procedures.

This checklist covers a wide range of macro- and organization-level intelligence that procurers need before starting out. The checklist was first published in 2010 and was authored by Oshani Perera with the aim to help procurers ask the right questions of peers, suppliers and end users to ensure that procurement processes are being gradually modernized to encompass value-for-money across the lifecycle. The checklist was also designed to help procurers work with suppliers and stakeholders to design specifications that will serve as triggers for green industrial activity across the domestic economy.

This checklist uses Perera's checklist as a guideline and informs about Bhutan's current progress towards the implementation of Green Public Procurement. The information on the progress is based on the findings over 3.5 years of work by the GPP Bhutan project. It aims to encourage public agencies, the Cottage, Small and Medium-sized industries, and other stakeholders in Bhutan to continue the efforts towards green public procurement, sustainable consumption and production patterns, and ultimately, sustainable development.

The final sections of this document give an overview of the key successes of the GPP Bhutan project and highlights some of its important events.



## Green Public Procurement: The Fundamentals

### What is Green Public Procurement?

GPP is the purchasing of goods, services and infrastructure in a way that maximizes value-for-money across the lifecycle. This requires that public entities maximize positive impacts and minimize negative impacts from economic, social and environmental perspectives along the lifecycle of goods, services and infrastructure.

### Why is Green Public Procurement important?

GPP generates multiplier benefits. When governments spend money on goods, services and infrastructure, the initial spending is important, but so is the way the money is re-spent and circulated in the economy. Multiplier benefits occur when spending on public procurement ripples through local and regional economies, strengthening them and generating social and environmental benefits beyond the initial purchase transaction.

GPP can also help governments tackle persistent challenges, such as unemployment, insufficient skill bases, poor connectivity, and limited industrial diversity. The multiplier effects of GPP can regenerate societies and economies by creating local employment and business opportunities and multiplying the cash in the local economy.

There are many multiplier benefits of GPP, depending on the economic, social and environmental situation of individual countries. While the GPP multipliers are subdivided into economic, environmental and social here, many of the multipliers can create benefits across all three categories simultaneously.

**Figure 1: The Interrelated Nature of GPP Multipliers**



Source: GPPB (2017). *Procuring Green: A handbook for policymakers and public procurers. Volume 1: Goods and services. 2<sup>nd</sup> Edition. Thimphu*

### What is lifecycle thinking?<sup>1</sup>

Life Cycle Thinking (LCT) is about going beyond the traditional focus on production site and manufacturing processes to include environmental, social and economic impacts of a product over its entire life cycle.

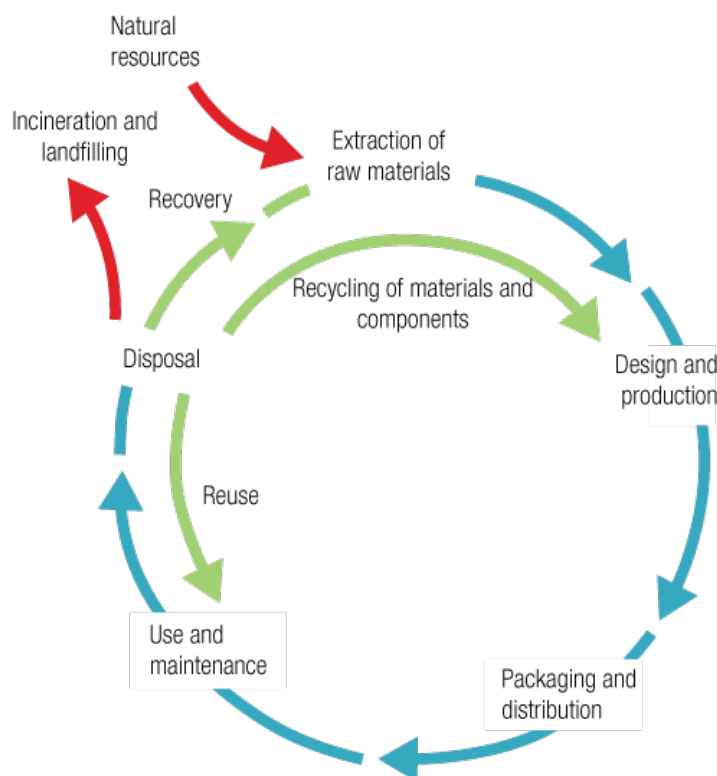
The main goals of LCT are to reduce a product's resource use and emissions to the environment as well as improve its socio-economic performance through its life cycle. This may facilitate links between the economic, social and environmental dimensions within an organization and through its entire value chain.

<sup>1</sup> Source: Life Cycle Initiative. <http://www.lifecycleinitiative.org>

Looking at the industrial sector, taking LCT as an approach means going beyond the more narrow traditional focus on an enterprise's production facility. A product life cycle can begin with the extraction of raw materials from natural resources in the ground and the energy generation. Materials and energy are then part of production, packaging, distribution, use, maintenance, and eventually recycling, reuse, recovery or final disposal.

In each life cycle stage there is the potential to reduce resource consumption and improve the performance of products.

### The product lifecycle



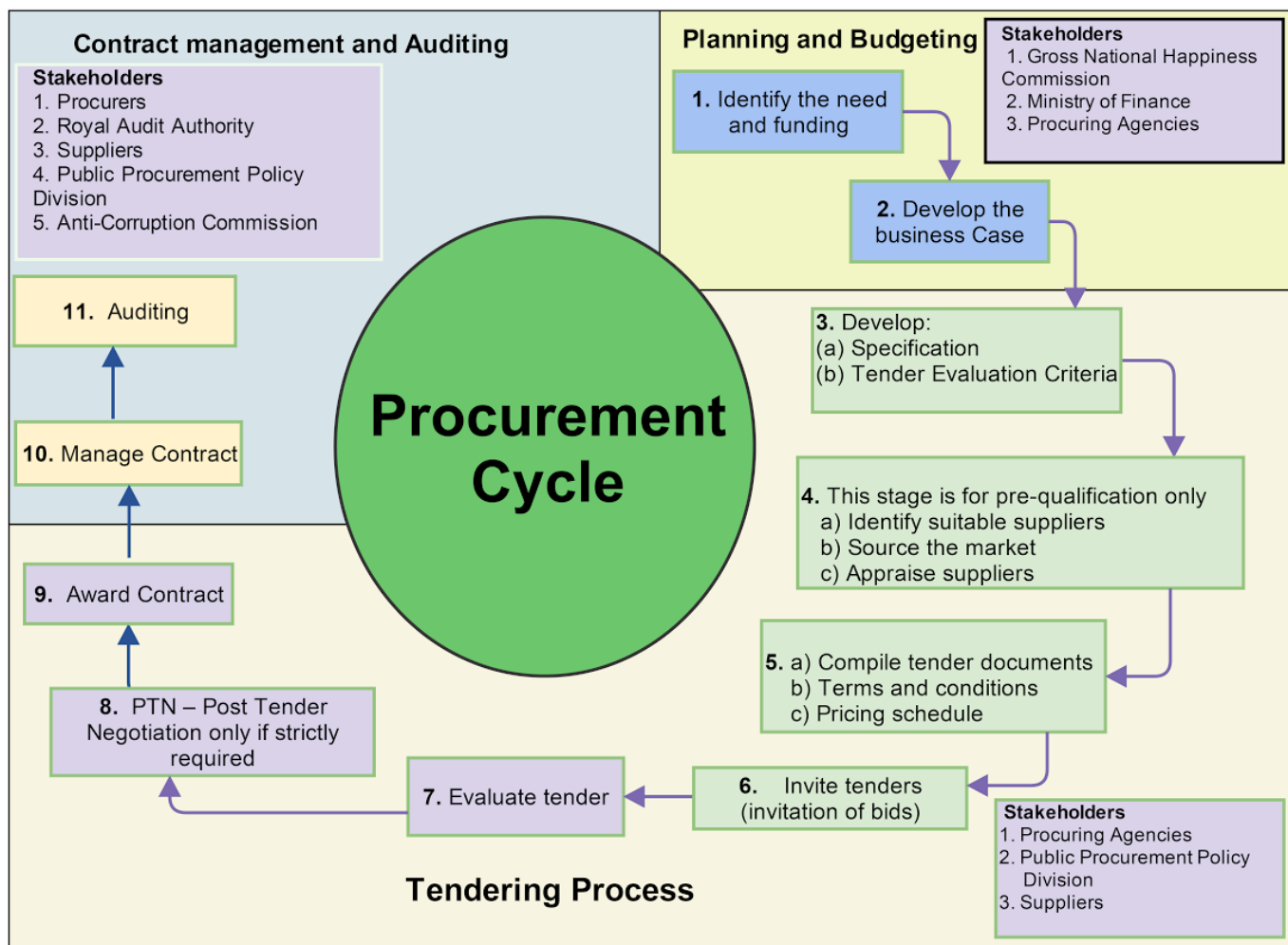
### The procurement cycle

Although the steps for procurement are not exactly the same for everyone, a typical procurement cycle comprises of the following steps:

1. Identification of need
2. Invitation of tender
3. Evaluation of tender
4. Award of contract
5. Management of contract
6. Review and audit

The procurement cycle in Bhutan involving different stakeholders looks as follows (as analysed by the GPP project team during project research):










Source: GPP Bhutan (2015). Mapping of Institutional Arrangements and Procedures for Public Procurement in Bhutan: Identifying strategic and administrative leverage points for implementing green public procurement. Thimphu.

## The Checklist

This checklist includes specific information on the stage of progress in Bhutan on each respective item/question. It helps give an overview to public procurers and policy makers on the progress Bhutan has made over the past years in implementing GPP, and encourages to take action in those areas where more can be done.

First, a checklist item is presented in the form of a question or statement. Then, rationale is provided to help readers understand why that item is important to consider for GPP. Subsequently, the current scenario in Bhutan with respect to the checklist item is presented and further recommendation is provided for consideration.

The checklist shows stage of progress in Bhutan using five icons as shown in the table below. Using rough estimation based on GPP Bhutan project experience thus far, the **dark green color** indicates the level of progress already made for implementing GPP while the **light green color** indicates further room for improvement.

Progress	Interpretation
	No progress
	Some progress, great room for improvement
	Some progress, considerable room for improvement
	Considerable progress, some room for improvement
	Great progress, slight room for improvement

Implementing GPP does not happen overnight. Worldwide public procurement is gradually being deployed as a strategic government tool. Transitioning to GPP requires incremental changes to the public procurement laws, systems and processes, but mostly to the mindset of the public procurers and policy makers. We hope this checklist will help accomplish further progress in Bhutan.

## 1. Does the legal framework allow for green or sustainable public procurement?

### Rationale

If procurers are legally mandated to buy green, actually doing so becomes much easier. It legitimizes the time, effort and money spent by procurers on consulting with environmental specialists, suppliers and stakeholders, and designing specification and award criteria that will crowd in the key multiplier benefits: the wider commercialization of green goods/services across the domestic market. The exact provisions on green and sustainable procurement are also important to delineate areas of priority focus. For example, procurement laws that mandate that procurement decisions be based on lifecycle impacts, costs or benefits allow procurers to cast the net wide and invite suppliers to propose a range of environmental and social improvements that are in line with the sustainable development priorities of the domestic economy. On the other hand, laws that expressly mandate particular characteristics such as energy efficiency or recycled content, or mandate business with minority-owned enterprises make specification and award criteria design that much easier, because procurers will know where to focus. Some procurement laws might also encourage the purchase of eco-certified and eco-labelled items; in this case, tenders will need to be designed based on the relevant certification and labelling criteria.

It is also important to point out that environmental law and labour law may also provide procurers with the legal legitimacy to buy sustainably (even if procurement laws may not expressly do so). For example, national environmental acts that contain provisions on the following issues have direct relevance to green and sustainable public procurement: stewardship of natural ecosystems (such as forests and coastlines); use of best available techniques (BAT) (such as integrated pest management in agriculture); mandatory environmental impact assessment as a prerequisite for development approvals; environmental authority for key industry sectors (especially extractive and energy generation); environmental management; and environmental offense investigation and enforcement.



### Progress in Bhutan:

While Bhutan's existing legal framework for procurement does not mandate that procurement decisions be based on lifecycle impacts, there are a number of provisions that directly provide for the implementation of GPP in Bhutan – as regulated through the Procurement Rules and Regulations (PRR), the Standard Bidding Documents (SBDs) for Goods and Works and other regulatory and operational documents.

Specifically the following provisions in the PRR allow for GPP:

- There are provisions for the use of local materials and domestic suppliers/ contractors in public procurement in Bhutan. Article 1.1.2.2.a of the PRR gives a preferential treatment to goods of Bhutanese origin or works from Bhutanese bidders as long as the tenders are of equivalent quality and the price differential does not exceed 5 per cent.
- Article 2.1.3.4 enables procurers to assess the technical facilities and capabilities of the supplier, which can include using energy and resource-efficient equipment and environmentally-friendly alternatives.
- Article 4.1.1.7 benefits CSMLs participation by allowing the division of procurement contracts. It establishes that “a procurement agency may break up a work, supply or service assignment into separate lots or components for awarding to different contractors, suppliers or service providers”. The division of works, supplies or service contracts into separate lots allows more participation of CSMLs in government procurement not only in small contracts but also in large ones. This is reinforced by the SBDs (Section 1, Clause 39.6 of the SBD on Goods).
- Article 5.2.2.11 provides the space for procurers to prescribe “green” specifications for goods/ services/works, such as the use of recycled content in production, or ensuring toxin-free products or requiring energy and/or water efficient services. The article mentions that “the specifications or scope of works shall include all essential features or components desired [...] or as specified by the Procuring Agency. [...]”
- Article 5.4.3 clearly mentions that “the price offered by a bidder shall be only one of the criteria for evaluation of bids”, meaning that the price is not the exclusive criteria of evaluation.

In addition, the following provisions in the SBDs supplement PRR in allowing for GPP:

- The SBD on Goods, Section 1, Clause 39.5 states that the evaluation of a bid may consider other factors besides the bid price such as the characteristics, performance and terms and conditions of purchase of goods and services.
- The SBD on Goods, Section III.2 allows the purchaser to consider costs of major replacement components, mandatory spare parts and service as well as operating and maintenance costs, performance and productivity of the equipment. This consideration allows procurers to make better life cycle analysis of the products.
- The SBDs for Works in Section V, Clause 10.2(:"General Conditions of Contract"), mention social and environmental requirements, considering, among other things, compliance with labour laws, respecting health standards and environmental protection arising as a consequence of the contractors' methods of operation.
- The SBD for Works in Section V, Clause 19.2 states that "[The contractor] shall take steps to protect the environment

### Further Recommendation

Research has demonstrated that the current PRR in Bhutan provides ample space for the implementation of GPP (GPPB, 2015 "[Legal Analysis of the Public Procurement Framework in Bhutan: Prospects for procuring green](#)"). However, if the government wishes to be more deliberate about implementing GPP, the Standard Biddings Documents may be revised in line with international best practice. GPPB has provided recommendations on the revision of the SBD (GPPB, 2016 "[Implementing GPP in Bhutan: Recommendations for a revision of the SBDs](#)") and presented them to the PRR Review Taskforce in October 2016. The review conducted for PRR was presented by the taskforce to a high-level committee in December 2016. The MOF is planning to form an independent committee to review the PRR, where they have agreed that the committee would take on board the review conducted so far.

Participants identify environmental and social impacts of production and consumption during the 2nd Training of Procurers conducted at RIM.





## 2. Are there soft laws and policies mandating green and sustainable procurement?

### Rationale

Even if procurement laws and environmental laws do not expressly provide for green procurement, proactive procurers will be well served with soft law or policy frameworks that will legitimize and reward their efforts to buy green.

Many governments opt for soft law options, given that soft law is cheaper to implement, easier to enforce and requires less red tape to establish in the first place. Some SPP proponents even advocate a soft law approach, especially in the early stages of SPP, for it gives the public sector sufficient flexibility to determine the best places to start.

Many SPP experts also suggest that the biggest hurdle in procuring green is the lack of central coordinating facilities or purchasing platforms, the very existence of which might be enough to generate early compliance. In such a case, there is no difference between hard and soft law from a compliance standpoint.

### Progress in Bhutan:



Fortunately for Bhutan, the existing broader legal and policy framework provides space for implementing GPP in Bhutan. Particularly, when read in light of the Constitution of the Kingdom of Bhutan, which embed sustainable development and Gross National Happiness, and other relevant legislations and policies, there are provisions to promote Sustainable Consumption and Production (SCP) practices in Bhutan. Internationally, there is momentum building around green and sustainable public procurement as reflected in Goal 12 of the 2030 Agenda for Sustainable Development. It is thus timely for Bhutan to implement GPP and realize its benefits for the economy and society as a whole. Specifically, the following laws and policies are supportive of pursuing GPP:

- National Environment Protection Act 2007
- Environment Assessment Act 2000
- Waste Prevention and Management Act 2009
- Executive Order for the procurement of local bricks 2016
- Cottage, Small and Medium-sized Industry Policy 2012
- 11<sup>th</sup> Five Year Plan & GNH philosophy

### Further Recommendation

Bhutan can showcase its commitment towards sustainable development further by specifically pursuing the implementation of UN SDG Goal 12, targeted towards Sustainable Consumption and Production (SCP) and GPP.

### 3. To what extent are e-procurement methodologies being integrated into procurement and tender processes?

#### Rationale

When government tenders processes are conducted electronically through the Internet or through other information and networking systems, it is termed e-procurement, or electronic procurement. Typically, public-sector e-procurement operates through dedicated procurement websites that allow qualified/registered users to launch and execute public-sector tenders and allow the short-listed suppliers to submit and track their bids. E-procurement software also makes it possible to automate some aspects of tender procedures, increasing the efficiency and transparency of the tender processes as a whole. For sustainable procurement, e-procurement can be of added value, as software applications can be developed to include environmental and social screening criteria that will facilitate tender design and award processes.



#### Progress in Bhutan

With assistance from the World Bank, an Electronic Government Procurement (e-GP) System has been established in Bhutan on June 2017. The e-GP facilitates procuring agencies to publish tenders, corrigendum and notification of contract award. The primary objective of this portal is to provide a single point access to the information on procurements made across various procuring agencies.

Speaking at the launch event, the Prime Minister categorically mentioned that the e-GP system cannot be optional and should be mandatory for procurement of Goods, Works and Services across the Government agencies starting January, 2018.<sup>2</sup>

In March 2017, the Government Procurement and Property Management Division (GPPMD) team conducted a half day e-GP awareness program to the 22 participants including Head of Divisions, Engineers and Procurement officers.

The e-GP website offers e-learning on using the e-GP system through interactive videos, manuals and e-GP guidelines.<sup>3</sup>

#### Further Recommendation

We recommend further capacity-building of procurers and suppliers to use e-GP and integration of environmental and social screening criteria in the e-GP system to facilitate tender design and award processes.

2 Source: <https://www.egp.gov.bt/ViewNewsDetails.jsp?newsType=N&nid=1>

3 Source: <https://www.egp.gov.bt/eLearning.jsp>

## 4. What do governments buy?

### Rationale

Governments buy a host of products and services, and commission a range of —works, all of which can be done based on environmental and social considerations. Areas of frequent government spending are detailed below. Identifying the major areas of public spending also helps to identify the low-hanging fruits for starting with GPP: introducing green criteria in those spending categories will have a greater positive impact and can showcase how GPP can be done in a way that generates various benefits for the environment, the economy and society.

#### Areas of frequent government spending

GOODS	SERVICES	INFRASTRUCTURE
Air conditioning	Management consultancy services	Roads
Information communication technologies (ICT)	IT consultancy services	Water treatment facilities
Vehicles	Software	Airports
Indoor lighting	Servers and data centres	Ports
Outdoor lighting	Electricity	Railroads and stations
Office supplies	Couriers and postal	Buildings
Fuel	Mobility	Sewage plants
Furniture	Waste management	Schools
Apparel	Food and beverage catering	Prisons
Paper	Landscaping	Power plants

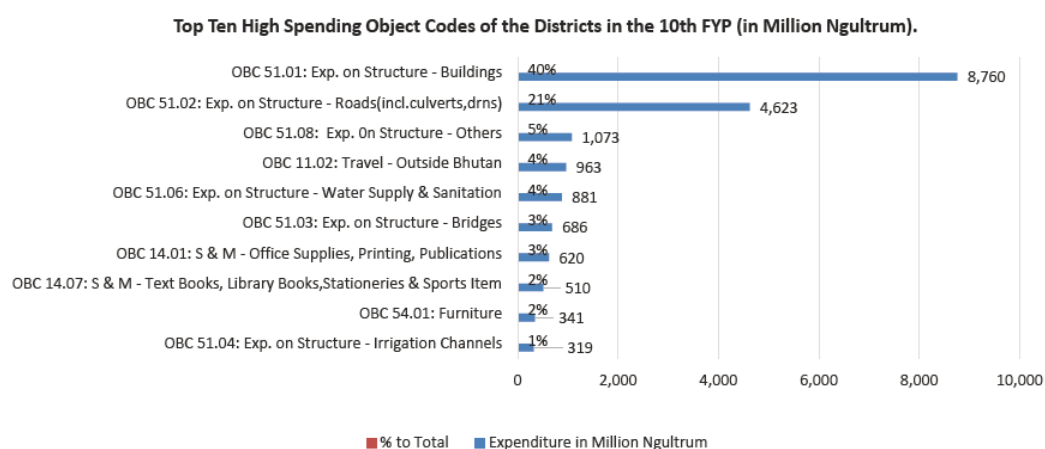
Sources: IISD publications; Organization for Economic Co-operation and Development (2011)



### Progress in Bhutan:

The GPP Bhutan project's research revealed that in the 10th FYP period (2008-2013), the highest government expenditure was on works. The top ten Object Codes (OBCs) account for 86.2 per cent of the total procurement of the plan period with expenditure worth Nu. 18.8 billion. The top three highest spending OBCs account for 66 percent of the total procurement (with Nu. 14.5 billion), all of which fall under the works category – buildings, roads and other structures.

The following figure details the OBCs for the top 10 ten areas of public spend in 10<sup>th</sup> FYP.



Source: GPPB, 2015 "Quantitative Mapping of Public Procurement in Bhutan"

## Further Recommendation

The full implementation of e-procurement will allow the government to do better tracking of areas of government spending. This will help to set priorities for the government of where to focus efforts when implementing GPP.



Dasho Nim Dorji, Secretary, Ministry of Finance delivers the Keynote Address at the 3rd GPP High Level Seminar.



## 5. Are green and sustainable products/services available in the domestic market?

### Rationale

Procurers cannot run the risk of designing specifications that no supplier can meet. Hence, it is important to have an overview of the domestic market for green products and services, the extent to which green products are produced domestically, and the extent to which green tenders might crowd in or crowd out domestic investors and domestically manufactured products.

What is important is to strike the right balance between stimulating domestic demand for green products, while maintaining the bar on the level of –greenness that will stimulate innovation and production of green goods and services domestically. In other words, the costs of green innovation and production must not be too high for investors and suppliers to take the risk to invest, innovate and produce. This balance will be determined by the trade development priorities of each economy.



### Progress in Bhutan:

GPP Bhutan project's assessment of the Bhutanese market revealed that it is generally assumed that local products are comparatively more expensive and of inferior quality than imported products. The assumptions are mainly based on the higher labour charges in the country and the historically low capacity of local enterprises to produce and supply products with consistent quantity and quality. However, the study indicated that the assumptions do not reflect the market reality. Should the challenges of the local suppliers be reviewed and addressed rationally, the suppliers claim that the market scenario is different from the past.

While there is enough space in the policy and legal frameworks to practice GPP, a closer attention is required in the implementation practices. For example, when the Bill of Quantities (BOQ), which provides all the technical specifications of a work (quantity, materials and the quality), in the tender document, mentions a requirement to use "red bricks", the works supplier/contractor has no choice but to adhere to it. The BOQ refers to red bricks as it is listed in the Bhutan Schedule of Rates (BSR). Contractors and suppliers prioritize winning the contract and strictly complying with stated requirements. Therefore, for suppliers, proposing alternative materials, even if it is available in the local market is often of secondary importance. If the tender documents/BOQ provide options to the contractors, contractors could then offer green and locally available materials as an alternative.

Although there are locally produced construction materials, it is the tendency of the procurers with misconceptions to opt for imported materials due to limited communication and coordination between procurers and suppliers. Local suppliers have indicated that public procurers do not sufficiently value green products due to lack of knowledge and information on its lifecycle impacts. More information and dialogue would help.

There is a general expectation amongst the suppliers consulted during the GPP Bhutan project research (particularly local manufacturing enterprises) that if suppliers are to "go green" there will need to be an incentive to do so – such as a preferential procurement programme. The suppliers expressed that although there is interest and willingness in the government procurers to promote green goods, works and services, the lack of clarity in communication forms a bottleneck. Both the EDP and the 11th FYP contain aspects of promoting self-reliance and green procurement practices, as does the Procurement Rules and Regulation (PRR 2009).

### Further Recommendation

We encourage public procurers to gather insights on the products that the domestic market is producing and the extent to which they can "green" their products. The GPPB Handbook describes at length the different steps that procurers can take to be better informed about the latest market developments within the domestic and international economy (GPPB, 2016 "Procuring Green: A Handbook for Policy Makers and Public Procurers" p48-49).

## 6. How are budgets organized and managed?

### Rationale

How procurement budgets are organized has a lot to do with the extent to which sustainable public procurement will be a successful policy for sustainable development. Multi-year accounting and budget frameworks that allow temporal flexibility to carry over or borrow against the future are important to account for benefits that accrue during the user life of assets. Such frameworks also include opportunities to integrate lifecycle costing and net present value into procurement decisions.

Lifecycle costing and net present value are particularly important, as they will help procurement demonstrate that, though environmentally and socially preferable goods and services might cost more to purchase, they may be the most cost-efficient choice when looking at life cycle, bringing substantial savings during user life and end-of-life disposal. (If the environmental and social externalities are assigned monetary values and included in purchasing prices, then green goods and services become even more cost-effective).



### Progress in Bhutan:

The Five Year Plan (FYP) is the main document that guides the broad policy framework including strategies, planning and resource allocation for all ministries and department for the forthcoming period of FYPs. All annual government activities, programs and projects are planned according to the FYPs which then inform procurement needs in the various ministries and departments. On an annual basis, the MOF calls for budget proposals based on approved plans and programs of the FYP. Budget proposals are comprehensive proposals containing detailed activities, estimates, drawings, procurement and necessary clearances. The ministries, autonomous agencies, dzongkhags and gewogs then submit their budget proposals with detailed activities (also prescribing procurement) to MOF annually. The GPPB project has mapped out all institutional and procedural arrangements for public procurement in Bhutan.

### Further Recommendation

In order for all stakeholders to understand the importance of the budgeting aspects in relation to the implementation of GPP we recommend for public procurers to be closer involved in the budgeting processes and for the decision makers to be aware of the advantages of multiyear budgets, and of the fact that the financial benefits of GPP are often being realized during the operations phase, not during the initial purchase.

## 7. Allowing for lifecycle thinking and lifecycle costing in public procurement

### Rationale

Lifecycle costing (LCC) is defined in the International Organization for Standardization standard, Buildings and Constructed Assets, Service-Life Planning, Part 5: Lifecycle Costing (ISO 15686-5) as an —economic assessment considering all agreed projected significant and relevant cost flows over a period of analysis expressed in monetary value. The projected costs are those needed to achieve defined levels of performance, including reliability, safety and availability. In the context of GPP, the use of LCC is useful to demonstrate that procurement processes and decisions have to move beyond considering the purchase price of a good or service, for the purchase price does not reflect the financial and non-financial gains that are offered by environmentally and socially preferable assets as they accrue during the operations and use phases of the asset life cycle.

Typical LCC analyses are therefore based on:

- Purchasing costs and all associated costs, such as delivery, installation, commissioning and insurance;
- Operating costs, including utility costs such as energy, water use and maintenance costs;
- End-of-life costs, such as removal, recycling or refurbishment, and decommissioning;
- Longevity and warranty time frames of the asset.

Incorporating LCC into procurement policies will provide procurers with the opportunity to demonstrate that the —best value for money across the asset life cycle can only be assured by purchasing green and socially preferable alternatives.



### Progress in Bhutan:

Although Bhutan does not to integrate lifecycle costing into procurement, the policies allow for integrating lifecycle thinking and using LCC as a tool for quantifying the costs of a product beyond price. The PRR and SBDs call for procurers to assess the bids in terms of costs beyond the purchase price such as operation and maintenance cost, warranty, energy efficiency, etc. (See Question 1 for more details on the space for GPP in Bhutan's PRR and SBD).

The following examples illustrate how lifecycle thinking was used in procurement decisions:

#### Example 1: LED streetlights along the Thimphu-Babesa expressway

Thimphu Thromde replaced 174 streetlights along the Thimphu-Babesa expressway with LED lamps of 100 watt per luminary. Before the switch to LED lamps, the wattage of each bulb along the expressway was 400. Streetlights along the expressway cost Thromde about Nu 120, 000 every month. The new lighting system not only provided better brightness but also reduced energy consumption by about 70 percent.

Though the LED lamps cost more, the cost saving due to less energy consumption was about Nu. 70,000 per month. This is an excellent business case for investing more upfront for savings later.

#### Example 2: Replacement of incandescent bulbs with LED bulbs

With financial support from the Government of Norway under Energy Plus Programme, the Department of Renewable Energy (DRE) replaced about 26,500 incandescent bulbs with LED bulbs. Bulbs were distributed through Food Corporation of Bhutan (FCB) outlets at a highly subsidized rate of Nu 100 per bulb against the market price of over Nu300–Nu 700 per bulb depending upon the brand.

The annual saving is estimated at about 2 million units of energy and consequently earn additional fund of Nu 4.64 million at the average domestic tariff price of Nu 2.32 per unit or earn INR 4.50 Million if exported. The investment can be recovered within one year and these benefits can be sustained for at least 20 years as these bulbs last over 20 years.

The replacement of one 60W incandescent bulb can save about 75 units of electricity per annum, saving Nu 173 per annum per bulb. With 4 LED bulbs per consumer, each individual consumer can save around Nu 700 per annum and Nu 14,000 before the bulbs need to be replaced.

### Example 3: Recycling plastic waste to build roads

The Green Road is a public-private partnership project expected to reduce the amount of bitumen imported from India by 40 percent, and cut the amount of plastic waste going into landfills by 30-40 percent. The project uses plastic waste to build eco-friendly and durable roads in the Bhutan and involves Department of Roads, the Municipality and private construction company, Green Roads.

While it remains to be seen whether plastic roads will suit Himalayan Bhutan's high altitude, rain and cold winters, the entrepreneur that started Green Roads predicts the plastic roads will not require maintenance for at least five years. Traditional roads sometimes require yearly repair given the country's mountain weather.

Bhutan's Ministry of Works and Human Settlement spends about \$4.2 million each year to fill potholes in Bhutan's roads.

### Further Recommendation

We recommend the implementation of lifecycle thinking (LCT) and lifecycle costing (LCC) into procurement practices through capacity building and increased understanding of public procurers on LCT. The training materials and courses that were developed under the GPP Bhutan project can be found at the [GPP – RIM Knowledge Platform](#) and include various materials to scale up skills and understanding of LCT and LCC. Furthermore, we recommend scaling up the use of lifecycle costing tools for major areas of public spending.

Facilitators from IISD, CSCP and RIM at the 1st Training of Procurers conducted at RIM.





## 8. What to do when green or sustainable is more expensive?

### Rationale

Procurers are often reluctant to include sustainability features in tenders because environmentally and socially preferable goods and services often cost more to purchase than their less sustainable alternatives. Procurers and policy makers are also challenged by tight budgets, and ever-growing demands to deliver better services in critical areas such as education, health, water and sanitation, electricity, public transportation, and nutrition. In these circumstances, spending more on 'expensive, greener alternatives' can be perceived as an unnecessary luxury.

Procurers can however employ a number of strategies to reduce the purchasing costs of sustainable alternatives:

- **Buying in bulk** by aggregating demand of several procurement agencies to increase the volume of demand and hence enable the negotiation of volume discounts;
- **Establishing central procurement platforms** that will continuously negotiate volume discounts, stock (or warehouse) and will deliver to public entities on requisition;
- **Establishing framework agreements** under which guaranteed demand can be associated with discounted prices;
- **Communicating with suppliers** that future tenders will include environmental and social criteria and working with them to ensure they are able to meet the demand for green goods/services;
- **Employing reversed auctions** to realize efficient price discovery where suppliers bid on offering lowest price for the specified green good/service;
- **Seeking to purchase services as opposed to goods** to reduce to total cost of ownership. Procurers could use service contracts for facilities management, catering, landscaping, use of office IT services, use of cloud computing services and even use of office furniture;
- **Focusing on products that have been already been earmarked as priorities** for domestic industrial development or for addressing domestic environmental and social challenges in order to negotiate volume discounts on these products given that they have been already targeted by ancillary policies.



### Progress in Bhutan:

Although the strategies presented above have not been employed expressly in the procurement process in Bhutan, the following example illustrates a case of bulk purchasing that resulted in a win-win situation for both the procurer(s) and local supplier(s):

#### **Example: Framework Agreement between farmer groups and institutes for vegetable supply**

The Vegetable Value Chain Programme in the East of Bhutan was initiated in July 2011 under the Market Access and Growth Intensification Project (MAGIP).

The project was funded by International Fund for Agriculture Development (IFAD) and implemented by Ministry of Agriculture and Forestry (MoAF) in six Eastern Dzongkhags (Districts) with the technical assistance from the Netherlands Development Organization (SNV) and Japan International Cooperation Agency (JICA).

The main goal of the programme was to promote semi-commercial production and marketing of summer vegetables in order to increase income for over 2,500 households from 5 to 15 percent by 2014.

The more important part of the project was its ability to link vegetable cooperative groups to schools and institutes in the east. Proper linkage and drawing of annual contractual framework between farmers groups and those institutions in Bhutan has boosted the income of farmers significantly. It has also improved the understanding between farmers groups and the schools on the specific food needs, and how those could be delivered through the farmers groups working together.

Source: *GPP Bhutan Newsletter Volume 3, Issue 1*

## Further Recommendation

We recommend raising awareness of public procurers about the available strategies to minimize the cost of procuring green alternatives, training procurers on lifecycle thinking, and including topic in procurement courses and curricula in RIM. Furthermore, we recommend improving on the e-procurement platform and making it a central platform for public procurement, potentially allowing for some office items to be bought in bulk by different public agencies and enabling better and more transparent communication between procurers and suppliers.



Bhutanese delegates learn about Thai green standards and labels at the Thailand Greenhouse Gas Management Organization (TGO) Bangkok, Thailand.

## 9. The issue of split responsibilities for capital and revenue budgets

### Rationale

One of the difficulties in fully implementing green procurement is to reconcile capital and the revenue budget, which usually fall under the jurisdiction of different government departments or organizations. While procurement contracting might be the responsibility of one agency, budgets are controlled by another; and the use and maintenance of the product/service/development belongs to yet another. As the benefits of GPP accrue during the project life and at its end disposal, those bearing the capital costs may not be the first to realize the benefits of sustainable alternatives.

### Progress in Bhutan:

In Bhutan, procurement regulations are set by the Government Procurement Policy Division (GPPD), Ministry of Finance, and the public expenditure is controlled by the Ministry of Finance as well. Procurement is done by individual agencies while the Department of National Properties takes over national properties at the end of its use. Therefore, the sustainable benefits are not clearly delineated for each agency, making it difficult to demonstrate the savings and benefits that are being generated over the lifecycle of the asset.

### Further Recommendation

Reforms on public expenditure management will be necessary to enable lifecycle costing (LCC) to be used as a standard procedure in procurement budgeting.

Parliamentarians, senior bureaucrats and business leaders engage in a panel discussion about GPP at the 1st High Level Seminar



## 10. The environmental and social dimensions of supplier qualification and appraisal

### Rationale

Buying green will require that suppliers are evaluated above and beyond the traditional 'fit to do business with the public sector' criteria that typically focus on financial performance, and the quality of goods and services delivered. Supplier indices will need to be expanded to include compliance with environmental and labour laws; corporate governance; strategies to reduce the environmental footprints (of both the firm and the goods/ services it produces); accreditation under labels and standards; public disclosure on environmental and social performance; etc. It will also be useful to establish early procedures to audit suppliers on their environmental and social claims, especially the larger, first-tier firms that do regular business with the government.



### Progress in Bhutan:

In Bhutan, environmental clearance is mandatory for all works projects and labour laws apply to all companies. Prequalification criteria are usually applied for large or complex procurement of works. There are currently no prequalification criteria applied to suppliers for goods and services for the public sector that refer to environmental or social performance.

### Further Recommendation

BCCI and Construction Association Board (CAB) could help setting up qualification criteria for suppliers, engage in dialogue with contractors and the suppliers on how they can adjust their environmental and social performance. Public tenders should help prepare the market that government agencies will start asking for environmental and social performance, first in an optional manner, later mandatory. This provides certainty for the market and will help rewarding those suppliers that have made extra efforts in terms of their environmental and social performance.

International standards such as ISO 14000 on environmental management systems or ISO 20400 on sustainable procurement may also help guide procurers on the type of requirements they want to ask from suppliers in terms of their sustainability performance.

GPP Team (2015)





## 11. Can tenders be evaluated on non-financial grounds?

### Rationale

To what extent do tender evaluation criteria consider non-financial elements such as quality, durability, energy efficiency, green design and the creation of green jobs? Buying green requires that the corresponding green criteria on which tenders are awarded command sufficiently high scores so that suppliers that provide the best value over the lifecycle have the chance of scoring high and being selected.

### Progress in Bhutan:



PRR 2009, Article 5.4.3 clearly mentions that “the price offered by a bidder shall be only one of the criteria for evaluation of bids”, meaning that the price is not the exclusive criteria of evaluation therefore allowing authorities to consider as many other (justifiable) criteria as necessary. There is a non-exclusive list of evaluation criteria that includes, among others, criteria in line with GPP such as: preferential treatment of local goods, running costs and cost effectiveness, after-sales service and technical assistance (lifecycle assessment) and quality and technical merit (innovation).

PRR 2009 is reinforced by the SBDs. The SBD on Goods, Section 1, Clause 39.5 states that the evaluation of a bid may consider other factors besides the bid price such as the characteristics, performance and terms and conditions of purchase of goods and services.

### Further Recommendation

We recommend further awareness-raising around the evaluation of tenders and the potential to include criteria beyond price. We also recommend sharing of best practices on how this can be done (e.g. through a point-based evaluation system). The training materials that are available on the [GPP – RIM Knowledge Platform](#) include various ways and examples on how public procurers can award tenders on price and quality of a product or service. We recommend including this in the standard curricula of PGDFM students at RIM.

GPP sensitization for members of Cottage, Small and Medium Industries.



## 12. Monitoring contracts after green tenders have been awarded

### Rationale

Green procurers would do well to look into how the green claims made by suppliers do indeed pan out during the lifetime of the contract after tenders have been awarded. Public procurement should not be, under any circumstances, used as a means of green washing. Best practice suggests that contracts be monitored annually or bi-annually. Monitoring should focus on the cost and time overruns; adherence to specifications; best practice in environmental management and corporate social responsibility; and the reporting requirements agreed upon in the contract.

### Progress in Bhutan:

There is currently no evidence of dedicated monitoring systems that allow for evaluation the impact of GPP tenders in Bhutan. However, the implementation of the e-procurement system provides an important opportunity for monitoring of public procurement practices since data on public spending will be centralized.

### Further Recommendation

We recommend using the e-procurement system to implement monitoring of GPP. Monitoring should focus on the cost and time overruns; adherence to specifications; best practice in environmental management and corporate social responsibility; and the reporting requirements agreed upon in the contract.

Procurers learn about local, green products such as the 'bio plates' (pictured) at the Supplier-Procurer Forum.



### 13. Determining where to start with GPP implementation

#### Rationale

It is always best to start in areas where policy openings already exist and where sustainable procurement can be coupled with ongoing programs that promote sustainable development. For example:

- If efforts to buy green or operate green have already begun and if procurers align their interests to these initiatives
- Which products, services and works have the highest potential to trigger multiplied benefits across the economy? This will change based on comparative and competitive advantages of the domestic economy; its profile when it comes to exports and imports; domestic technological and industrial capacity; sectors targeted for investment and development; and the environmental and social priorities of the domestic economy at large.
- The extent to which prevailing procurement policies provide for working with small businesses and minority-owned enterprises
- The extent to which environmental and social standards and labels are used and promoted across the domestic economy
- The availability and retail prices of green and sustainable goods and services in the domestic economy
- Which green technologies, industries and product groups have been signalled out by the government for special support and subsidies?
- The extent to which specific environmental and social priorities such as energy efficiency, low carbon development, green jobs and clean technologies are being singled out as development priorities.



#### Progress in Bhutan:

Due to government's concerted effort towards development that is equitable and sustainable (in line with Gross National Happiness), the environment is very favourable to implement GPP in Bhutan. Prevailing policies, environmental considerations and national priorities are well-aligned with GPP.

In works and in services, the public sector already makes significant purchases from domestic contractors/suppliers/service providers. However, the procurement of goods is almost entirely imported to date. Implementing GPP has the power to change that.

#### Further Recommendation

The best place to start implementing GPP is to identify priority areas of sustainable goods and services that public authorities want to procure. Green/sustainable products and services are becoming more competitive in Bhutan, in part due to the implementation of the fiscal incentives that exempt Sales Tax and Customs Duties on a range of environmentally-friendly goods (e.g. electric and hybrid cars, organic food) and services (e.g. waste management and recycling industries). Some of these goods and services represent major areas of public spend (e.g. green building materials for the construction sector).

## 14. Changing mindset from “best value for money” to “best value across the asset lifecycle”

### Rationale

It is essential for procurers to appreciate the value of sustainable development and lifecycle thinking if the public procurement mindset is to change from “best value for money” to “best value across the project/product lifecycle”. This requires setting environmental, social and economic objectives at each stage of the procurement process: establishing the need to procure; setting specifications; developing pre-qualification questionnaires; developing award criteria for the evaluation of tenders and making award decisions; contracting and contract monitoring.



### Progress in Bhutan:

While there are no rules and procedures calling for GPP in the procurement process at the moment, the GPP Bhutan project has produced two Handbooks on GPP that provide guidance on implementing GPP. In addition, the project has worked closely with the Public Procurement Policy Division (PPPD) (now known as Government Public Policy Division) of the Ministry of Finance and National Environment Commission (NEC) in reviewing Bhutan's Procurement Rules and Regulations (PRR) and Standard Bidding Documents (SBDs) and providing recommendation for integrating the concept of “best value for money across the lifecycle”.

### Further Recommendation

We recommend introducing sustainability requirements at each step of the public procurement cycle and further set environmental, social and economic objectives at each stage of the procurement process: in the needs analysis, in a transparent process of market engagement, in the technical specifications, pre-qualification criteria, award criteria and contract conditions. Each of those steps are explained in the [GPP Handbook, Volume 1](#).

Participant presents results from the 'hotspots analysis' exercise at the GPP sensitization event for contractors.



## 15. Embedding lifecycle thinking in procurement procedures

### Rationale

Changing mindsets requires procurers to appreciate the comparative environmental and social advantage of the products and services they are buying. Comparative advantage is determined through either product-related or performance-related criteria. Product criteria stipulate the design or composition of a product, whereas performance criteria specify performance aspects such as thresholds of energy efficiency, increased recyclability or longer user life.

In targeting outcomes during the user life of assets, performance-based criteria promote innovation and enable bidding companies to develop creative strategies to attain the level of performance being requested. Product-based criteria, on the other hand, do not spur sustainable design improvements to the same extent, though often they do involve a lesser degree of uncertainty and risk. Using life cycle analyses will help procurers and policymakers better appreciate the trade-off among these selection criteria and make the best decisions on a case-by-case basis.

Thinking across the life cycle also becomes easier when the classic question, “What needs to be bought or what infrastructure needs to be built?” is replaced with, “What are the needs that need to be fulfilled?” This shift opens the door for developing performance-based specifications and purchasing integrated services, which are important incentives for sustainable design.



### Progress in Bhutan

The PRR contains language on general product-related criteria such as operation and maintenance cost and whole life cost. In addition, the National Environment Commission is making progress in introducing the concept of lifecycle thinking more expressly in public procurement. The GPP Handbooks also include green criteria for major areas of public spending. They can be used by public procurers in the design of the technical specifications and/or award criteria.

### Further Recommendation

We recommend the use of environmental and social criteria for important areas of public spending. We further suggest the step-by-step introduction of performance-based or outcome-based procurement. This will encourage suppliers to provide innovative products, services and solutions for the public needs.



## 16. Do procurers have incentives to buy green?

### Rationale

As with all management functions, responsibility has to be assigned and good performance has to be rewarded. Procurers' job descriptions have to clearly state that purchasing decisions need to be linked to lifecycle thinking and promote environmental stewardship and social cohesion. Similar criteria should also be echoed in performance and salary reviews. Even the best design policies will not be implemented unless those directly affected by them are incentivized to do so.

### Progress in Bhutan:



Currently, procurers have no explicit incentives to procure green. Their performance as employees is not affected by their sustainable procurement practices. However, public procurers have the duty to purchase goods and services for the best value-for-money. The Ministry of Finance is also the custodian of the public procurement system and have the oversight function to ensure a transparent deployment of public funds.

Research and awareness raising during the GPPB project demonstrated the risk-aversion of public procurers to fully implement GPP because of the perception of potential issues during audits if the purchase was not based on the lowest-price. However, during the project engagement with the Royal Audit Authority showed that this was not the case.

### Further Recommendation

We recommend incentivizing procurers to practice GPP by recognising their efforts and those of their departments such as thorough establishing "Greenest Procurer of the Year" or "Greenest Office" awards. We also recommend the further implementation of a joint understanding of GPP across all government stakeholders (Ministry of Finance, Royal Audit Authority, and public procurers within the various ministries).

Procurers visit local industries (wood work) to gain understanding about hotspots during production.



## 17. Provide for ongoing skills development

### Rationale

The pace of change and innovation across green goods and services is fast. Similarly, there is a lot of movement in the up-gradation and expansion of environmental laws as well as the application of labour and human rights laws. Therefore, procurers and procurement policymakers need to have the opportunity to continuously upgrade their skills in order to be able to appreciate the latest innovations in green product design, come up with alternative ways of creating green services (instead of outright product purchase), work actively with environmental consultants and lead in the design of sustainable tenders.



### Progress in Bhutan:

The GPP Bhutan research indicated that limited capacity of officers engaged in procurement function was a major limitation in Bhutan. Most officers surveyed had general Bachelor's degree without formal professional training in procurement. The GPP Bhutan project provided three training sessions for public procurers on GPP and one training on Sustainable Supply Chain Management.

In order to continue with training and upgrading procurement officers in Bhutan, the Royal Institute of Management will provide a course on GPP. The [GPP-RIM Knowledge Platform](#) further provides links to various materials on GPP for public procurers, suppliers, and other stakeholders to familiarize themselves with the concepts of GPP, the principles, and the means of implementation.

### Further Recommendation

We recommend providing continuous skills up-gradation opportunities to procurers and to enhance their skills to engage with the market in a transparent and accountable manner.

Lyonpo Ngeema Sangay Tshempo (center), Minister of Labour and Human Resources, also the Chairman of Royal Institute of Management (RIM), launches the GPP Knowledge Platform.



## 18. Maintain an ongoing dialogue with listed suppliers

### Rationale

In order to enable suppliers to respond to tenders with sustainable, cost-effective alternatives and innovative ways of securing private sector capital participation in the case of public works, SPP champions must maintain an ongoing dialogue with suppliers. This will help policymakers keep abreast of ongoing innovation in the private sector and to gauge where and when to raise the bar when setting specifications and tender award criteria so as to incentivize continuous improvement in green design and corporate social responsibility. In the same vein, suppliers will also have the opportunity to understand procurement policy objectives. This will then enable them to organize design and R&D functions well in advance so as to meet the specifications of green tenders in the future.



### Progress in Bhutan:

Through the GPP Bhutan project, dialogue between local manufacturers and government procurers was organised in order to open the channel of communication for each party to better understand the process of public procurement and the products and services the Bhutanese suppliers can provide. In order to continue with the effort of promoting dialogue between procurers and suppliers, the [GPP – RIM platform](#) includes a forum to facilitate information provision about Bhutanese suppliers, their products, their sustainability practices. In addition, an online procurer-supplier platform has been developed by another GPP Bhutan project partner, Bhutan Chamber for Commerce of Industry to link suppliers and public procurers, with the objective to increase awareness on the local products and to improve public sector market access for Cottage Small & Medium Industries (CSMIs).

### Further Recommendation

We recommend that public procurers use transparent procedures for their engagement with the market. Further explanation on engaging with market can be found in the [GPP Handbook, Volume 1](#).

Students of College of Science and Technology (CST) learn about Sustainable Consumption and Production (SCP) and Green Public Procurement (GPP).



## 19. Make provisions to purchase for small businesses

### Rationale

Public agencies need to make special provisions to purchase from small businesses, as the multi-player benefits (or positive externalities) are immediate and tangible. This is especially true when local authorities and other decentralized agencies procure from businesses located within their constituencies, which in turn highlights the business case for SPP and –participative government more broadly.

There is also the case to be made for the public sector to operate minority suppliers programs to align SPP with ancillary policies on social integration, social cohesion and the promotion of rural enterprises. Minority supplier programs make concerted efforts to purchase from rural business, cooperatives, and from enterprises owned/ managed by women, ethnic minorities, disabled persons and the like.



### Progress in Bhutan:

The 2012 CSMI policy proposed to strengthen the legislative framework and enterprise environment with a sustainable development perspective of growth for the CSMLs by delegating the RGOB to *“increase CSMLs access to public procurement opportunities by ensuring that public procurement favours products and services locally produces or provided and that has low ecological footprints.”*

Although there is no differential treatment for CSMLs in Bhutan’s public legislation through special processes or percentages of procurement destined to these, the PRR Article 4.1.1.7 benefits CSMLs participation by allowing the division of procurement contracts. It establishes that “a procurement agency may break up a work, supply or service assignment into separate lots or components for awarding to different contractors, suppliers or service providers”. The division of works, supplies or service contracts into separate lots allows more participation of CSMLs in government procurement not only in small contracts but also in large ones. This is reinforced by the SBDs (Section 1, Clause 39.6 of the SBD on Goods).

In addition, on December 2015, the Prime Minister released an executive order for use of local bricks in public infrastructure construction in order to promote domestic economy, employment and related socio-economic benefits.

### Further Recommendation

We recommend the further implementation of the CSMI policy. Moreover, increased capacity of public agencies to understand the products that are available in the Bhutanese market will also raise awareness for contracting with the Bhutanese based suppliers. Furthermore promoting cottage, small and medium enterprises through purchasing their product and providing them with certainty of demand from the government would be highly effective in contributing towards Bhutan’s local economy. We recommend identifying other products in the construction industry, and exploring public procurement from small business engaged in forest and agricultural products.



## Closing Remarks

Bhutan is well on its way towards implementing Green Public Procurement. The current procurement policies and laws, although not explicitly designed for green procurement, allow public authorities to implement GPP. The rapid progress that the country has made in establishing and modernising its procurement rules and procedures over the past three decades is very impressive. From developing its first-ever Financial Manual in 1988, Bhutan has initiated e-procurement in 2017.

Bhutan's guiding philosophy of Gross National Happiness has been instrumental in ensuring that public financial management is aligned with a sustainable and balanced approach to development. At the time of research by the GPP Bhutan project team, the main challenges identified to implement GPP were: the lack of tools, limited capacity and non-availability of green alternatives in the market. The project directed its efforts towards addressing those challenges.

The GPP Bhutan project has developed two handbooks (Volume 1 on Goods and Services, Volume 2 on Works) with green product criteria that can be used as tools by public authorities to practice GPP. The handbooks provide practical guidance for those undertaking procurement on a day-to-day basis on how and where to get started with GPP. GPP Bhutan has offered training to procurers on implementing GPP and held seminars for senior decision-and-policy-makers to help build awareness and capacity for starting with GPP. In addition, the project made targeted efforts to sensitize suppliers and engage local businesses with the aim to build local capacity to supply green alternatives. Through the aforementioned interventions, the GPP Bhutan project has initiated and contributed to Bhutan's path to green public procurement.

Assessing Bhutan's current stage of GPP against the checklist, it is clear that Bhutan's commitment to balanced and sustainable development provides a solid foundation for GPP. Bhutan's progress towards implementing GPP demonstrates early successes of positioning public procurement as a strategic tool to drive green industrial development, and ultimately switch to sustainable consumption and production patterns. The current exercise by the Ministry of Finance in revising the Procurement Rules and Regulations as well the initiative demonstrated by government agencies the GPP Bhutan project worked with, especially the National Environment Commission, the Ministry of Finance, the Department of Engineering Services (MoWHS) and Thimphu Thromde, are proof that the initiative started by the GPP Bhutan project will continue in the years to come and will help Bhutan achieve progress towards the Sustainable Development Goals.

The cooperation between international and local partners in Bhutan has proven a great recipe for embedding the latest best practices on GPP into the local country context. Throughout the project, the ownership of knowledge on GPP and its implementation was transferred to the local partners, and embedded in the local institutions. This allows further knowledge sharing and capacity building in Bhutan for the years to come. This approach for implementing GPP is also replicable in other country contexts.

The GPP Bhutan team is grateful for the financial support of the EU SWITCH-Asia program and grateful for the support of the key stakeholders in Bhutan: the Ministry of Finance, the National Environment Commission, the Ministry of Works and Human Settlements and the Gross National Happiness Commission. Their input and direction has contributed to the success of the GPPB project and will enable the continued route towards Green Public Procurement in Bhutan.



## Role of the Implementing Partners in the GPP Bhutan project



### International Institute for Sustainable Development (IISD)

As the lead implementing partner of the GPP Bhutan project, IISD initiated and established the project and led the overall coordination among the local and international partners in the implementation of the project activities.

Specifically, IISD performed a legal analysis of the public procurement in Bhutan, identified target sectors for pilot tenders and provided recommendation to the government for moving forward with GPP in Bhutan. In addition, IISD developed two GPP Handbooks (Volume 1: Goods and Services and Volume 2: Works) for policymakers and procurers. Furthermore, IISD reviewed Bhutan's Standard Bidding Document (SBD) for Goods and provided recommendation for a revision of the SBD incorporating GPP concepts.

IISD ensured buy-in from key stakeholders in the government about the GPP concept through high-level seminars and bilateral discussions, as well as supported the capacity-building of procurers and suppliers through training and facilitation, the development of GPP curriculum and a web-based knowledge platform. Lastly, IISD was at the forefront of raising awareness and sensitizing the general public about GPP through various media.



### Collaborating Centre on Sustainable Consumption and Production (CSCP)

As one of the international partners to the GPP Bhutan project, the CSCP supported the project by providing its knowledge and experiences around the topics of sustainable value-chains, lifecycle thinking, sustainable consumption and production, holistic sustainability evaluation of products and services. Another key contribution to the project by the CSCP was to provide on training and facilitation techniques and transfer this knowledge and know-how to the local project partners in the scope of several training courses implemented under the project. In addition, CSCP supported the development of GPP Handbooks for policymakers and procurers.



### Bhutan Chamber for Commerce and Industry

As one of the local partners, BCCI was engaged in activities related to assessment of supplier pre-qualification requirements in public procurement, market assessment of green goods, services and infrastructure in Bhutan, GPP preferential programs for Cottage, Small and Medium Industries (CSMIs), and sensitization among CSMIs and other suppliers. BCCI was also engaged in arranging field visits for the public procurers during the training of procurers and visibility programs.



### Royal Society for Protection of Nature (RSPN)

RSPN took the lead in performing the baseline research for the project, namely i) the quantitative mapping of public procurement in Bhutan which presented an overview of patterns, volumes and values of public spending on procurement of works, goods and services and ii) the mapping of institutional arrangements and procedures for public procurement in Bhutan which identified strategic and administrative leverage points for implementing green public procurement. Furthermore, RSPN collaborated with BCCI in the research exploring opportunities of public procurement from the cottage, small and medium industries in Bhutan.



### Royal Institute of Management (RIM)

RIM's key roles in the project were to provide training to procurers, to develop and host a web-based knowledge platform on GPP, and to develop and offer a GPP course at RIM.

## Key Project Achievements

### 1. Establishment of baseline research on public procurement

Through the project, key statistics on the public spending for purchase of goods, services and works were established for the first time. Six independent research were conducted as follows:

- i. Quantitative Mapping of Public Procurement in Bhutan: An overview of patterns, volumes and values of public spending on procurement of works, goods and services;
- ii. Legal Analysis of the Public Procurement Framework in Bhutan: Prospects for procuring green;
- iii. Mapping of Institutional Arrangements and Procedures for Public Procurement in Bhutan: Identifying strategic and administrative leverage points for implementing green public procurement;
- iv. Assessment of Supplier Pre-qualification Requirements in Bhutan: Identifying opportunities for integrating environmental and social criteria in the supplier pre-qualification stage;
- v. Market Assessment of Green Goods, Services and Works in Bhutan: Contextualising and validating target sectors and creating the baseline for procurement-induced green consumption and production;
- vi. Identification of Pilot Tenders and Projects from Target Sectors in Bhutan: Preparing for demonstration of GPP in practice and building demand- and supply-side GPP capacities.

### 2. Submission of '10 Recommendations' to the Ministry of Finance

Following a detailed review of the legal and institutional setting and appreciation for the ground realities of public procurement in Bhutan through the six research, "The 10 Recommendations for Implementing GPP in Bhutan" was drawn. The recommendations were made through distilling "10 Major Findings" from the researches and their implications for implementing GPP in Bhutan. The major findings were subject to extensive public consultation, both formal and informal, and further reviewed by international procurement experts before the recommendations were drawn and submitted to the Ministry of Finance.

"The 10 Recommendations for Implementing GPP in Bhutan" formalized and informed the remaining work to be done in the project which included:

- i) development of dedicated GPP guidance for public procurers (in the form of GPP Handbooks);
- ii) research and facilitation of preferential purchase programmes for CSMEs and other disadvantaged suppliers;
- iii) training of public procurers;
- iv) capacity building of suppliers;
- v) mentoring of real-time pilot tender/projects; and
- vi) establishment of a GPP knowledge platform and GPP curriculum.

### 3. Development of GPP Handbooks

Two volumes of GPP Handbooks were developed as guidance for public procurers and policymakers for procuring green. Volume #1 addresses the procurement of goods and services and Volume #2 addresses the procurement of public works. Volume #1 goes into more depth on the business case for GPP, provides guidance to policymakers on the design of GPP policies and presents practical guidance for those undertaking procurement on a day-to-day basis on how and where to get started with GPP.

By providing targeted and technical tools on GPP, the Handbooks aim to build capacity at the state-market interface and to provide training to both procurers and suppliers on how to set up, respond to, evaluate and implement GPP tenders and bids for products, services and public works.

The handbooks contain criteria for green products (e.g. air conditioners, apparel, paper, etc.) and for green infrastructure (e.g. green roads, building and hydropower plants). The handbooks and criteria were the basis material for the training of public procurers at the Royal Institute of Management.

### 4. Buy-in from key stakeholders

The three High Level Seminars successfully communicated and raised awareness on GPP among the high-level decision-makers of the Bhutanese government and parliamentarians. The seminars presented the GPP Bhutan project research findings, communicated project activities and introduced participants to the key concept of GPP: achieving value-for-money across asset lifecycle. The seminars were attended by over 200 participants in total, including all parliamentarians, mayors from major cities, mid and senior bureaucrats, heads and managers of state-owned enterprises and ministers.

## 5. Submission of commentary on SBDs with recommendation to the PRR review Taskforce

In addition to the review of the Procurement Rules of Regulations (PRR) and other laws and policies pertaining to procurement, a review the Standard Bidding Document (SBD) (for Goods) was conducted, in line with international best practice and the New Procurement Framework of the World Bank. The commentary was submitted to the National Environment Commission and discussed extensively with the PRR review taskforce comprising of officers from the National Environment Commission and the Ministry of Finance.

## 6. Establishment of linkage between demand and supply

An explorative study was carried out to assess the opportunity and the capacity of local Cottage, Small and Medium Industries (CSMIs) to supply products to the public procurers.

A half-day forum bringing together procurers and local suppliers was successfully carried on the 25th. The objectives of the forum were to:

- Bring together suppliers and public procurers and facilitate discussion about the opportunities for the public procurers to buy from local industries; and
- Showcase goods and services from local CSMLs and explore possibilities of linking public procurers with local suppliers.

A total of 44 participants attended the event, out of which 21 were suppliers and 23 were procurers. The event highlighted the need for public procurers to demand local and/or green products to build the market for such products in Bhutan, as well as the need for local suppliers and industries to pioneer the supply of quality and environmentally-friendly products to contribute towards green growth in Bhutan.

## 7. Pilot Tenders

The GPP Bhutan provided technical assistance on projects and tendering procedures for three pilot projects: two with the city of Thimphu, and one with the Department of Engineering Services (DES) of the MoWHS.

With Thimphu Thromde, the GPP Bhutan project provided a project finance analysis and bankability assessment to i) a proposed project on post-consumer waste plastic to fuel facility to be built in Memeylakha and ii) a proposed project on waste to energy project.

With the DES, the GPP Bhutan project provided assistance in incorporating green elements in the standard bidding document for the Bumpagang housing colony project.

## 8. Sustainable Supply Chain Management Training (SSCM)

One 3-day SSCM training was held at RIM from April 26-28, 2016. The training has aimed at generating a common understanding of SSCM, identifying benefits of SSCM, assessing risks and identifying sustainability opportunities in supply chain, implementing and evaluating sustainable supply chain and providing practical examples of SSCM. The 15 Participants (12 males and 3 females) from Government ministries, State Owned Enterprises (SOEs) and Civil Society Organizations have been very committed to the topic and showed large interest as they took part in a very active manner.

## 9. Training of Procurers (TOP)

Three sessions of 4-day Training of Procurers (TOP) were conducted at RIM in May, July and October 2016. The trainings covered topics such as: introduction to GPP, GPP principles and laws, introduction to lifecycle thinking, starting a GPP programme, approaches to implementation and integrating environmental, social and economic characteristics. Field trips to local manufacturers and interactive discussion and group work were important component of the trainings. Over all three trainings 79 participants from Government ministries, State Owned Enterprises (SOEs) and Civil Society Organizations joined the training and the field trips.

## **10. Supplier Sensitization and Awareness-Raising (SAR)**

Seven supplier sensitization events were conducted to raise awareness on sustainable production and supply. The events focused on introducing topics such as: lifecycle thinking, hotspots identification, environmental and social responsibility in business and green public procurement. Participants included individuals involved in construction, export and retail, service industries and manufacturing industries. In total, 188 participants attended the events (62 female, 126 male). In a sector-wise breakdown of participants, 48 represented infrastructure (works), 78 represented goods and 82 represented the service sector.

## **11. A knowledge-sharing study visit to gain exposure on GPP implementation in the region**

A knowledge-sharing study visit to Thailand was organised at the request of Ministry of Finance and other government stakeholders in order to see first-hand how GPP is being implemented. A total of 16 participants representing various key government agencies and the GPP Bhutan project visited Thailand to learn about the important headway the country has made in implementing GPP and SCP.

Over the five days of the visit in November 2016, the team visited and interacted with the leading agencies responsible for GPP & SCP in Thailand, namely the Pollution Control Department (PCD), Office of the Natural Resources and Environmental Policy and Planning (ONEP) and Department of Environment Quality Protection (DEQP) at the Ministry of Natural Resources and Environment; the Department of Industrial Works (DIW), Ministry of Industries; Thailand Greenhouse Gas Management Organization (TGO); Thailand Environment Institute (TEI); Sahaphat Group – Eco Industrial; Department of Alternative Energy Development and Efficiency, Ministry of Energy; Siam Group of Companies (SGC), Asian Institute of Technology (AIT); and Federation of Thai Industries.

## **12. Establishment of GPP Knowledge Platform**

The web-based GPP Knowledge Platform accumulates all the project document and project findings for access to larger audience through web bases platform at [gpp.rim.edu.bt](http://gpp.rim.edu.bt). The launch of the platform took place on 23 May 2017 in Thimphu. The honourable minister of Labour Mr. Ngeema Sangay Tshempo and other representatives from various ministries and departments participated in the event. In total 40 people including private sector participated for the knowledge platform launching event.

## **13. Development of GPP curriculum**

A curriculum on GPP was developed to be delivered to RIM students beyond the project duration. This activity also supported the development of GPP capacity in RIM and other institute and colleges in Bhutan. In total 57 potential trainers, including 25 women, have been trained and informed about the GPP curriculum at RIM. The trainers guide and corresponding training materials developed for three stand-alone curricula will be used by trainer in various colleges and institute in Bhutan.

## **14. Dissemination of knowledge to tertiary institutions**

Visits to 8 tertiary institutes in Bhutan were made in order to communicate the concepts of GPP and to orient students and faculty members to sustainable consumption and production.

# EVENTS SNAPSHOT

## GPP Bhutan Project Kicks Off

The 3.5 year SWITCH-Asia project, Green Public Procurement in Bhutan (GPP Bhutan), kicks off in Thimphu.



MARCH, 2014

AUGUST, 2014

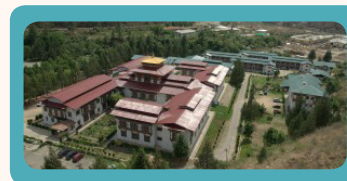


## Official launch of GPP Bhutan project

His Excellency Lyonpo Namgay Dorji, Minister of Finance inaugurates the GPP Bhutan project.

## GPP talk at Royal Institute of Management

Introductory talk on GPP made to students and faculty members of the Royal Institute of Management as well as general public.



MARCH, 2015

SEPTEMBER, 2015



## GPP Bhutan Year 1 Findings Seminar

Delegates from the public and private sector come together to learn and discuss project's Year 1 Findings. Close to 75 participants attend the seminar.

## Institutional Visits

Visits to Royal Thimphu College, Gaeddu College of Business Studies, College of Natural Resources and College of Science and Technology to sensitize students and faculty about GPP concepts and benefits.

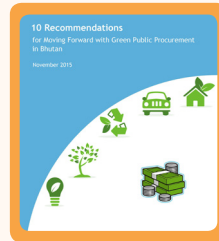


OCTOBER, 2015



## Submission of “10 Recommendations” to Ministry of Finance

The “10 Recommendations for Implementing GPP in Bhutan”, drawn from the major findings from six GPP research papers, is submitted to the Minister and Secretary of the Ministry of Finance.



NOVEMBER, 2015

DECEMBER, 2015



## High Level Seminar 1

1st High Level Seminar on GPP is held to present the findings and recommendations on implementing GPP in Bhutan. Lyonpo Dorji Choden, Minister for Ministry of Works and Human Settlement graces the occasion as chief guest.

## Institutional Visits

Visits to Ugyen Wangchuck Institute for Conservation and Environmental Research, Sherubtse College, Gaeddu College of Business Studies & Jigme Namgyal Engineering College and College of Language and Culture Studies (Taktse) to sensitize students and faculty about GPP concepts and benefits.



APRIL, 2016

APRIL, 2016



## High Level Seminar 2

2nd High Level seminar is held, mainly for the parliamentarians. His Excellency Dasho (Dr.) Sonam Kinga, Chairperson of the National Council of Bhutan graces the occasion as chief guest.

## Sustainable Supply Chain Management Training

Sustainable Supply Chain Management Training is held to enhance skills and knowledge on SSCM among public procurers to sharpen their understanding on GPP from a supply-side perspective.



APRIL, 2016

### Training of Procurers 1

The 1st Training of Procurers on GPP is provided to 15 civil servants involved in planning, organizing and administration of public procurement.



MAY, 2016

MAY, 2016



### Presentation to Bhutan Standards Bureau

GPP Bhutan presents the project to the officials of the Bhutan Standards Bureau in an effort to create synergy between BSB and GPP Bhutan activities.

### Sensitization event to Hotels & Restaurants Association of Bhutan

43 participants from small & large hotels and restaurants are sensitized on green procurement and implementing sustainability in the hospitality sector.



JUNE, 2016

JULY, 2016



### Training of Procurers 2

The 2nd Training of Procurers on GPP is provided to 36 civil servants involved in planning, organizing and administration of public procurement.

### Sensitization to the Construction Association of Bhutan

23 contractors are taught about GPP, life cycle thinking and how to respond to tenders that include environmental and social criteria.



JULY, 2016

### Sensitization and Awareness-Raising of manufacturers, suppliers and small businesses

A total of 121 manufacturers, suppliers and business-owners from Thimphu, Gelephu and Phuentsholing are sensitized about GPP and incorporating sustainability into their businesses.



AUGUST, 2016

OCTOBER, 2016



### Training of Procurers 3

The 3rd Training of Procurers on GPP is provided to 28 civil servants involved in planning, organizing and administration of public procurement.

### Submission of Commentary on Standard Bidding Documents with the PRR Review Taskforce

The Standard Bidding Document (SBD) on Goods is reviewed in line with international best practice and the New Procurement Framework of the World Bank and submitted to the PRR Review Taskforce.



OCTOBER, 2016

OCTOBER, 2016



### Supplier-Procurer Forum

A forum brings together procurers and suppliers to facilitate discussion and to showcase goods and services from local CSMIs.

### Presentation to Royal Audit Authority

GPP Bhutan presents to the entire staff of the Royal Audit Authority (RAA) in an effort to create synergy between auditing and green procurement.



JANUARY, 2017

### High Level Seminar 3

The 3rd High Level Seminar (HLS) is held to communicate the concept of GPP and to inform 60 policymakers and senior officials about the progress of the GPP Bhutan project and to initiate discussions around GPP implementation in Bhutan.



MARCH, 2017

MAY, 2017



### Launch of GPP Knowledge Platform

The GPP Knowledge Platform hosted by RIM is launched by Lyonpo Ngeema Tshempo and attended by 40 participants from government and private sector. The platform will serve as a knowledge hub for GPP beyond the project lifetime.

### Training of Trainers for GPP Curriculum

22 lecturers from 8 colleges in Bhutan (including RIM) are trained to teach GPP curriculum.



JUNE, 2017

JUNE, 2017



### GPP Curriculum Pilot with students at RIM

The pilot training is conducted by RIM to 35 of its PGDFM graduate student who will soon become civil servants.



## About this Checklist

This checklist has been designed to help the Bhutanese public procurers and policymakers get started on purchasing green and sustainable goods, services and works, thereby demonstrating the government's commitment to sustainable development and Gross National Happiness. It covers a wide range of macro- and organization-level intelligence that procurers need before starting out.

The checklist was first published in 2010 and was authored by Oshani Perera with the aim to help procurers ask the right questions of peers, suppliers and end users to ensure that procurement processes are being gradually modernized to encompass value-for-money across the lifecycle. The checklist was also designed to help procurers work with suppliers and stakeholders to design specifications that will serve as triggers for green industrial activity across the domestic economy.

This checklist uses Perera's checklist as a guideline and informs about Bhutan's current progress towards the implementation of Green Public Procurement. The information on the progress is based on the findings over 3.5 years of work by the GPP Bhutan project. It aims to encourage public agencies, the Cottage, Small and Medium-sized industries, and other stakeholders in Bhutan to continue the efforts towards green public procurement, sustainable consumption and production patterns, and ultimately, sustainable development.

The final sections of this document give an overview of the key successes of the GPP Bhutan project and highlights some of its important events.