



Guidance  
Note on  
Social, Gender  
and Sustainable  
Public Procurement in  
Islamic Development Bank  
financed Procurements

**April 2019**

*This Guidance Note is intended to complement the Guidelines for Procurement of Goods and Works and related services and for the Procurement of Consultant Services under Islamic Development Bank Financing, approved by the Board of Executive Directors (BED) of the Islamic Development Bank, and published September 2018. This document may be used and reproduced for non-commercial purposes. Any commercial use, including without limitation reselling, charging to access, redistribute, or for derivative Works such as unofficial translations based on these documents is not allowed.*

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## Common Abbreviations and Defined Terms

Common abbreviations and defined terms that are used in these Guidelines. Defined terms are written using capital letters.

Abbreviation / term	Full terminology / definition
<b>Applicant</b>	A firm, joint venture or Consultant that submits an Application in response to an invitation for Prequalification, Request for Expression of Interest or Shortlisting.
<b>BED</b>	Board of Executive Directors
<b>Beneficiary</b>	A Beneficiary is the recipient of IsDB Project Financing. This term includes any entity involved in the implementation of an IsDB financed project on behalf of the Beneficiary.
<b>Bid</b>	An offer, by a Bidder, in response to a Request for Bids, to provide the required Goods, and/or Works and/or related services.
<b>Bidder</b>	A Firm that submits a Bid for the provision of Goods and/or Works and/or related Services
<b>Complainant</b>	A Complainant is an Interested Party to the procurement process who submits a Procurement-Related Complaint.
<b>Consultant</b>	A Consultant Firm or Individual Consultant that provides Consultant Services. A Consultant is independent of both the Beneficiary and IsDB.
<b>Consultant Service(s)</b>	Consultant Services are those intellectual services delivered by a Consultant Firm or an Individual Consultant. Consultant Services are normally of a professional, expert or advisory nature. Consultant Services are governed by these Guidelines.
<b>Fraud and Corruption</b>	The sanctionable practices of corruption, fraud, collusion, coercion or obstruction defined in IsDB's <i>Guidelines on Combatting Fraud and Corruption</i> and in <i>IsDB Group Anti-Corruption Guidelines on Preventing and Combating Fraud and Corruption in IsDB Group-Financed Projects</i> .
<b>Goods</b>	A category of procurement that includes, for example: consumables, equipment, machinery, vehicles, commodities, raw materials or industrial plant. The term may also include related services, such as: transportation, insurance, installation, commissioning, training or initial maintenance.
<b>HDI</b>	Human Development Index
<b>IsDB</b>	Islamic Development Bank
<b>MC</b>	Member Country
<b>NCB</b>	National Competitive Bidding
<b>Non-Consulting Services:</b>	Services which are not Consulting Services. Non-Consulting Services are normally Bid and contracted on the basis of performance of measurable outputs, and for which performance

## COMMON ABBREVIATIONS AND DEFINED TERMS

Abbreviation / term	Full terminology / definition
	standards can be clearly identified and consistently applied. Examples include: drilling, aerial photography, satellite imagery, mapping, and similar operations.
<b>OIC</b>	Organization of Islamic Cooperation
<b>OPAAW</b>	OIC Plan of Action for the Advancement of Women
<b>PPR</b>	Project Procurement
<b>Prequalification</b>	The shortlisting process, which can be used prior to inviting Request for Bids in the procurement of Goods, Works and related services.
<b>Procurement</b>	The function of planning for, and sourcing Goods, Works, Non-Consulting Services, and/or Consulting Services to meet required objectives.
<b>Procurement Documents</b>	A generic term used in these Guidelines to cover all Procurement Documents issued by the Beneficiary. It includes: GPN, SPN, EOI, REOI, Prequalification document, Request for Expression of Interest, RFB and RFP, including any addenda.
<b>Project Procurement Guidelines</b>	Covers the Project Procurement Guidelines known as 'Guidelines for the procurement of Goods, Works and related services under IsDB Project Financing, September 2018' and Guidelines for the Procurement of Consultant Services under IsDB Project Financing, September 2018.
<b>Proposal</b>	An offer, by a Proposer, in response to a Request for Proposal to provide the required Services.
<b>Proposer</b>	A Firm that submits a Proposal for the supply of the required Services.
<b>RFB</b>	Request for Bid
<b>RFP</b>	Request for Proposal
<b>SOE's</b>	State Owned Enterprises
<b>SBDs</b>	Standard Bidding Documents
<b>Standard Bidding Documents</b>	Standardised procurement documents issued by IsDB to be used by Beneficiaries for IsDB financed projects. These include IsDB's standard documents for, e.g.: GPN, SPN, Prequalification, LOI, RFB and RFP.
<b>SDGs</b>	Sustainable Development Goals
<b>Works</b>	A category of procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and related services such as transportation, insurance, installation, commissioning, and training.
<b>UN</b>	United Nations

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## **Section 1 - Introduction**

### **2.1 Overview**

This Guidance Note relates to the Sustainable Procurement, Environmental, Social, Health and Safety and Gender Standards and is written for IsDB staff and Beneficiaries responsible for implementing IsDB financed Procurements. The Note provides a practical how-to guide and supports good Sustainable Procurement, Environmental, Social, Health and Safety Standards and Gender Considerations practices. It informs procurement practitioners how to include sustainable factors into procurement processes, as well as providing incentives for vendors to offer more sustainable products and services. The content of this Guidance Note is non-mandatory and is provided as illustrating good practice only.



## Section 2. Sustainability

### 2.1 Overview

Sustainability is most often defined as meeting the needs of the present without compromising the ability of future generations to meet theirs. It has three main pillars: economic, environmental, and social. These three pillars are informally referred to as people, planet and profits.

- Economic;
- Environmental; and
- Social.

Effective sustainable procurement supports sustainable development. Sustainable development has been defined as:

*“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”*

**1987 Brundtland Commission Report**



Sustainable procurement is a process which incorporates sustainability considerations throughout the procurement process in order to achieve optimal VfM in delivering development objectives.

Sustainable procurement takes a three-dimensional life cycle approach versus the traditional economic focused approach. Three-dimensional thinking (economic, environmental and social) does not mean it takes three times longer, nor is the outcome necessarily more expensive.

Beyond any requirements established by IsDB's other policies (e.g.: environmental and social), sustainable procurement is not mandatory. The use of sustainable procurement is at the Beneficiary's discretion. This recognizes that countries continue to evolve national and regional level policy settings that work towards greater sustainability in development. However, IsDB encourages Beneficiary's to actively consider and apply sustainable procurement, where appropriate.

There are many reasons to practice sustainable procurement as detailed below.

## **2.2 Financial**

The reduction of the total operating costs by procuring more efficient and sustainable Goods, Works or Services that:

- a) Develop the market's capacities to deliver sustainable solutions;
- b) Increase demand for sustainable solutions which in turn increases market competitiveness;
- c) Strive for innovative and more sustainable outcomes;
- d) Cost savings on a long-term basis by applying life-cycle and whole of life costings; and
- e) Minimize disposal costs and sustainable impacts of products at their end of life.

## **2.3 Risk Management**

Engage in the mapping of economic, legal, environmental and social sustainability threats and opportunities, and develop a risk management which includes approaches to manage identified risks.

## **2.4 Organisational Culture**

Reflect the procuring entities organizational culture, values, and ethics in accordance with relevant policies. This could include developing sustainable procurement policies that are in harmony with a country's overall strategy

## **2.5 Stakeholder Expectations**

It is important to take account of social responsibility and sustainability issues. Beyond the requirements established by IsDB in its other policies (e.g.: environmental and social), these can be further enhanced by using sustainable procurement approaches.

## **2.6 Attractiveness**

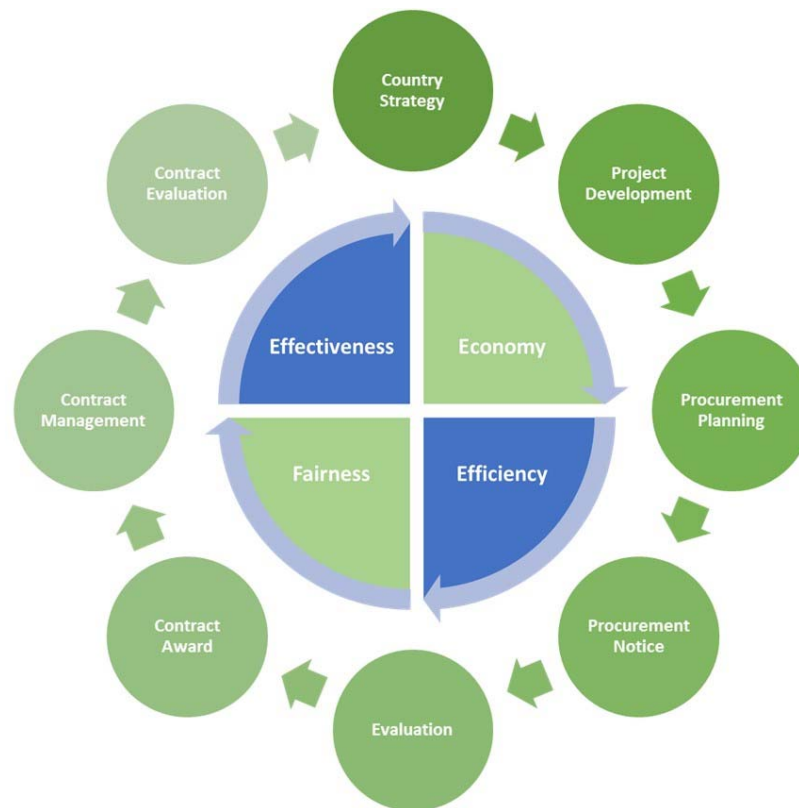
Performance in terms of social responsibility and sustainability may impact a Beneficiary's or project's image, enhance competition and provide organizations greater competitive advantage.

Implementing sustainable procurement may attract other financial investors, boost labour markets and attract the best organizations to Bid.

## Section 3 – Sustainability in Procurement

### 3.1 Procurement Process

This Guidance Note details how sustainability priorities are considered and how they can be reflected at each stage of ISDB’s Procurement Process.



*Figure 1 – ISDB’s Procurement Process*

### 3.2 Sustainability Considerations

Sustainable procurement considerations occur at various stages throughout the procurement process. It is crucial to take sustainable procurement considerations into account from the outset. For example, the Country Strategy and Project Development should include the identification of the need and define the development outcomes to be achieved.

Key to achieving effective sustainable procurement is designing a fit for purpose procurement process. Sustainability opportunities and risks ought to be managed throughout the procurement process. However, the assessment, analysis and procurement strategy, if required by ISDB should be proportional to the size and complexity of the procurement.

The Procurement Strategy, if required and other relevant assessments (such as Environmental and Social Assessments), help procurers to identify the appropriate Selection Method, Market Approach Option/s and Standard Procurement Document (SPD).

## Section 3 – Sustainable Procurement Stages

### 3.1 Identification

The first stage to sustainable procurement is the identification of the key sustainability impacts and issues that the procurement approach will address. For any approach to be truly sustainable it ought to deal with all three pillars i.e.: economic, environmental and social. Sustainable opportunities and risks need to be identified at a project level. Once these are identified a process to prioritize them helps gauge their relative importance and weighting.

Sustainability priorities may arise from a variety of sources, such as:

- **Beneficiary’s policies on Economic, Environmental and Social Sustainability**
  - What Beneficiary policies are already in place should be considered. These may relate to the development of SMEs, emerging markets, sustainability generally or specific policies such as equality in employment, gender considerations, health and safety requirements, vehicle emissions standards, packaging, disposal etc. Such analysis may be supported by a Country Strategy or a Systematic Country Diagnostic that informs each new Country Strategy.

These requirements, such as standards on labour laws, resource efficiency, or community health and safety, are typically also identified in any Environmental and Social Assessment.
- **Community needs and Expectations**
  - Communities face enormous challenges as their economic, environmental and social resources change, often through depletion and destruction. Sustainable procurement provides an opportunity to address these concerns and to achieve recovery. Understanding the local context and community needs and concerns is critical to delivering effective sustainable procurement.
- **Naturally arising Environmental Risks**
  - Extreme weather and climate impacts are becoming increasingly common and carry a significant economic, environmental and social toll. There may be opportunities within a procurement project to address these concerns through sustainable procurement. For example, a contractor could provide a method statement setting out how it has assessed risks associated with climate change, what those potential risks are and how they will be managed in the delivery of the contract/project. This could aim at the reduction of supply chain risks as a result of known or anticipated climate change associated with the products and/or services which are the subject of the procurement.
- **Environmental and Social Impact Assessments**
  - Environmental and social impact assessments can help to identify Sustainability priorities.

### **3.1.1 Environmental and Social Assessment**

An environmental and social assessment helps to set out the Beneficiary’s responsibilities for assessing, managing, and monitoring environmental and social risks and impacts at each stage in a project in order to achieve environmental and social outcomes.

In assessing, developing, and implementing a project the Beneficiary may agree with IsDB to use all, or part, of the Beneficiary’s national, environmental, and social frameworks to address the risks and impacts of the project, providing such use will enable the project to achieve its objectives. An environmental and social assessment ought to be proportionate to the sustainability risks and impacts of the project. It ought to inform the design of the project and be used to identify mitigation measures and actions to improve decision making.

Beneficiaries are encouraged to manage environmental and social risks and impacts of the project throughout the project life cycle in a systematic manner, proportionate to the nature and scale of the project and the potential risks and impacts.

### **3.1.2 Relative importance**

It is helpful to assess the relative importance of sustainability at a project level and in terms of sustainable procurement priorities. Consider the following factors when looking at importance:

- How important is sustainability to the Beneficiary and the procuring agency?
- What scope is there to improve in terms of better sustainable outcomes?
- Will the market be able to respond to the sustainability needs?
- Will the anticipated costs of the sustainable solution be prohibitive, neutral or result in savings?
- What are the parameters for overall VfM in this procurement?

## **3.2 Analysis**

The second stage to sustainable procurement focuses on researching and analysing the supply market and this should be included in the Procurement Strategy if required by IsDB. It deals with choosing the appropriate Selection Method and Approach to as well as the appropriate Standard Bidding Documents (SBDs).

The Sustainability needs identified in the first stage should be analysed and incorporated into the project design and scope and the Procurement Strategy when required. The analysis helps the Beneficiary to develop an appropriate procurement approach and strategy that supports delivery of sustainable outcomes. This should focus on actions that will generate the most benefits to the Beneficiary, the economy, and society while minimizing damage to the environment.

If the Beneficiary decides to include sustainable procurement in a project, it should be applied as part of planning as attempting to apply sustainable procurement practice post-planning significantly limits the value and likely success of sustainable outcomes.

### **3.2.1 Procurement Strategy**

A risk assessment undertaken during the needs identification phase ought to be documented in a risk management plan which should be included in the Procurement Strategy if required by IsDB. The risk management should include sustainable procurement risks related to the operating environment, market conditions, implementing agency's capability, supply chains and vendors' capabilities.

The Beneficiary should ensure that any sustainable procurement risk assessment is relevant to the specific project. The probability and criticality of each risk should be assessed, and a risk mitigation plan should be developed and maintained during the life of the project.

Strategic actions related to sustainability should be included in any Procurement Strategy, for example:

- Key findings about sustainable procurement needs, opportunities and risks, and the supply market's ability to deliver;
- Actions required to manage key sustainable procurement risks and opportunities;
- Recommended demand-related approach (For example reduction or re-use, etc.);
- How the approach to market will deliver sustainable procurement objectives;
- How sustainable procurement priorities will be incorporated into the requirements;
- When will sustainability criteria to be used, for example Pre-qualification or Bid evaluation;
- The nature of sustainability evaluation criteria and the importance given to them, with careful consideration to finding the best balance with other criteria, such as price and quality;
- Expected sustainability benefits, including life-cycle savings; and
- Impacts of the sustainability approach on the project plan and budget.

### **3.2.2 Strategic Assessment**

The objective of assessing sustainability needs in the first stage is to identify the significant sustainability impacts and issues that occur and the opportunities to manage them. The Beneficiary should develop a prioritized list of sustainability needs, opportunities and risks and designs how these will be managed throughout the procurement process. To minimize subjectivity when analysing sustainability impacts:

- Refer to previous requirements/specifications and determine what worked well and
- What could be improved;
- Examine the key sustainability impacts at each stage in the life cycle, from raw components to delivered products and through to the process of disposal; and

- Inquire with a wide range of manufacturers, vendors, industry experts, and end-users about new and innovative approaches.

A prioritized approach to sustainability impacts, based on comparative importance and cost/benefit will help to identify a short list of the most important needs. The objective is to create a realistic and achievable sustainability profile for the procurement. This profile is critical, as it will inform the requirements, evaluation criteria, supplier selection, contract conditions, KPIs and future procurements.

### **3.3 Sustainability Requirements**

Any sustainability priorities identified should be considered and included in the design of the procurement process and in the specifications and evaluation methodology. This helps ensure that appropriate sustainable priorities are incorporated into the procurement decision. When writing specifications, the following should be considered.

- Specifications need to be compliant with local laws and regulations;
- Is the market ready to deliver the sustainability needs (i.e. what intelligence did you gather when conducting market analysis and supplier consultation) to improve the possibility of compliant Bids; and
- Sustainability priorities ought to be transparently and effectively communicated to potential Bidders in the specifications.

There are two broad categories of specifications. These are conformance specifications and performance specifications. These different specifications encourage different levels of innovation from the market, and Beneficiary's must consider which is most appropriate for the specific sustainability priorities of the procurement.

There are key differences between conformance and performance-based specifications which will impact on the Beneficiary's decision about which to use.

#### **3.3.1. Conformance based Specifications**

Conformance based Specifications describe in detail the technical requirements of the design, method of production, construction and/or delivery. These are sometimes called technical, detailed, input, or design specifications. Where sustainability is a priority the specification may refer to a physical characteristic of the product (attribute), e.g.: recycled content, or the way in which the product is manufactured or delivered (process), e.g.: sustainably managed timber.

Generally, Request for Bid processes use conformance-based specifications, for example the Bidder must conform to the specifications prescribed by the Beneficiary. The Beneficiary controls the design and method of delivery. There is usually little room for innovation or alternative sustainable solutions.



Conformance specifications are evaluated against qualifying criteria. That means that the Bids either meets, or do not meets the requirements. Meeting requirements results in a Bid being determined to be substantially responsive.

### **3.3.2 Performance based Specifications**

These types of specifications describe the outcomes or results required in terms of business, functional or sustainable performance requirements. These are sometimes called output or results-based specifications. Where sustainability is a priority the specification may define the proposed function to be fulfilled by the product, e.g.: the strength and durability of concrete to be supplied, or energy/fuel efficiency of a machine.

Performance specifications are used where the Beneficiary seeks innovation in sustainable solutions. This is especially effective when procuring unique or novel requirements. Performance specifications are assessed on their merit. Proposals can then be ranked against each other based on the quality and best fit for purpose VfM solutions.

Where possible, the sustainable procurement requirements ought to be evidence-based (i.e.: with supporting data) and, if appropriate be based on existing social-label criteria or eco-label criteria. Detailed technical sustainability requirements ought to be addressed through either precise conformance (describe the exact nature of the technical requirement) or performance specifications (describe the exact nature of the sustainability outcome or objective to be achieved).

A specific requirement may rely on a sustainability standard that is to be met by Firms or that allows Firms to propose their ideas, innovations and approaches to managing the sustainability risk. Conformance sustainable specifications may also specify the materials to be used in production and/or the method of production, packaging, or service delivery.

However, the level of specifications ought to be directly linked to the subject matter of the contract and can only include those requirements that are related to the production of the Goods, Works, Non-consulting or Consulting Services being procured.

### **3.3.3 Industry Standards and Verification**

Sustainability criteria are generally based on verifiable standards and technical competencies. A supplier's compliance with sustainability standards is verified by the relevant certifying authority, e.g.: ISO. However, the Beneficiary ought to perform due-diligence and obtain confirmation from the certifying body.

Sustainability criteria where appropriate, should identify specific certification or verification of an industry, environmental or social standard, code or management system standard. Examples include: Health and Safety Management (OHSAS 18001), Eco-Management and Audit Scheme (EMAS), Environmental management (ISO 14001), Energy management systems (ISO 50001). A Beneficiary may also decide to require vendors to sign their own sustainability code of conduct or charter and include in the contract as a KPI.

The Beneficiary may include criteria relating to industry supplier databases or other reliable preestablished external databases containing supplier data, such as trade bodies.

Some trade bodies maintain their own supplier qualification database or vendor registration systems online or employ supplier risk and performance management vendors that maintain databases. Other sources include public lists of vendors of certified/labelled products, local networks, United Nations Global Network (UN-specific), UN Global Compact, or Global Reporting Initiative.

Technical capability is key to determining the ability to meet social and environmental requirements. The Beneficiary could, for example, require appropriate qualifications to ensure that the necessary health and safety measures are implemented. In accordance with the principle of proportionality, the sustainability criteria must be directly linked to the performance of the contract, i.e.: in the bidder pre-qualification phase certifications or equivalent verification of industry specific environmental or social standards, codes of supplier conduct or a certain management system can be required (e.g.: OHSAS 18001, EMAS, ISO 14001, BSCI/SA8000, ISO 50001). This type of independent certification can therefore be an important verification of the necessary technical and professional qualification of a supplier.

### **3.3.4 Eco and Social Labels**

When implementing sustainable procurement, the use of standard certificates and labels should be considered. They can help Beneficiary's overcome some of the challenges faced when trying to sensibly deliver social or environmental sustainability.



Eco-labels and Green Stickers are labelling systems for food and consumer products. Ecolabels are voluntary, but green stickers are mandated by law; for example, in North America major appliances and automobiles use Energy Star.



The Core FAIRTRADE Mark. The FAIRTRADE Mark is a registered certification label for products sourced from producers in developing countries. The Mark is used only on products certified in accordance with Fairtrade Standards and on promotional materials to encourage people to buy Fairtrade products.

When applied appropriately, labels can be useful in preparing conformance specifications and award criteria. Beneficiary's may use criteria from labels to draft conformance specifications and verify compliance.

However, for labels to be used appropriately the following considerations ought to be considered:

- The label must be a credible, internationally recognized certification or accreditation scheme;
- The use of a label needs to be relevant to the subject matter of the procurement; and
- Firms should not be required to be registered under a label, equivalent labels or accreditation ought to be allowed.

Though not as extensive as eco-labels, some social labels are beginning to emerge in several market sectors. Social labels can cover different types of socio-economic issues, such as human rights, workers' rights, a ban on child labour, payment of a fair price to developing country producers, etc. Some labels also incorporate both environmental and social aspects.

Others focus on a single issue (e.g. GoodWeave, dedicated to ending illegal child labour in the carpet industry, or the Forest Stewardship Council for sustainable forestry). When writing specifications and developing evaluation criteria, Beneficiary's should make sure that the specifications related to the social performance of the firms are relevant to what is being procured.

### **3.4 Suppliers Selection and Contract Award**

It is important that the procurement documents clearly describe the sustainability evaluation criteria so that Bidders are informed on how their Bids will be evaluated.

Depending on the nature, size and complexity of the procurement, the Beneficiary may organize a pre-Bid supplier briefing. The purpose is to give potential Bidders advance notice of the procurement opportunity and to inform them of the specifics of the sustainability priorities being sought.

This is an opportunity to ensure that potential Bidders fully understand the business opportunity. Beneficiaries can explain and respond to questions on their requirements, the commercial/business expectations and the sustainability needs of the project. It is an opportunity to promote competition and proactively influence Bidders.

Maintaining transparency and accountability before, during and after these meetings is essential.

#### **3.4.1 Evaluation**

The evaluation methodology will determine how the Bids will be evaluated. The methodology may include

- Qualifying criteria: which set all mandatory requirements that must be met (pass/fail or yes/no criteria)
- Rated criteria: that are weighted allow Bids to be scored and ranked in order of merit
- Monetary quantifiable criteria: the methodology and calculations applied to prices to establish comparative evaluative costs, such as: life-cycle costing, functional guarantees min/max adjustment, domestic margin of preference, and where sustainability priorities are to be monetized aspects such as energy consumption, CO2 emissions or waste.

The Bidder with the best sustainable procurement solution may not always be the successful Bidder if they are not competitive in other areas. It is important that the whole of their Bid is assessed on all criteria to determine the best fit for purpose solution and VfM procurement.

Some contracts may be awarded conditional upon achieving a minimum sustainability standard over a specified time. This allows the Bidder to develop and improve systems or approaches to achieve incremental progress towards the ultimate sustainability goal.

### **3.4.2 Evaluating Non-Cost Attributes**

There are four methods that can be used to assess non-cost sustainability factors.

The first, and most common method, is to score the proposed solutions against rated and weighted sustainability criteria. This rewards solutions that exceed the minimum expectations or can demonstrate superior standards or performance.

The second, is to use rated assessments in very specific contexts. Bidders may be requested to summarize, within their Bid, their experience and proposed methods to deliver the sustainable solution. The Beneficiaries can assess the Bidders approach and methodology to contract delivery and managing sustainability opportunities and risks.

The third, is where the Beneficiary carries out product testing to check if it is fit for purpose or sufficiently robust. If not, the product may lead to other sustainability issues arising or increased repair and replacement costs. Eco-labels, Environmental Product Declarations, and other product standards can help to evaluate the sustainability credentials of a product. Alternatively, evidence based on trials or other client references can also help to evaluate this important aspect.

The final method is life-cycle costing. Techniques to determine life-cycle costing consists of assessing sustainability impacts associated with key stages of a product's life cycle, for instance: raw material extraction, materials processing, manufacturing, distribution, use, repair and maintenance, disposal or recycling, and environmental impacts such as CO2 emissions. Even though the technique is mostly used to assess environmental impacts, the same approach can be applied to all sustainability issues.

### **3.4.3 Life-Cycle Cost Tools**

Life-Cycle-Cost refers to the total cost of ownership over the life of an asset. The concept is also known as "Life-cycle cost" (LCC) and is commonly referred to as "cradle to grave". Costs

considered include the financial cost which is relatively simple to calculate and the environmental and social costs which are more difficult to quantify and assign numerical values. Typical areas of expenditure which are included in calculating the whole-life cost include planning, design, construction and acquisition, operations, maintenance, renewal and rehabilitation, depreciation and cost of finance and replacement or disposal. Example of Life-Cycle-Costs are below.

- Life Cycle Cost and green public procurement<sup>1</sup>
- Swedish Tool<sup>2</sup>
- Danish Tool<sup>3</sup>
- SMART Sustainable Procurement Tool<sup>4</sup>
- ISO 15686-5 on Buildings and Constructed assets — Service-Life Planning – Part 5: Life-Cycle Costing

#### **3.4.4 Award Contract**

Where sustainability is a priority, the sustainability commitments, standards and measures should to be written into the contract to ensure that the supplier is contractually bound to deliver them. This may, in the case of supplier performance development, mean that they are described in incremental performance terms in the KPIs.

It may be appropriate to include a Value Engineering clause in the contract which allows the supplier to propose sustainability improvements and efficiencies during contract implementation.

#### **3.4.5 Key Performance Indicators (KPI)**

Key Performance Indicators (KPIs) are used to measure the performance of suppliers. Targets and related KPIs can cover the whole spectrum of sustainable impacts depending on the priorities determined. These priorities can be further refined during the selection stage such as the raw materials to be used, labour standards across the supply chain, local sourcing and training and end-of-life management.

Targets and KPIs ought to be aligned with the Beneficiary’s broader sustainability goals and objectives, and the objectives of the sustainable procurement approach.

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<sup>1</sup> <http://ec.europa.eu/environment/gpp/lcc.htm>

<sup>2</sup> <http://www.kkv.se/upphandling/hallbarupphandling/stall-hallbarhetskrav/Livscykelkostnader-LCC/>

<sup>3</sup> <http://mst.dk/virksomhed-myndighed/groenstrategi/groenne-indkoeb/totalomkostninger/>

<sup>4</sup> <http://www.smart-spp.eu>

### **3.4.6 Performance Incentives**

The Beneficiary may want to incorporate sustainability performance incentives that are tied to the KPIs. This can help incentivize Bidders to meet or exceed expectations or dis-incentivize Bidders from not meeting sustainability requirements. Incentives could include:

- Supplier bonuses paid for achieving targets
- Supplier charges/debits for under performance or non-performance
- Fixed price contracts could be agreed upon (in this case, reducing waste or improving efficiency could improve a supplier's profit margins)
- Profit share agreements could be put in place (i.e.: the customer and the supplier split any gains from improvements in sustainable supply arrangements).

## **3.5 Contract Implementation**

Throughout the procurement process the Beneficiary should proactively manage the contract to ensure that the sustainability priorities are delivered, as agreed. It is essential that the award of the contract is not seen as the end of the sustainable procurement process, but the beginning of a process that delivers the sustainability needs.

The best way to manage contract implementation and the relationship with the Bidder is to develop a comprehensive contract management plan. The contract management plan may be finalized and jointly agreed to include performance targets and measures. Linking sustainability targets with the contract management plan assists in maintaining focus and momentum for delivering the sustainability outcomes.

The sustainable procurement risk profile should be relooked at throughout the planning and selection stages. This helps to maintain supplier buy-in and continued focus on the key sustainable procurement risks and opportunities.

### **3.5.1 Performance Monitoring**

Ongoing performance monitoring is necessary for the duration of the contract to ensure that the supplier continues to deliver in accordance with the specifications, contract terms, KPIs and/or separate action plans.

Review meetings ought to be set at agreed intervals, and for significant contracts with key suppliers should be held face-to-face. These meetings ought to provide an opportunity for both parties to communicate, share concerns, promote understanding and foster a good business relationship.

It is good practice to carry out periodic audits of suppliers throughout the life of the contract, especially for important and complex contracts, to verify that sustainability claims and work practices meet agreed requirements.

During this stage, monitoring results will usually depend on effective data collection in relation to what is being delivered, and to what standard or level of performance is being measured. Data

should to be collected at the appropriate point in the supply chain and aggregated to show the overall position.

### **3.5.2 Reporting**

It is important that the sustainability results are openly and transparently reported. The results can be incorporated in the purchasing agency's reports, for example the annual report, a separate report, or part of a more formal reporting process with independent assurance. When doing so, the procurement team needs to make sure that aggregated data is presented in a way that is meaningful for management and relevant to external publication purposes.

### **3.5.3 Managing the Supplier Relationship**

Although managing the contract is key to successful outcomes, it is also important to manage the relationship with the supplier. This involves setting clear expectations (through the contract and KPIs) and managing any issues arising professionally and in a timely manner.

The quality of the supplier relationship can be strengthened and enhanced through a combination of practices; these include:

- Ensuring the supplier fully understands the contractual commitments and how they will be delivered, including the sustainability priorities;
- Agreeing a contract that has a fair balance of risk between the purchaser and the supplier;
- Agreeing procedures (e.g. base-contracts, protection of intellectual property) and conditions (e.g. prompt payments) that generate better conditions for all supply chain stakeholders;
- Ensure that suppliers, who have fully delivered, are paid on time as per the contractual terms and legal requirements; and
- Improve issues resolution through fair, transparent, professional and timely dialog.

### **3.5.4 Disposal**

Sustainable disposal strategies need to be developed for the end of useful life for items such as some goods, equipment and infrastructure. Disposal options should to be reviewed and assessed with the aim of minimizing environmental impacts, maximizing recycling and reuse and determining all opportunities to minimize landfill and pollution. Unethical disposal can have significant impacts on communities and the environment which could result in remediation costs and damage to reputations.

Disposal requirements should to be factored in at the design and procurement stages and checked throughout the operational phases of product/service life. This could include ensuring consideration of disassembly and reuse at the design stage, optimal selection of components and materials in the specification to maximize recycling opportunities, and recovery of sub-systems and resources while minimizing the use of hazardous materials.

### 3.6 Contract Monitoring

Contract monitoring starts after the contract has ended and covers activities to check and review delivery and assess if the sustainability outcomes and priorities were delivered, and, if so, what impact they had.

Part of this process may involve debriefing the supplier and key stakeholders on what went well and what could have been improved. What lessons were learned and how can these be shared by all parties involved.

It may be useful to develop a debriefing document to feed into future similar projects and could contain, at a minimum:

- An overview of performance against sustainability needs, objectives and/or priorities;
- Whether the sustainability aspects were delivered;
- Were they delivered as well as had been expected;
- What impact did the delivery have (both positive and negative); and
- Analysis of key success factors and how these could be incorporated into the next sustainable procurement.

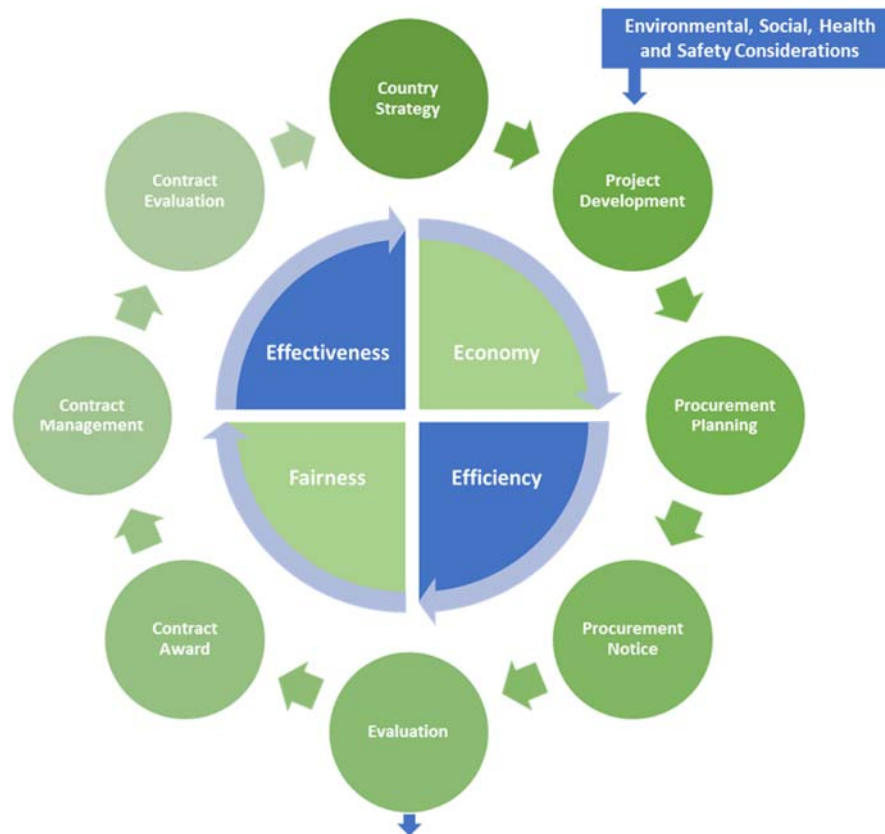
Lessons learned, by both IsDB and the Beneficiary, ought to be shared with each other. By sharing experiences, IsDB staff and Beneficiary's will have a valuable opportunity to learn from successful and unsuccessful experiences in delivering sustainable procurement outcomes.



## Section 4 – Environmental, Social, Health and Safety (ESHS)

### 4.1 ESHS Considerations

The Project Development Stage of IsDB’s Procurement Cycle as detailed in the following figure involves understanding the ESHS risks and issues to need to be reflected in the procurement and contractual arrangements.



*Figure II – Project Cycle*

### 4.2 Understanding ESHS Risks and Issues

Identifying the ESHS risks and impacts requires input from Beneficiary’s specialists, including environment, social, health and safety, construction, legal, technical and procurement. Specialists from other disciplines may contribute on specific aspects, for example hydro-power safety. IsDB may advise the Beneficiary on the types of expertise and information required, and the levels of knowledge, skills and experience needed by the specialists.

ESHS risks and issues to be considered include those arising from the design and construction of the Works, as described in project preparation documents such as:

- Environmental and Social Impact Assessment;

- Environment and Social Management Frameworks;
- Environmental Management Plan or Environmental and Social Management Plan;
- Environmental and Social Commitment Plan;
- Resettlement Policy Framework;
- Resettlement Action Plan;
- Permit or consent conditions, or any form of regulatory authority conditions attached to any permits or approvals for the project; and/or
- Regulations, general specifications, sector specific specifications, or standard operating procedures.

In addition, the Beneficiary's environmental and social specialists should consider contextual issues and risks that may be specific to the sector, country, region or operating and regulatory regime such as:

- The availability of mitigation measures (such as traffic control or waste facilities);
- The traditionally accepted methods of work; and
- Application of International Industry Best Practice.

### 4.3 Beneficiary's Policies

The Beneficiary should set out its expectations to Bidders with respect to ESHS performance during implementation. This is best achieved in the form of a statement (for example, an ESHS policy) that captures and clearly communicates the overall aims of the Beneficiary's legislation, regulation, standards, practice, specifications and requirements. The Beneficiary's ESHS policy should be a simple, brief (e.g. one-page) and unambiguous series of statements appropriate for the works and specific to the ESHS issues, risks and impacts for the project. It should require, for example, Good International Industry Practice, a safe and healthy worksite, and the intent of applicable laws, regulation etc. so that it is clear how they are to be interpreted in practice.

IsDB's SPDs provide guidance on the topics to be included in the Beneficiary's ESHS policy

As the Beneficiary's ESHS policy specifies what the contractor and Contract Manager will be required to deliver, it describes the standards against which performance will be measured to drive ESHS outcomes.

Some Beneficiary's (or the implementing agencies) may have an existing ESHS policy that is appropriate or may be adapted (to consider the specific environmental and social issues) for use on a project. An ESHS policy that is specifically prepared for a project is likely to be applicable for subsequent projects implemented by that agency and should therefore be a worthwhile investment.

IsDB's environmental and social specialists may advise the Beneficiary during the preparation of the Beneficiary's ESHS policy on content appropriate to the risks of the Project.

## Section 5 - Gender Responsive Procurement

### 5.1 Introduction

Governments are starting to rethink public procurement policy and are using it as a strategic lever to accelerate gender-inclusive economic growth through the application of state spending power, while maintaining rigorous governance standards.

Reforming public procurement to make it more gender-inclusive can create a diversity dividend through increased job creation and economic growth. Gender-smart procurement policies can also mitigate economic and business risk by rendering supply chains more diverse.

### 5.2 Examples of Gender Polices

#### 5.2.2 UN Women Gender Responsive Procurement

Gender-responsive procurement is a sustainable selection of services, goods or civil works that considers the impact on gender equality and women's empowerment. UN Women strives to ensure that all operations, including procurement processes, support its mandate for the elimination of discrimination against women and girls, the empowerment of women, and the achievement of equality between women and men. UN Women's focus on gender responsive procurement is thus in line with the strategic aim of the organization to empower women globally. Gender-responsive procurement provides an opportunity for the procuring entity to expand its global markets, diversifies its supply chains while simultaneously growing the economy and improving the lives of women and girls around the globe.

In 2016, the United Nations (UN) spent USD 17.7 billion on purchase of services, goods and civil works to fulfil its functions. Together with governments, companies and other non-governmental organization, the procured value amounts to trillion of dollars globally. Yet, less than 1 % of women-owned businesses access the procurement market and are awarded the contracts (Vazquez & Sherman, 2013).

#### 5.2.3 Gender-smart Procurement: Policies for Driving Change

In 2014, G20 members agreed to reduce the gender gap in the labour market by 25 per cent by 2025. Procurement policy is one of the most powerful tools governments have help to achieve policy changes. All G20 members, regardless of the differences in their legal frameworks, can implement measures that will increase the ability of women to benefit from procurement policy.

Public procurement accounts for around one-fifth of global gross domestic product. It is estimated that women entrepreneurs supply only one (1) per cent. Women's businesses face considerable barriers to accessing procurement tenders and winning procurement contracts. The inadequate design of many procurement processes prevents more inclusive gender outcomes. Governments should redefine procurement policies to make explicit the requirement of increasing women's workforce participation and greater use of female suppliers.

### 5.3 Women’s Empowerment Policy

The Women’s Empowerment Policy is the first of its kind for IsDB and defines the commitment of IsDB to promote women’s empowerment to reduce poverty and foster sustainable development and inclusive growth. It also marks IsDB’s promise to unlock the ‘untapped potential’ of women in its Member Countries and Muslim communities by establishing fundamental principles to guide its programmes and interventions to reduce the barriers to their economic and social development.

The Policy is intended to guide IsDB towards integrating women’s empowerment in future operations, in line with the IsDB 10-Year Strategy and its reform agenda based on the President’s 5-Year Program (2017–2022). The Policy will also contribute to the implementation of the Organization of Islamic Cooperation (OIC) Plan of Action for the Advancement of Women (OPAAW) and the United Nations Sustainable Development Goals (SDGs). All IsDB Member Countries are signatories to these agreements, which include women’s empowerment as a core element. The 2030 Agenda for Sustainable Development includes a specific goal (SDG 5) of achieving gender equality and empowering all women and girls, while recognizing women’s empowerment as a catalyst for progress across all 17 SDGs.

The regions and communities supported by the IsDB Group are linked with many common factors; however, they have a vast plurality of ethnicities, languages, cultures, economic profiles and political systems. They also differ widely in levels of human development, with stable and resilient countries and communities, as well as fragile ones. The status of women and their level of participation in the socio-economic development of their communities and countries also vary across the regions. Some countries have made huge progress in closing gender gaps in education, while others are struggling with low female labour force participation and/or high maternal mortality.

There is wide recognition of the strong linkages between women’s empowerment and improved development outcomes<sup>5</sup>, and it can significantly contribute to reducing poverty and strengthening economic growth<sup>6</sup>. Improving women’s and girls’ access to and control over resources can generate broader productivity gains, improve their social status and wellbeing and magnify economic benefits. This has made women’s empowerment a central tool and goal for achieving effective and sustainable development.

The Policy capitalizes on IsDB’s previous experiences and lessons learned in empowering women, through interventions that improved health, food security, economic opportunities, education and access to technology, and which enhanced women’s financial literacy and business skills.

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<sup>5</sup> World Bank Group (2012) ‘World Development Report 2012: Gender Equality and Development’

<sup>6</sup> United Nations Secretary-General’s High-Level Panel on Women’s Economic Empowerment (2016) ‘Leave No One Behind: A Call to Action for Gender Equality and Women’s Economic Empowerment’

### **5.3.1 Policy Scope**

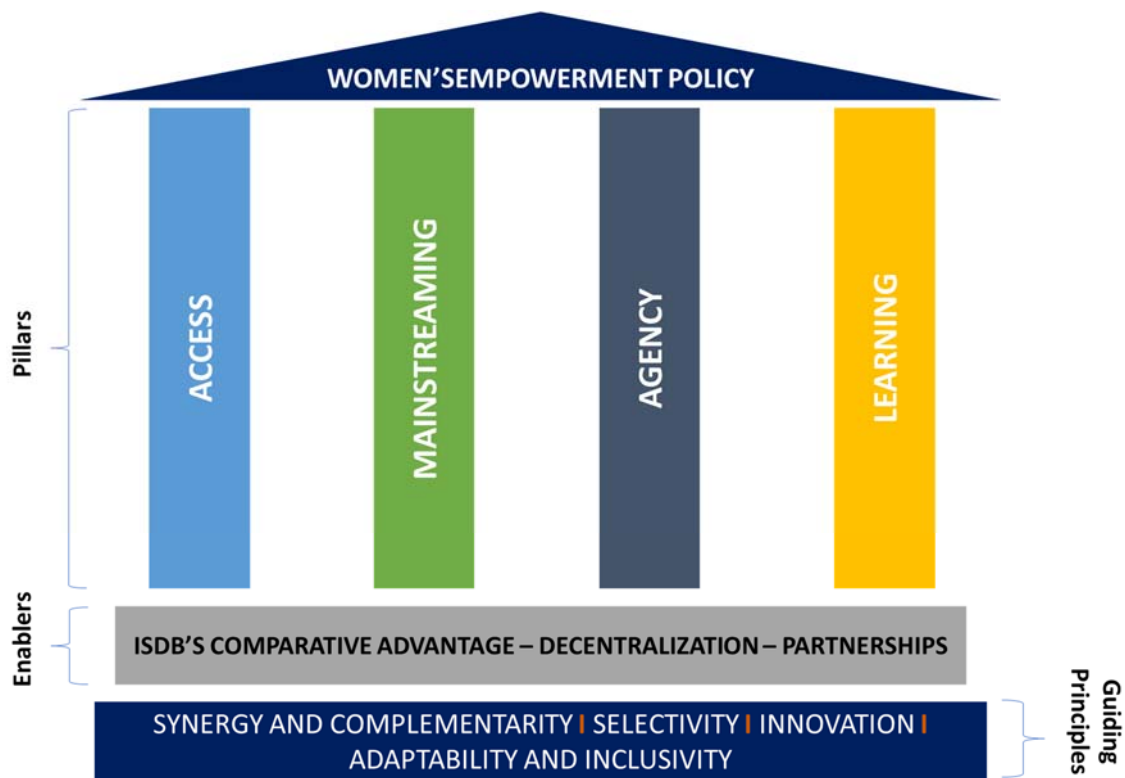
IsDB's Women's Empowerment Policy is designed to:

- Recognize the distinct roles and responsibilities of both women and men, which give them different yet complementary perspectives, needs, interests, roles and responsibilities;
- Respond to women's specific needs, interests, vulnerabilities and capacities;
- Identify and address barriers that hinder women's realization of their full potential; and
- Support women's and girls' access to opportunities and resources to ensure that they meaningfully participate in and benefit from IsDB interventions, and that this leads to equitable and sustainable development in Member Countries and Muslim communities elsewhere.

The Policy will cover all IsDB sectors and areas of engagement including procurement. Recognizing that women's empowerment is relevant in each of these sectors and areas, the Policy is applicable to all departments and units of IsDB. Accordingly, IsDB will integrate women's empowerment at all levels, not only in projects/programmes but also in all policies, strategies and operational procurement procedures.

### **5.4 The Policy Framework**

The Policy Framework as detailed in the following figure has four pillars, which reflect the challenges and priorities of Member Countries and IsDB's institutional and global commitments to support the countries to realize their national and international obligations. The pillars are: access, mainstreaming, agency and learning. IsDB will address the four pillars guided by the following principles: capitalizing on synergies and complementarities, making strategic choices in areas and modes of engagement, promoting innovation, and being adaptable to ensure inclusivity of all. Both the pillars and principles will be stimulated by key enablers that leverage IsDB's comparative advantage and unique instruments, capitalize on its decentralized structure and strengthen partnerships.



*Figure - III - Framework for the Women's Empowerment Policy*

<b>ACCESS</b>	Remove barriers to women's access to basic services and infrastructure to leverage their empowerment, skills and productive resources, thereby increasing their economic opportunities and assisting them to accumulate and store wealth and build resilience
<b>MAINSTREAMING</b>	Introduce approaches and actions to integrate women's empowerment measures throughout the IsDB country programming and project cycle – from the Member Country Partnership Strategy, to project identification, design, implementation, monitoring, and evaluation and learning – to ensure women participate in and benefit from IsDB interventions in Member Countries and Muslim communities
<b>AGENCY</b>	Enhance women's effective engagement in the socio-economic development process, thus enabling them to have control over resources and participate fully in the development process of their communities and countries
<b>LEARNING</b>	Develop and facilitate knowledge, capacity development and learning opportunities among member countries, thereby scaling up good practices and driving innovation

**Table I - Pillars of the Women's Empowerment Policy**

**5.5 Gender responsive Project Procurement:**

The mechanism that can be used is the inclusion of specific requirements in the bidding documents oriented to promote women participation in the workforce by requiring awarded contractors to develop training programs and employ women. Technical specifications of infrastructure projects can be adjusted to include activities to be performed by the contractors including the design of a capacity-building program to train women in the operation of heavy equipment and the development of an internship program to put in practice their new skills. Another way is to set a certain percentage for women contractors.

## Annex I – IsDB Member Countries

The Islamic Development Bank is made up of fifty-seven (57) Member Countries.

- Afghanistan
- Albania
- Algeria
- Azerbaijan
- Bahrain
- Bangladesh
- Benin
- Brunei
- Burkina Faso
- Cameroon
- Chad
- Comoros
- Cote D'Ivoire
- Djibouti
- Egypt
- Gabon
- Gambia
- Guinea
- Guinea Bissau
- Guyana
- Indonesia
- Iran
- Iraq
- Jordan
- Kazakhstan
- Kuwait
- Kyrgyz Republic
- Lebanon
- Libya
- Malaysia
- Maldives
- Mali
- Mauritania
- Morocco
- Mozambique
- Niger
- Nigeria
- Oman
- Pakistan
- Palestine
- Qatar
- Saudi Arabia
- Senegal
- Sierra Leone
- Somalia
- Sudan
- Suriname
- Syria
- Tajikistan
- Togo
- Tunisia
- Turkey
- Turkmenistan
- Uganda
- United Arab Emirates
- Uzbekistan
- Yemen





For any additional information, such as Standard Bidding Documents (SBDs), Guidance, training materials and briefing, please see

[www.isdb.org/procurement](http://www.isdb.org/procurement)

