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## Benefits of Green Public Procurement (GPP)

**G**PP is a valuable tool for governments, which can provide environmental, social, economic and political benefits:-

### Environmental benefits

GPP assists governments in achieving environmental targets

such as addressing CO<sub>2</sub> emissions, air and water quality, sustainable resource utilization, and waste reduction, which are all affected by the purchases we make. It can also encourage sustainable agricultural practices.



### Social benefits

GPP has the potential to enhance our quality of life through reducing the use of toxic chemicals in products, providing better and innovative alternative solutions to fulfill our needs and addressing inequality by purchasing from small medium enterprises, local farmers and marginalized groups.



### Political benefits

GPP can demonstrate Bhutan's commitment to a holistic development,



inspired by the Gross National Happiness philosophy, by taking into consideration environmental, economic and social aspects.

### Economic benefits

One of the salient features of GPP is the focus on attaining value for money across the life-cycle. Life cycle costing goes beyond purchase price today to include costs related to the purchasing, operating, maintenance and disposal costs of goods and services.



GPP thus often leads to savings for the government and for society in general. For example, an energy and water-efficient building may cost more up-front, but will save money in the long run.

By creating demand for green goods and services, GPP also provides incentives for industry to innovate. It can encourage farmers, manufacturers, designers and entrepreneurs in Bhutan to produce and supply environmentally sustainable and socially responsible products and be competitive in the global market.



## 10 Things to know about Green Public Procurement (GPP)

1. Procurement is an activity that all governments already undertake.

GPP leverages an already existing government function to make progress towards existing sustainable development goals.

2. GPP provides a strong signal to markets to invest in sustainability.

By creating a long-term and scaled-up demand for sustainable goods, services and infrastructure, suppliers have the certainty needed to invest in new, greener products and processes.

3. It is not always more expensive to buy 'green'.

In some cases greener alternatives are available at the same or only slightly higher purchasing prices compared to conventional products.

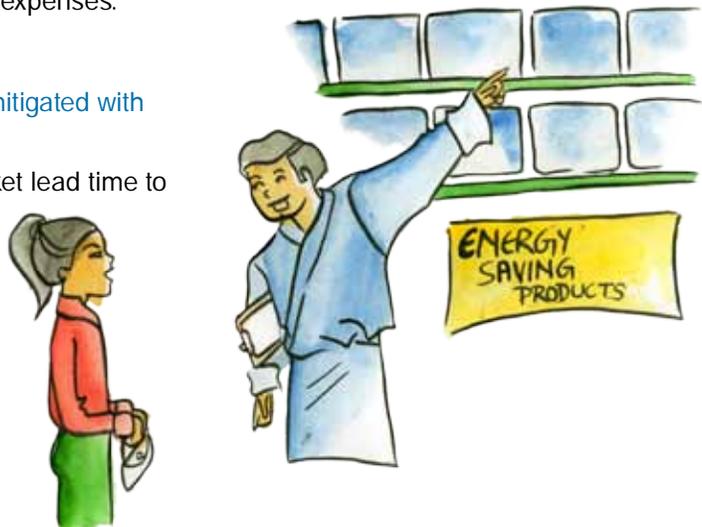


4. GPP delivers value for money by accounting for 'hidden' lifecycle costs.

It is often the case that purchasing more sustainable goods, services and infrastructure will be more expensive initially. But taking life cycle costs (production, operation, maintenance, and disposal) into consideration makes the economic advantages of GPP obvious. The initial purchasing price will likely be more than compensated by life cycle savings - for example through reduced energy or water expenses.

5. Where upfront costs are higher, they can be mitigated with the right policies.

Examples include bulk buying, providing market lead time to give suppliers time seek greener solutions, establishing central procurement platforms to facilitate bulk purchasing, and developing multi-year accounting frameworks.



6. GPP can support local SMEs.

GPP also instills and encourages environmentally innovative approaches in local suppliers, which provides them with a competitive advantage nationally and internationally.

7. GPP can help achieve local environmental and health goals.

For example, procuring low-emission public buses can improve local air quality while helping a government achieve climate protection targets.

8. GPP can improve an authority's public image and increase legitimacy.

By demonstrating commitment to sustainability as a whole through practicing GPP, the government "puts its money where its mouth is".

9. It can address corruption in public procurement.

GPP's emphasis on the different stages of the procurement cycle: needs identification, prequalification of suppliers, evaluation of bids, awarding of contracts, and monitoring their execution, all present opportunities to bring in more accountability and transparency.

10. It contributes to global sustainability efforts.

In the broad spectrum policies in this area, GPP has proven to be an effective tool to advance sustainability due to its economic sector cross-cutting nature (governments procure just about anything) and links to international supply chains. If practiced on a broad scale, GPP has the potential to raise the sustainability of production and consumption practices around the world.

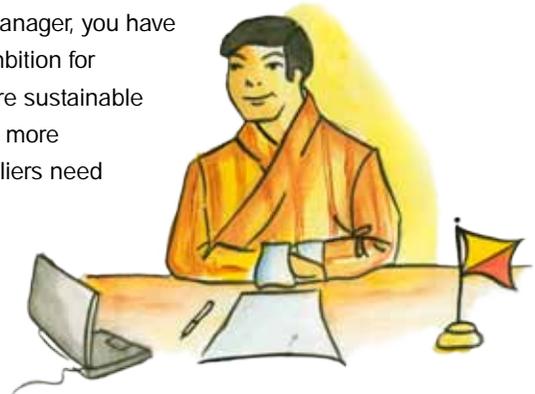


## Your Role

As more and more national, regional and local governments incrementally implement GPP, its potential to transform global markets and supply chains is slowly but surely being realized. In order for GPP to be effective, various players in the government sector as well as its suppliers will have to fulfill important roles. Continue reading to find out how you can help make GPP a reality in Bhutan. I am a . . .

### Decision-maker/Politician/Manager

As a decision maker, such as a politician or environmental or procurement manager, you have the responsibility to decide procurement policies and to set public entity's ambition for green procurement. Procurers need your support in order to buy greener, more sustainable products and services since it sometimes requires taking the decision to buy more expensive products in return for bigger savings in the user phase. Also, suppliers need certainty from you that there will be market for greener products so they can produce and source the products that meet the green/sustainable criteria. Since green/sustainable procurement is a very new concept in Bhutan, the immediate help you can give is your support and cooperation to develop and implement GPP practices in Bhutan.



### Environment Officer

As an environmental officer you are a key player in the GPP space. They often have in-depth knowledge of environmental impact, life cycle analysis, indicators etc. and can assist procurers in developing technical specifications, award criteria and performance targets, for example, in preparation of writing tenders.

### Procurer

As a procurer, you play a central part in making green procurement happen in practice. You will firstly have to help provide information and share your practical experience as a procurer in your agency and provide your feedback in order to help inform the development of practical GPP guidelines for Bhutan. You could also identify pre-defined criteria and get help from experts within your organization such as environmental managers, consultants and suppliers to apply these in Bhutan. This will assist you to get the knowledge needed to apply the methods of GPP for every step of the procurement process. Remember, even with the help of the environmental expertise in your organization you need to have some knowledge on green procurement including methods, possible criteria, tools and standards as well as products and solutions available for green procurement. You must be willing and eager to build your own knowledge and expertise as a green procurer.



### Supplier

Suppliers can provide good knowledge on the market and work with procurers and public authorities to improve the availability of goods and services that meet the criteria. You should stay informed on what is needed to deliver appropriate products and services and explore your network/chain of suppliers to acquire those products and services that meet the criteria. You may also be interested in participating in "market consultations" with the private sector where you can discuss the newest advances in the marketplace and make sure the public sector is aware of all of the available product alternatives the market can provide.

### Citizen

As citizens, we all play a pivotal role in the implementation of GPP. Without our cooperation, the rhetoric of GPP will fall flat in terms of its execution. It is therefore most crucial that all citizens act responsibly to promote and contribute towards our personal and public welfare. This includes being environmentally and socially responsible when it comes to our purchases. Through the demand for sustainable goods and services, citizens will also be able to influence and make an important contribution towards sustainable consumption and production.



## Public Procurement Worldwide

### “Government spending could save the world”

The British newspaper “The Guardian” published a compelling article in June 2014 on the power of public procurement to transform existing practices and impacts related to products. Next to discussing existing barriers like initial costs and lack of unity among key players in governments, the article also highlights success stories from the EU and South Korea. In South Korea the public sector’s green procurement of 19 items reduced the country’s CO2 equivalent emissions by 3.71 million tons and created 12,143 new jobs.

Read the whole article at <http://www.theguardian.com/sustainable-business/2014/jun/25/sustainable-public-procurement-markets-south-korea-europe-us>.

### SWITCH Asia 2014 Project Fact-Sheet Brochure released

The SWITCH Asia Network Facility has recently released a new project fact-sheet brochure.

The brochure serves as a directory of SWITCH-Asia grant projects - of which GPP Bhutan is one - Network Facility and Policy Support Components. In addition to the contact details and organisations involved, it provides a brief description of each project and component. Besides the GPP Bhutan project, the publication provides an excellent overview of all other current SWITCH-Asia-funded projects, all fostering sustainable consumption and production in Bhutan and Asia at large.

The Brochure is available at <http://www.switch-asia.eu/publications/2014-project-fact-sheet-brochure/>.

### The 10YFP on Sustainable Public Procurement

The 10 Year Framework of Programmes (10 YFP) on Sustainable Public Procurement (SPP) was officially launched at the UN Headquarters in New York on April 1st, 2014. The 10YFP on SPP is built upon the previous work of the Marrakech Process Task Force on SPP (2005-2011) and the Sustainable Public Procurement Initiative (SPPI) (2012-2013). It has two main objectives: 1) to build the case for SPP by improving the knowledge on SPP and its effectiveness as a tool for sustainable development and greener economies and 2) to support the implementation of SPP on the ground through increased collaboration and capacity building.

The 10YFP SPP is led by the United Nations Environment Programme (UNEP), and co-led by ICLEI - Local Governments for Sustainability, and the Korea Environment Industry & Technology Institute (KEITI).

Learn more about the focus and reach of this defining 10 YFP at [www.unep.org/10yfp/procurement](http://www.unep.org/10yfp/procurement).

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## Activity Updates

### Work Package 1: Status Update

The project is structured in nine, so called Work Packages. Currently the project consortium focuses on Work Package 1, composed, in turn, of various Activities. Most of the Activities are well under way and have resulted in (preliminary) findings. Read more below, Activity by Activity.

<p><b>Activity 1.1</b>            Quantitative Mapping of Public Procurement</p>	<p><b>Status:</b></p> <ul style="list-style-type: none"> <li>• Literature review and writing ongoing</li> <li>• Communications and engagement of data providers sought</li> <li>• Definition of value and volume agreed with government partners</li> <li>• Data for the period 2008-2009 to 2012-2013 to be used for this study.</li> <li>• Data categorization and entry underway</li> </ul> <p><b>Sample of findings:</b></p> <ul style="list-style-type: none"> <li>• Public expenditure over the last seven fiscal years beginning 2006 -2007 has more than doubled. Current expenditure grew by 136.9% and capital expenditure grew by 144.7%</li> <li>• In 2012-13, the Royal Government incurred almost equal proportion of GDP on current (17.3% of GDP) and capital (17.6% of GDP) expenditure.</li> <li>• Information on expenditure incurred in procurement of goods, services and works is limited to the budget heads and object codes.</li> <li>• Government owned corporations have their own specialized procurement regulations.</li> </ul> <p><b>Next steps:</b></p> <ul style="list-style-type: none"> <li>- Data sorting and entry</li> <li>- Data analysis</li> <li>- Preparation of report on quantitative mapping of procurement in Bhutan</li> </ul>
<p><b>Activity 1.2</b>            Analysis of Legal Procurement Documents</p>	<p><b>Status:</b></p> <ul style="list-style-type: none"> <li>• Research and writing on relevant laws and policies underway</li> <li>• Developed organizational charts on the legal framework for procurement in Bhutan</li> </ul> <p><b>Sample of findings:</b></p> <ul style="list-style-type: none"> <li>• While there is no specific reference to environmental or sustainability criteria in Bhutan's <i>Public Procurement Rules and Regulations</i> (PPRR, 2009), there is ample space provided for GPP with the appropriate legal interpretation.</li> <li>• The PPRR <i>do not prevent</i> the incorporation of environmental and social evaluation specifications, criteria and conditions.</li> </ul>

	<ul style="list-style-type: none"> <li>• The PRR already provide space for policy makers to give preferential treatment to goods of Bhutanese origin, and grants broad participation to SMEs in procurement.</li> <li>• Together with existing environmental regulations, the Constitution of the Kingdom of Bhutan, and the Audit Act, there is a good legal foundation for procurers to operationalize GPP/SPP in their procurement practices.</li> </ul> <p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li>• Analysis of policy documents</li> <li>• Preparation of final legal and policy report, including recommendations to support GPP implementation</li> </ul>
<p><b>Activity 1.3</b>        Mapping of Institutional Arrangements and Procedures for Public Procurement</p>	<p><b>Status:</b></p> <ul style="list-style-type: none"> <li>• Literature review and writing ongoing</li> <li>• Questionnaire for survey being developed</li> </ul> <p><b>Sample of findings:</b></p> <ul style="list-style-type: none"> <li>• All government agencies employ similar procedures and processes in procurement</li> <li>• Threshold amounts in the PRR determine the procurement processes to be adopted.</li> <li>• Government owned corporations, however, follow procurement procedures as defined in their respective procurement manuals and regulations</li> <li>• Differing interpretation of the regulations allow for variations in the procurement processes adopted by different agencies</li> </ul> <p><b>Next steps:</b></p> <ul style="list-style-type: none"> <li>• Continued review of procurement processes and drafting of synthesis texts.</li> <li>• Questionnaire finalization and survey</li> <li>• Data input</li> <li>• Data Analysis</li> <li>• Report writing on institutional arrangements and procedures for public procurement.</li> </ul>
<p><b>Activity 1.4</b>        Assessment of Public Procurement Supplier Pre-Qualification Requirements</p>	<p><b>Status:</b></p> <ul style="list-style-type: none"> <li>• Meeting with procuring agencies and suppliers underway</li> </ul> <p><b>Findings:</b></p> <ul style="list-style-type: none"> <li>• There is no section specific on prequalification requirements separately for work, goods and services in the legal procurement documents, except in the Procurement Rules and Regulations 2009, where there is a generic provision on prequalification, as well as clauses on qualification criteria for bidders and</li> </ul>

invitation for bids.

- Analysis of the pre-qualification clauses show that it is optional for procuring entity to go for prequalification procedures.
- An entity that wants to pursue pre-qualification requirements in its procurement process, should base its criteria on capacity and resources of the bidder to carry out the work satisfactorily.
- Meeting with various stakeholders, it was found that for procurement of works & goods, the general practice is that it is a single stage process where agencies may come up with specific prequalification criteria as per their own requirements. This, however, does not follow the PRR 2009, that require a two-stage process. Only suppliers that have been pre-qualified are entitled to participate in further procurement procedures.
- For services, in actual it usually could have two-stage process, where agencies could give prequalification criteria in EoI and then as per the pre-qualification criteria the firms are shortlisted for further procurement procedures.

A procuring agency said unlike in the past they do not pursue pre-qualification requirements due to following reasons:

- They feel that unlike in the past, Construction Development Board (CDB) takes care of pre-qualification requirements for works and to some extent for services (consultancy). They said that CDB has a well-maintained and up-to-date database on contractors and consultants. So with good check and balance with CDB, it is unnecessary to go for pre-qualification requirements.
- They also expressed that prequalification proceedings give ground for bidders to collude and make the bidding less competitive.
- They also felt that pre-qualification requirements not only limit the number of bidders to participate but that the cost and time invested for pre-qualification is not worth it.

**Next Steps:**

- Complete meetings with procurers and suppliers
- Compile findings and prepare overview reports
- Draft recommendations

**Activity 1.5**  
 Market Assessment for Green Goods, Services, and Infrastructure in Bhutan

**Status:**

- It is planned to commence Activity 1.5 after the completion of Activity 1.4 (above).

<p><b>Activity 1.6</b> Identification of Pilot Tenders from identified Target Sectors</p>	<p><b>Status:</b></p> <ul style="list-style-type: none"> <li>• Extensive networking with institutions on potential pilot projects has been undertaken and is ongoing, in preparation for the technical advisory services that will be offered in years 2 and 3 of the project;</li> <li>• In several cases the GPP-Bhutan team has received requests for dedicated assistance and advice on public tenders.</li> </ul> <p><b>Sample Findings:</b> Among the potential pilot projects are the following:</p> <ul style="list-style-type: none"> <li>• Work with Druk Green Power Corporation (DGPC) on Hydro-Power Purchase Agreements (PPAs) and review some of the SBDs of past projects.</li> <li>• Work with Thimphu Thromde on real-time tenders for activities under the Thimphu Structural Plan.</li> <li>• Explore collaborating with SNV, Netherlands Development Organization on a project procuring local produce for school cafeterias and PES opportunities.</li> </ul> <p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li>• The final long list will be informed by market intelligence results (from Activities 1.1, 1.4 and 1.5), ongoing programmes/ projects/ initiatives in Bhutan, and discussions with stakeholders.</li> </ul>
<p><b>Activity 1.7</b> Development of GPP Recommendations</p>	<p><b>Status:</b></p> <ul style="list-style-type: none"> <li>• Knowledge on the procurement landscape in Bhutan is being produced through Activities 1.1 to 1.6, generating perspectives on which to subsequently build the GPP recommendations.</li> </ul> <p><b>Sample Findings:</b></p> <ul style="list-style-type: none"> <li>• Decision made to develop recommendations instead of pursuing a “soft law”.</li> <li>• To be determined if project partners will recommend amendments to PRR 2009 or via another means/ document.</li> </ul> <p><b>Next Steps</b></p> <ul style="list-style-type: none"> <li>• Await completion of Activity 1.1 to 1.6 results;</li> <li>• Synthesize lessons and write recommendations in report format or via track changes to existing government documents;</li> <li>• Seek validation of recommendations from representatives of across RGoB Ministries;</li> <li>• Spread awareness on the recommendations via diverse media sources.</li> </ul>



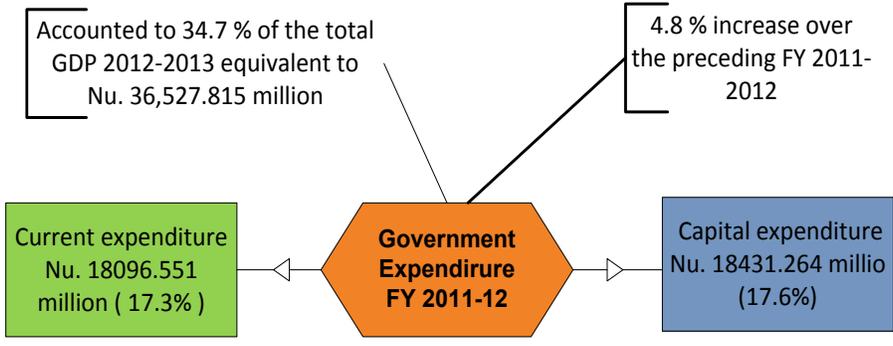
# Public Spending and Procurement in Bhutan

The Royal Government of Bhutan (RGoB) has undertaken various steps to ensure an efficient, effective, transparent and fair procurement system. In order to implement good

governance through public procurement in Bhutan, the first financial support came from the Asian Development Bank (ADB) in the mid 1990s to create the Procurement Rules and Regulations, which were then incorporated in the Financial Manual. Later, in 2005, recognizing the need to update the procurement system to align it with interna-

tional best practice and to cater to the changes in Bhutan, the government requested the World Bank for assistance in the following areas: (i) renewal of the procurement manual and its accompanying standard bidding documents and requests for proposals, (ii) establishment of a public procurement policy division, (iii) addressing the need for procurement grievance mechanisms, (iv) assessment of the readiness for adopting electronic forms of government procurement (e-GP), and (v) building the capacity of national institutions responsible for training people on public procurement.

With support from the World Bank, RGoB completed the reform of the Procurement Manual and developed the Standard Bidding Documents (SBD) in compliance with the legal framework requirements. There was little evidence of uniformity and consistency in the usage of the Procurement Rules and Regulations and SBDs among different agencies mainly due to lack of knowledge, capacity and misunderstanding. It was understood that the profession requires a variety of skills to use the framework of the rules and regulations to make informed decisions and work effectively to guarantee optimal outcome. In order to address these issues on non-compliance, a capacity building program was initiated, where trainings for procurement professionals by the Chartered Institute for Purchasing and Supply (CIPS), UK were conducted.

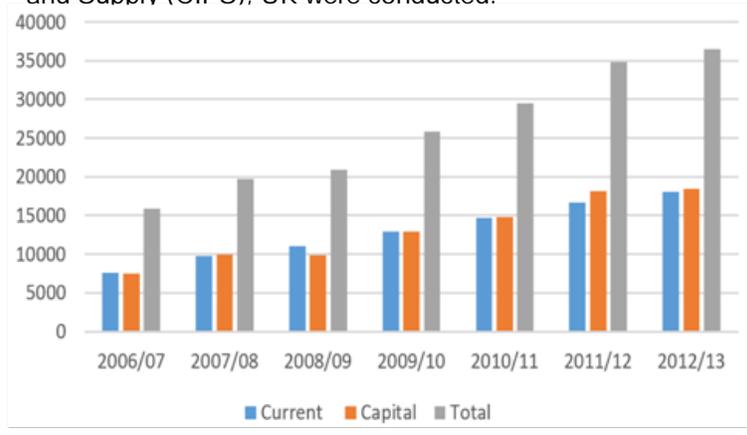


**Figure 1:** Government Expenditure for Financial Year 2011-2012 (Excludes Repayment and On Lending)

**Figure 2:** Government Expenditure from 2006/07 to 2012/13.

**Source:** Annual Financial reports 2006/07 to 2012/13, Ministry of Finance

Over the fiscal years 2006/07 to 2012/13, both Current and Capital Expenditure has more than doubled.



In this seven years period, Current Expenditure grew by 136.9 % while Capital Expenditure saw a 144.7 %.

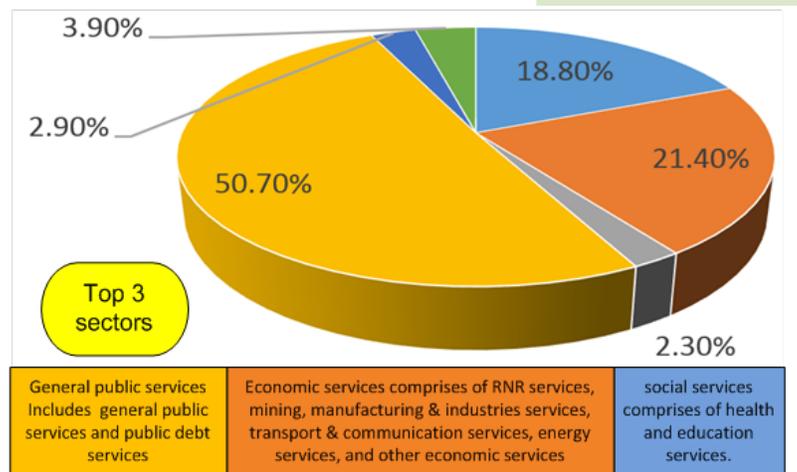


By the end of May 2011, the CIPS training helped establish and embed procurement benchmarks and standards based on international good practices and professionalized the procurement community through a national people development strategy as well as help with the wider roll out of procurement practices in the country. The Royal Institute of Management (RIM), GPP Bhutan project implementing organization, has now taken up the role of developing capacity of procurement officials in public, corporate and private sector through the procurement compliance-training module.

**Figure 3: Sector-wide Expenditure of the Government for Financial Year 2012-2013**

**Source: Annual Financial Statements (2012-2013) of Ministry of Finance.**

In order to make Bhutan's procurement system more efficient and transparent, the establishment of electronic government portal (e-GP) is being explored along with the development of a user manual with detailed procedures to supplement Procurement Rules and Regulations.

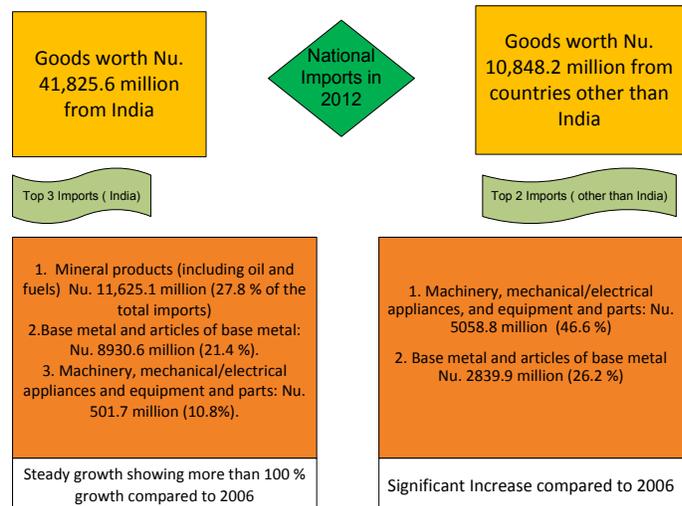


In addition, the Public Procurement Policy Division (PPPD) would provide a road map for reaching the vision of having a world-class public procurement system, which would include, among other things, sustainable procurement.

Procurement procedures are uniform across all government agencies in Bhutan. All RGoB Agencies abide by the Procurement Rules and Regulations of the Kingdom of Bhutan, 2009. The Public Procurement Policy Division (PPPD) under the Ministry of Finance (MoF) monitors the implementation of the Procurement Rules & Regulations through the collection and analysis of reports provided by the procuring agencies based on reporting formats developed by the PPPD. They also propose improvements to the Procurement Rules & Regulations and supporting regulations, guidelines and documentation.

**Figure 4: Composition of National Imports (2012) (Includes both public and private sector)**

In addition, the Government Procurement & Property Management Division (GPPMD) established under the Department of National Properties (DNP) in the MoF conducts research in procurements executed by various agencies, explore ways to introduce more efficient procurement methods, and where necessary standardize goods and/or services. It also undertakes central procurement either by itself or through external specialized agencies in the government or procures directly from manufacturers wherever relevant.



In accordance to the "Zero Tolerance to Corruption" policy, auditing of procurements across all agencies: government, corporate or international are conducted by the Royal Audit Authority (RAA), which is governed by the Audit Act of Bhutan 2006. Government agencies are audited as per the PRR 2009. Corporations or the State Owned Agencies such as Druk Holding & Investment (DHI) Companies such as Bhutan Telecom, Natural Resource Development Corporation (NRDCL), Druk Green Power Corporation (DGPC), Dungsam Cement Corporation Limited (DCCL), and DHI-Infra are audited according to their respective Procurement Manuals/Regulations.

Government agencies implementing projects funded by international organizations such as the European Union, World Bank and the Asian Development Bank use their respective International Procurement Procedures in the Country and are audited as per their documents; whereas the United Nations agencies and DANIDA Programmes have aligned their procurement procedures as per the RGoB's PRR 2009 rules.



## What is Life Cycle Thinking?

Life Cycle Thinking (LCT) is about including environmental, social and economic impacts of a product over its entire life cycle. LCT moves beyond focusing only on upfront costs at the production site, manufacturing process or the purchase price. The main goals of LCT are to reduce a product's resource use, end-of-life-waste content and emissions into the environment as well as improve its socio-economic performance throughout its life cycle. This may facilitate links between the economic, social and environmental dimensions within an organization and through its entire value chain.

Life-cycle costing (LCC) is a tool which evaluates the costs of an asset throughout its life-cycle. LCC moves beyond the purchase price of a good or service, to also include all other significant cost flows over the entire life period of a product or service. More specifically, LCC analysis includes operating costs, end-of-life costs. It also takes into account the durability and the life span of the product.

- The conventional LCC technique used by companies and/or government is based on a purely financial valuation. Four main cost categories that are assessed are investment, operation, maintenance and end-of-life disposal expenses.
- On the other hand, an environmental LCC takes into account the above four main cost categories and also includes external environmental costs. An example of a external environmental cost would be to value amount of carbon emitted based on its impact from a global warming potential and Environmental LCC would take this value or social cost and embed it into the cost cycle of a product. Similarly, based on the criteria of evaluation, a LCC can be modified to understand the impacts either from solely a financial, environmental or socio-economic or any combination of criteria.

Source: [www.lifecycleinitiative.org](http://www.lifecycleinitiative.org)



## Implementing Organisations



This project is funded by the European Union

GPP-Bhutan is a project under:



[www.gppbhutan.bt](http://www.gppbhutan.bt)