

IMPACT SHEET • SWITCH-ASIA PROJECT  
**GREEN PUBLIC PROCUREMENT IN BHUTAN:  
A CROSS-SECTORIAL STRATEGY FOR SUSTAINABLE  
INDUSTRIAL COMPETITIVENESS (GPP BHUTAN)**

# Scaling-up public demand for sustainable products in Bhutan



**The project leveraged the power of the public purse to advance sustainable development in Bhutan, directing up to 70% of the government's annual budget to green procurement**



## The Challenge

At the beginning of the project, the Bhutanese public sector had not yet had a cross-cutting strategy for resource efficiency, cleaner production, energy efficiency, decent work and human rights, nor for the integration of the 10th FYP targets on ‘vitalising industry’, ‘SME strengthening’ or ‘youth employment’. The project met these needs with an overarching strategy, building on the international momentum for using public procurement as a driver of sustainable development, as specified under Sustainable Development Goal 12 on Sustainable Consumption and Production (SCP). Bhutan will embark on a long-term pathway to utilise green public procurement (GPP) as a lever to ‘switch’ towards more sustainable production and consumption patterns.

## Objective

The *GPP Bhutan* project aimed at implementing GPP practices in Bhutan, enabling the procurement cycle to be used as a driver for green growth. It sought to increase the positive environmental, social and economic multipliers of public consumption and provide an incentive for sustainable production among suppliers.

The **specific objectives** included:

- to establish a legal and institutional GPP setting;
- to raise awareness and assist public procurers with dedicated GPP guidance material;
- to train and support Cottage, Small and Medium-sized Industries and disadvantaged suppliers (CSMIs) through real-time GPP pilot tenders in selected industrial sectors;
- to provide for long-term GPP implementation by establishing a GPP knowledge platform and curricula.

### TARGET GROUPS

- **Procurers:** ministries, autonomous agencies, local governments (municipal & district) and state-owned enterprises (SOEs)
- **Suppliers:** manufacturing industries, wholesale dealers, retail business vendors, construction contractors, corporate associations, representatives, engineers and minority or Cottage Small and Medium-sized Enterprises (CSMEs), especially women-led SMEs

## Activities / Strategy



### Creating Awareness of SCP and Green Public Procurement

The project raised the awareness of SCP and green public procurement through participation in national and regional events as well as engagement with national media. Furthermore, there was engagement with the private sector via the Bhutan Chamber of Commerce, with the public sector via the various ministries involved in the project, and with colleges and universities in Bhutan via targeted presentations and outreach events.



### Conducting Research

The project published six research papers on public procurement and the potential for GPP in Bhutan, available from the project’s webpage: <http://gppbhutan.bt/project-publications>. The research helped make the case for GPP in Bhutan, and resulted in the formulation of “Ten Recommendations” to implement GPP in Bhutan, submitted to the Ministry of Finance in November 2015 and discussed with all government stakeholders.



### Implementing GPP Preferential Programmes for CSMIs

The project conducted a survey of the cottage, small and medium-sized industries (CSMIs) to assess their potential to shift production to more sustainable production patterns, their capacity to respond to government tenders, and the barriers they face when contracting with the public sector. Based on the results, an increase of 5-10% preferential treatment is proposed to the government in the draft Economic Development Policy 2016. To help procuring agencies understand the domestic industries present in Bhutan, the project organised a forum in October 2016 for 13 procuring agencies and 31 CSMIs.



## Scaling-up Strategy



### Building the Capacity of Public Procurers

The project developed two handbooks on GPP (Volume 1 on goods and services, and Volume 2 on public works). The project undertook three series of Training of Procurers (TOP) and Sustainable Supply Chain Management Training in 2016 to build the capacity of public procurers in understanding the GPP concept and learning how to infuse it in the public procurement system. The first TOP (TOP1) was conducted in March, TOP2 in June and TOP3 in October 2016. In addition to the three TOPs, at the request of the Public Procurement Policy Division, Ministry of Finance, training on Sustainable Supply Chain Management (SSCM) was also undertaken in February 2016. The TOP and SSCM training participants came from ten ministries, autonomous agencies, SOEs and educational institutions, like Sherubtse College and Jigme Namgyal Engineering College. The three TOP sessions and the SSCM training were provided to around 100 public procurers, who will further disseminate knowledge on GPP in their respective departments.



### Running GPP Pilot Tenders

In three pilot tenders, the project partners assisted public procurers on the job, designing and implementing real-time tenders which contained environmental and social criteria, specifically in the technical specifications, award criteria and contract conditions. One pilot tender was contracted with the Department of Engineering Services (DES) on a housing colony project of an Integrated Checkpoint at Bumpagang. The other two pilot projects were assigned with the Thimphu Thromde (Municipal Authority) in the waste management domain: 1) Plastic to Oil (P2O) project and 2) Waste to Energy project. The lessons learned have been gathered on the GPP knowledge platform to help procurers and suppliers to reduce transaction costs and motivate further participation in GPP tenders.



### Establishing GPP Knowledge Platform and GPP Curricula

The project created a GPP Knowledge Platform, which was launched in May 2017 and serves as a hub for future training activities, providing information on all relevant project outcomes and lessons learned. The platform, hosted by the Royal Institute of Management (RIM), ensures continued capacity-building and knowledge-exchange about sustainable purchasing and better procurement practices in Bhutan. The GPP Knowledge Centre offers access to specific curricula for GPP, providing a continued source of emerging knowledge and information to all public and private sectors.



### Ensuring integration of GPP into procurement practices

To achieve sustainability of the project, the partners made sure that the Bhutanese government engaged civil servants and local businesses to integrate GPP into procurement practices. Nearly 100 civil servants and 57 representatives from Bhutan's higher educational institutions received training on GPP. Future civil servants received training as part of their regular coursework at the Royal Institute of Management (RIM), which hosts the GPP knowledge platform. Some 188 local suppliers attended a series of awareness-raising sessions where they had the opportunity to showcase their sustainable products to government purchasers. The broader public was also engaged due to significant media interest throughout the project.



*The GPP Bhutan project 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 it to the Royal Government for further action on the Public Procurement Policy and its systems.*

*Tempa Dorji,  
Chairperson of the Good Governance  
Committee of the National  
Council of Bhutan*



## Results



### Key Outcomes of Research

The research showed that implementing GPP did not require a change of laws, but required a change in mindset. Capacity building of both public procurers and suppliers is necessary to create a better understanding of (1) what a 'green' tender looks like, (2) how public procurers can engage with the suppliers in a transparent manner to be better informed about the Bhutanese market, and (3) how to respond to sustainability requirements in public tenders.



### Established GPP in the Public Procurement Cycle

One of the major results of this project was the embedding of environmental and social criteria across the public procurement cycle to enable it to function as a driver of cross-sectorial green industrial development and to make state consumption a model for private consumption. Procurers during the TOP have repeatedly indicated that they were better able to also look at environmental and social characteristics when they buy goods and services. Another important achievement was the consultation by the National Environment Commission (NEC) on the revision of Bhutan's standard bidding documents (SBDs). The project provided recommendations to NEC on the SBDs that were taken up by the Ministry of Finance.



### Developed Skills of SMEs and Suppliers from Minority Groups

The project helped SMEs and suppliers from minority groups, including women-owned enterprises, develop market access and gain business with the public sector. This was done through the supplier events in which the concept of GPP was explained, as well as through facilitated dialogue between procuring agencies and CSCMIs in October 2016 in which barriers to contracting with the public sector were identified.



*The GPP Bhutan project has helped raise the profile of the procurement profession and has raised awareness across stakeholders, in both the public and private sectors, of the potential of public procurement to shift towards more sustainable production and consumption patterns, and ultimately towards the sustainable development of the country.*



*Mr. Yeshey Penjor,  
Project Director, International  
Institute for Sustainable  
Development (IISD)*



### Provided Policy Support

The project provided policy support for facilitating the introduction of GPP at all government levels in Bhutan through a range of materials and training to help public procurers to buy 'green'. The recommendations developed by the project and available on the Green Public Procurement knowledge platform were taken into account and subsequently incorporated in the tendering requirements. In 2015, the recommendations were officially endorsed by the Ministry of Finance.



### Initiated a Parliamentary Working Group on GPP in Bhutan









The GPP project organised three high-level seminars for parliamentarians, senior policy makers and bureaucrats from the Ministry of Finance, Ministry of Works and Human Settlements, Gross National Happiness Commission, National Environment Commission, Ministry of Economic Affairs, the National Council, and the mayor of the City of Thimphu. Subsequently, a parliamentary working group was established to determine which laws and policies are needed to further support the implementation of GPP in Bhutan.



### Government's Commitment to Green Public Procurement

The government of Bhutan has embraced the value of green public procurement (GPP) and is setting an example for other countries of how to leverage the power of the public purse to advance sustainable development. Public procurement represents approximately 21% of Bhutan's GDP and 60–70% of the government's annual budget.

## Impacts at a Glance

<p><b>Economic Impact</b></p> 	<ul style="list-style-type: none"> <li>The implementation of GPP in Bhutan provides a strong incentive for domestic CSMTs to shift their production to more sustainable patterns, as the public sector will be asking for better environmental and social performance.</li> </ul>	<p><b>Women's Empowerment</b></p> 	<ul style="list-style-type: none"> <li>Specific attention has been given to buying from women-owned enterprises.</li> </ul>
<p><b>Environmental Impact</b></p> 	<ul style="list-style-type: none"> <li>The city of Thimphu shifted to LED light bulbs to ensure more energy efficiency in city lighting.</li> <li>Depending on the type of good, service, or public work to be procured, green public procurement contributes to:                             <ul style="list-style-type: none"> <li>reduced energy consumption, as energy intensive goods have been replaced by less energy intensive ones;</li> <li>reduced biodiversity loss and better resource management when organic food is procured instead of commercially produced, imported food.</li> </ul> </li> </ul>	<p><b>Policy Development</b></p> 	<ul style="list-style-type: none"> <li>The project contributed to the revision of Standard Bidding Documents and the formulation of 'Ten recommendations on implementing GPP in Bhutan', submitted to the Ministry of Finance in November 2015.</li> <li>It also facilitated the development of Preferential Procurement Policies under the Ministry of Economics – support for a margin of preference when buying local or buying green. The current procurement law in Bhutan provides more than sufficient space for the implementation of GPP.</li> </ul>
<p><b>Social Impacts</b></p> 	<ul style="list-style-type: none"> <li>Green public procurement will nurture local consumption where the domestic market provides the necessary supply. This helps local communities develop domestic industries and enable them to grow.</li> </ul>	<p><b>Europe-Asia Cooperation</b></p> 	<ul style="list-style-type: none"> <li>Cooperation between Europe and Asia resulted in an MoU with the Ministry of Works and Human Settlements, a pilot tender with the Department of Engineering, and an MoU with the City of Thimphu for two pilot tenders.</li> </ul>
<p><b>Green Finance</b></p> 	<ul style="list-style-type: none"> <li>The project conducted awareness-raising activities with the private sector under a specific work package (six supplier awareness-raising events across the country).</li> </ul>		
<p><b>Target Group Engagement</b></p> 	<ul style="list-style-type: none"> <li>The project engaged with Bhutanese business associations through the project partner Bhutan Chamber of Commerce.</li> <li>It also increased public awareness through three training sessions, one supply chain management training, six supplier awareness-raising events, more than 15 visibility and outreach events to colleges, universities and the wider public, participation in regional events, and a study tour for government officials from Bhutan to Thailand to learn about GPP in Thailand.</li> </ul>		



**Legend**

- Eligible countries for the SWITCH-Asia Programme
- Non-eligible Asian countries for the SWITCH-Asia Programme

**Project implementation area**

- City
- Region
- Country

*The boundaries shown on this map do not imply on the part of the European Union any judgment on the legal status of any territory or the endorsement or acceptance of such boundaries.*

**OBJECTIVES**

The project aimed at establishing a strategic approach for the government to scale-up public demand for environmentally and socially preferable goods, services and infrastructure, supporting Gross National Happiness and the stewardship of natural resources.

**DURATION**



**PROJECT TOTAL BUDGET**

EUR 2 132 307 (EU contribution: 90%)

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Bhutan Chamber of Commerce and Industry (BCCI), Bhutan



Royal Society for the Protection of Nature (RSPN), Bhutan



Royal Institute of Management of Bhutan (RIM), Bhutan



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