Implementing standards for sustainable infrastructure: the role of procurement

Project aims: to identify how China’s policy banks, regulators, and the international community could encourage the use of sustainable procurement in Belt and Road infrastructure projects as a tool to support sustainable development.
Infrastructure needs for sustainable development

Investment needs for energy, transport & building infrastructure: US$90 trillion in next 15 years

Target 9.1: Develop quality, reliable, sustainable & resilient infrastructure

Target 9.a: Facilitate sustainable & resilient infrastructure development in developing countries through enhanced financial, technological & technical support
The environmental risks of infrastructure projects
The global impacts of infrastructure

60% of global carbon emissions from infrastructure (energy, buildings & transport) and its use

10% of deforestation in tropics/subtropics driven by infrastructure (2000-10)

*Source: Hosonuma et al. (2012) An assessment of deforestation and forest degradation drivers in developing countries. Environmental Research Letters 7*
Infrastructure as an agent of change

Infrastructure & supply chains

- 50% raw materials & 80% mineral raw materials used by construction sector
- Major source of contracts & business opportunities

Source: Schouten & Bachmann (2017) *Roads to Peace?* The role of infrastructure in fragile and conflict-affected states. DIIS & UNOPS
Sustainable procurement follows a cyclical process. Project planning provides an initial base which is further specified when planning the tender procedure, for example through detailed technical specifications including sustainability criteria. Contract management provides practical tips for future projects.

Source: KfW (2014) Toolbox. Sustainable procurement
Sustainable procurement to promote best practice

Lifecycle assessments from 3 tenders for a road construction Project in Finland

Source: KfW (2014) Toolbox. Sustainable Procurement
China’s Belt & Road Initiative: promoting best practice

‘The Belt and Road Initiative aims to promote the connectivity of Asian, European and African continents and their adjacent seas, establish and strengthen partnerships among the countries along the Belt and Road, set up all-dimensional, multi-tiered and composite connectivity networks, and realize diversified, independent, balanced and sustainable development in these countries.’

Source: China’s National Development & Reform Commission. March 2015

To enhance the “greenness” of China’s outward investment, domestic financial institutions and the multilateral development banks in which China is participating should be supported and encouraged to strengthen their environmental risk management and develop green supply chain management (inter alia) in implementing OBOR and other overseas projects.

Source: Guidelines for establishing the green financial system. August 2016
China’s Belt & Road Initiative: promoting best practice

Source: Mercator Institute for China Studies: [www.merics.org](http://www.merics.org)
How banks can promote sustainable procurement

- Investment criteria
- Environmental policies
- Procurement policies
- Capacity building

Sustainable procurement
Recent developments & best practice

**Procurement policies:** New policies encouraging / clarifying the use of sustainable procurement by borrowers

**Environmental policies:** Linkages between safeguards / environmental policies & procurement policies made more explicit

**Investment criteria:** Strengthening of targets for green investments & integration of stronger environmental criteria in economic assessments

**Capacity building:** Increasing resources for project development and capacity building
Opportunities & challenges

The opportunities
- Dynamic policy space
- New technologies & approaches for sustainable construction & procurement

The challenges
- Limited expertise within public institutions
- Absence of tools or criteria to assess sustainability
- Limited market capacity
- Limited data on best practices