

Section 3

Planning, Policy and Governance to Advance an Inclusive Green Economy

11

Learning Unit

Sustainable Public Procurement

Public spending usually represents a large share of overall economic activity in any country. Greening this spending through Sustainable Public Procurement (SPP) practices can yield significant benefits to the society at large while at the same time driving innovation. This unit introduces concepts, barriers and opportunities related to SPP.

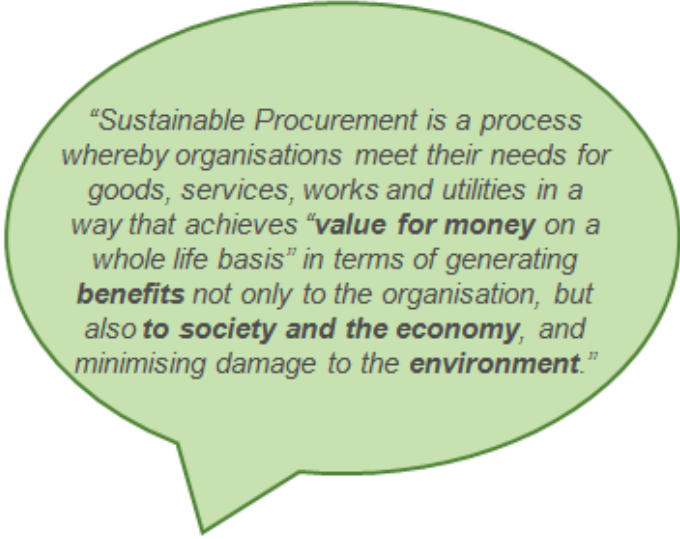
PAGE Green Economy Introductory Learning Materials



Sustainable Public Procurement

Through procurement policies, governments can:

- Regulate markets
- Actively participate in market as purchasers
- Effectively use tax payers money
- Enable and encourage competitiveness/innovation
- Produce social, ethical and environmental outcomes, directly and indirectly



*“Sustainable Procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves **“value for money on a whole life basis”** in terms of generating **benefits** not only to the organisation, but also **to society and the economy**, and minimising damage to the **environment**.”*

UK SPP Task Force, 2006

Speaker's Notes:

- This slide sheds light on the important role of government procurement policies for the economy and presents a definition for sustainable public procurement (SPP).
- Via public procurement, governments can play an important role in shaping demand and regulating market activities within a country, fostering innovational and competitiveness.
- Public procurement has to make efficient use of tax-payers money. It sets an example with regard to the use of common goods; therefore it should be ethical, pro-social and not harmful to the environment.
- Public procurement can be an important driver for sustainable economic development. At central, provincial, and local level normally represents 15-30% of national GDP on a global scale. In some developing countries - as high as 50% of GDP.
- Sustainable public procurement (SPP) creates a demand for sustainable products and services and can serve as an example for other market players.
- As the definition by the UNK SPP task force points out, SPP aims to achieve a value for money over the whole life cycle of a product or a benefit, and strives to take into account environmental, economic, and social benefits.
- A term often used in connection to sustainable public procurement (SPP) is green public procurement (GPP). While the former refers to the three dimension of sustainability of goods and services - environmental, social and economic, the latter concentrates mainly on the environment dimension, i.e. GPP strives to maximize environmental benefits through public procurement policies.

Key Message

- Sustainable use of public resources can unlock substantial demand and investments for environmentally friendly products and services, while setting a good example for the society at large.

Further Reading:

- UNEP, Sustainable Consumption and Production: A Handbook for Policy Makers, 2012
- ILO, Green Economy Academy, 2014

Benefits from Sustainable Public Procurement

Demonstrates socially/environmentally-responsive governance

Can contribute to achieve efficiency and cost savings

Stimulates socially/environmentally conscious markets



Sustainable-procurement.org

Speaker's Notes:

- This slide highlights some of the benefits of sustainable public procurement.
- SPP demonstrates socially/environmentally-responsive governance:
 - Conformity with community norms and values;
 - Compliance with international donor expectations;
 - Example: 85% of EU Citizens feel that policymakers should consider the environment and social policies to be as important as economic policies.
- SPP can contribute to achieve efficiency and cost savings.
 - Life-cycle costing (LCC), as one of the principles of SPP, stipulates that the costs of a product/service are considered throughout its useful life, including: purchase price, usage and maintenance costs, disposal costs. When all costs are taken into account, it is often revealed that less expensive products and services bear greater costs throughout their life-cycle.
 - Efficient procurement principle: refers to meeting needs with the most efficient use of resources, i.e. considering the real need to buy
 - Example: The City of Tübingen in Germany saved €30,000 per year by centralizing cleaning product and service procurement and by using innovative products
- SPP stimulates socially/environmentally conscious markets:
 - Increased demand for products that contribute to achieving social/environmental objectives;
 - Development of standards and information for use by other consumers (role models);
 - Increased strategic co-operation and dialogue with the supplier base;
 - Example: In both Japan and the US, the national governments have put laws in place to foster the creativity of industry and forge a competitive advantage internationally through compulsory public purchasing of eco-friendly products.

Key Message

- SPP results in triple bottom benefits for the society, environment and the economy.

Further Reading:

- ILO, Green Economy Academy, 2014

Example of Life Cycle Costing: LED vs. Incandescent Bulb

	LED tube (2010)	T 8 halogen tube
Life expectancy	50000 hours	12000 hours
El. consumption per hour	18 Wh	36 Wh
El. consumption during 50000 hours	900 kWh	1800 kWh
Price of consumed energy during the 50000 hours /0.15 EUR per kWh (Slovakia rate)	135 EUR	270 EUR
	175 EUR	272 EUR

Price of LED tube: 40-60€

Price of T8 halogen tube: 2€

ILO, 2014

Speaker's Notes:

- This slide presents the example of applying life-cycle costing analysis in the case of incandescent vs. LED bulb in Slovakia, taking into account all the costs the two products generate throughout their life-cycle.
- Sustainable public procurement considers the costs of a product or service throughout all of its life-cycle phases (purchasing, maintenance, usage, and disposal costs).
- Sometimes a seemingly expensive option can make more sense when the cost of maintenance or energy use is added up.
- LEDs are 20 times more expensive than incandescent bulbs but they have a useful life 25 times longer and consume 1/10 of the energy (less power for the same light).
- After taking life expectancy and electricity consumption into account, LED is the cheaper option.
- Life cycle costing needs to also consider the cost of procurement and installation of replacement halogen tubes.

Key Message

- The application of life-cycle costing in SPP shows that sustainable products can be more price-efficient (despite possible higher initial costs).

Further Reading:

- ILO, Green Economy Academy, 2014

Barriers and Opportunities

MAIN CHALLENGES TO SETTING UP A SPP POLICY

Determining the scope of SPP

Defining the format of the policy (legislation vs. Regulation)

Ensuring adequate capacities of the government and the vendors

Ensuring certification/verification of sustainable products/services

Avoiding unfair markets

Conducting Life cycle Analysis (LCA) & Life Cycle Costing (LCC)

Setting up mechanism for Government Cooperation

Speaker's Notes:

- This slide lists some main challenges, which policy makers are facing when setting up an effective SPP/GPP system, as outlined by UNEP, 2012.
- Determining the scope of SPP
 - Determining the scope of the “public” sector is a first step of setting up a SPP programme. This refers to whether SPP will cover central bodies, state/provincial bodies, and local/city/municipal government; government–aided institutions (e.g. universities), public-private partnerships and state-owned commercial companies.
- Determining the policy set up (legislation vs. regulation)
 - SPP can be governed by formal legislation or by policies and regulatory tools. While regulation is easier to set in place, developing specific legislation for SPP allows long-term vision and targets setting, and instils certainty in business circles.
- Ensuring adequate capacities of the government and the Vendors
 - On the level of the government, purchase managers, users, standard-setting agencies, audit and oversight bodies all require training with regard to their role in the purchasing process. Equally important are the technical, financial, and managerial capacities of the suppliers of “greener” products. To ensure that vendors understand SPP, governments may consider involving them at all stages of development and implementation.
- Certification/Verification of sustainable products
 - The environmental and social sustainability of the product or service has to be credibly verified. This can be done by an independent, third-party agencies or nationally accepted eco-labels.
- Avoiding Unfair Markets
 - A general concern is that “green” standards can lead to the creation of monopolies, or benefit multinational companies (MNCs) over domestic ones. Local vendors might need financial assistance and training in order to meet the new standards.

- Life Cycle Analysis (LCA) & Life Cycle Costing (LCC)
 - In many countries, the capacity to conduct an LCA is still low, as is the ability to interpret LCA studies and adapt them to local conditions. Similarly, it is also challenging to apply life cycle costing at the level of policy design and budgeting in order to internalizing the costs of products through all life cycle phases.
- Government Cooperation
- A mechanism or a special body can be set in place to ensure coordination of activities and compliance on the part of all governmental institutions.

Key Message

- Developing and implementing an SPP programme is a far-reaching, long-term, policy process.
- It encompasses all government institutions, requires substantial financial and human capacity resources, and depends on the collaboration and engagement of the private sector.

Further Reading:

- UNEP, Sustainable Consumption and Production: A Handbook for Policy Makers, 2012

Stepwise Approach to Developing a SPP Policy



Speaker's Notes:

- This graph presents a sequential, stepwise approach to setting up a SPP policy, according to UNEP, SPP Implementation Guidelines, 2012.
- This approach can guide decision makers and government officials towards building an effective SPP programme in a systematic and consistent manner.
- The SPP stepwise approach is structured into the following four key phases:
 - Step 1: Activities include launching the project, establishing project governance and conducting initial training;
 - Step 2: During this step important reviews and analyses are undertaken, including status assessment; legal review, prioritization exercise and market readiness analysis;
 - Step 3: At this point the strategic SPP policy is planned, an SPP action plan is developed;
 - Step 4: Implementation of SPP throughout the procurement cycle.
- As highlighted in the graph, capacity building (for policy makers, regulators, and vendors) is necessary at each step of the SPP policy design and implementation.

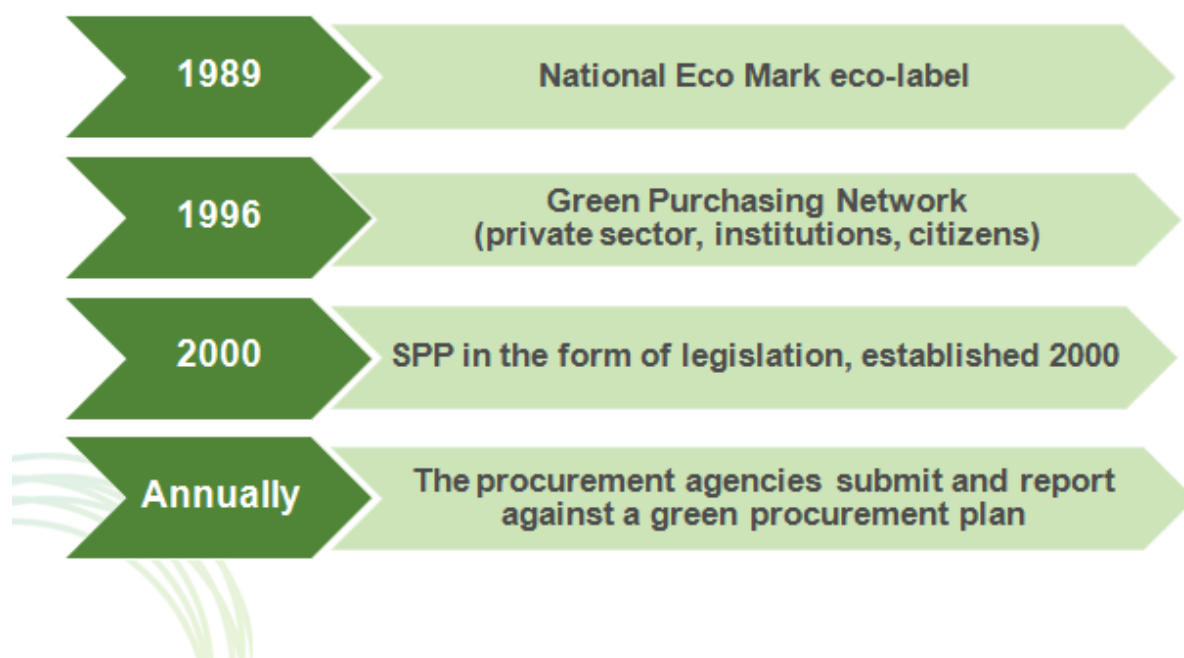
Key Message

- The goal of SPP policy planning is to develop an effective framework that legitimizes SPP actions and, in turn, informs the market of the objectives and priority areas, so that private sector agents can gradually adapt to the new requirements.

Further Reading:

- UNEP, Sustainable Consumption and Production: A Handbook for Policy Makers, 2012
- UNEP, Sustainable Public Procurement Implementation Guidelines, 2012

Example: Sustainable Public Procurement in Japan



Speaker's Notes:

- This slide highlights key milestones of setting-up an effective SPP policy framework in Japan.
- Japan is one of the countries which have successfully implemented a comprehensive SPP policy.
- The national Eco Mark eco-label, established in 1989, served as the basis for green procurement in Japan.
- A Green Purchasing Network (GPN), bringing together private sector firms, government agencies, consumer associations, and NGOs, was established in 1996 with the support of the Ministry of Environment, as a platform to exchange information and cooperate.
- GPN supports the practical implementation of SPP programme by developing tools, conducting research, and maintaining a database of 15,023 products.
- Japan has established legislation requiring the implementation of green procurement by all government organizations and entities (even universities) since 2000.
- Japan was one of the first countries insisting that public procurement agencies draw up an annual green procurement plan with set targets and then issue reports on performance against the targets.

Key Message

- SPP policy in Japan exists since almost 20 years. However, its effectiveness is improved every year through reporting vis-à-vis targets set by the state institutions.

Further Reading:

- UNEP, Sustainable Consumption and Production: A Handbook for Policy Makers, 2012
- UNEP, Sustainable Public Procurement, 2013