SUSTAINABLE PUBLIC PROCUREMENT (SPP): OBJECTIVES, ILLUSTRATIVE PRACTICES AND EMERGING TRENDS, DRAWING ON THE SPP WORK OF UN ENVIRONMENT

Farid Yaker
SPP Programme Officer, UN Environment
Farid.yaker@unep.org

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UN Environment SUSTAINABLE PUBLIC PROCUREMENT GROUND PROJECTS

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Assisting 16 governments through the UN Environment Sustainable Public Procurement and Eco-labelling & EaP-GREEN Project Countries (2013-2017)
The UN Environment SPP Approach

The Guidelines of the UN Environment SPP Approach incorporate the lessons drawn from the testing of the MTF Approach to SPP that UN Environment rolled out in 7 pilot countries from 2009 to 2012.

<table>
<thead>
<tr>
<th>Step</th>
<th>Training</th>
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<tbody>
<tr>
<td>1. Launch of the project and governance structure</td>
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<tr>
<td>2. Status Assessment, Legal Review, Prioritisation, Market analysis</td>
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<td>3. SPP Policy and Action Plan</td>
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<td>4. SPP Implementation</td>
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The 10YFP Sustainable Public Procurement Programme
The 10YFP was adopted at the Rio+20 Conference. It is a global framework of action to enhance international cooperation to accelerate the shift towards SCP patterns in both developed and developing countries.

It supports capacity building and provides technical and financial assistance to developing countries for this shift.
Objectives

1. **Build the case for SPP:**
   - improve knowledge on SPP and its effectiveness as a tool to promote greener economies and sustainable development;

2. **Support the implementation of SPP** on the ground:
   - Better access to capacity building resources and improved coordination between SPP stakeholders.
Regional distribution of the SPP Programme Partners

102 PARTNER ORGANIZATIONS AND 10 INDIVIDUAL EXPERTS AS OF FEBRUARY 2017
Revised 10YFP SPP Programme biennial work plan 2016-2017

1. Implementing SPP on the ground
   - 1a. SPP Tender Implementation & Impact Monitoring (ICLEI)
   - 1b. Measuring SPP Impacts & Communicating Benefits

2. Assessing Implementation & Impacts
   - 2a. Monitoring SPP Implementation
   - 2b. Measuring Impacts & Communicating Benefits
   - 2c. Promoting SPP best practices (Planet Procurement)
   - 2d. Measurement of SDG 12.7 indicator (UN Environment)

3. Identifying Obstacles & Innovative Promoting Solutions
   - 3a. Addressing price barriers and Promoting life-cycle costing (LCC)
   - 3b. Identifying legal and trade issues & promoting solutions
   - 3c. Including Small and Medium Enterprises (SMEs) in SPP
   - 3d. Promoting gender equality through SPP

4. Collaborating with the private sector
   - 4a. Promoting supply chains’ sustainability
   - 4b. Ecolabels & Sustainable Standards (ISEAL Alliance)
   - 4c. Promoting resource-efficient business models and circular economy (Ministry of Infrastructure and Environment Netherlands)
   - 4d. Developing purchasing guidance for priority sectors

Knowledge management, outreach and communication, cross-cutting research activities:
Global Review on SPP, Global SCP Clearinghouse, websites and social networks, webinars, SPP Academic Network
10YFP SPP: SPP Programme Outputs

- Measuring & communicating benefits of SPP
- Monitoring SPP Implementation

Using PSS to enhance SPP – technical report, 2015

SPP Principles, 2015

Pre-study on the sustainability of supply chains, 2014

SPP: A Global review 2013/2016
SUSTAINABLE PROCUREMENT?

A HUGE OPPORTUNITY TO PROMOTE SUSTAINABLE DEVELOPMENT
“Our acquisition of goods and services creates a carbon footprint **nine times** that of our buildings and fleet, put together.”

Dan Tangherlini
Administrator
US General Services Administration

*Source: Remarks for SPLC’s 2014 Summit in Washington, DC*
DEFORESTATION

OVERFISHING

SWEATSHOPS

CONFLICT MINERALS

DISCRIMINATION

Source: SPLC
### Environmental
Environmental factors affect the natural systems on which life depends, now and in the future.

- biodiversity preservation
- climate adaptation
- resource optimization
- soil health stewardship
- acidification
- desertification
- eutrophication
- freshwater pollution
- greenhouse gas emissions
- habitat depletion
- human health impacts
- land use change
- marine pollution
- ozone depletion
- radiation pollution
- resource depletion
- smog
- waste
- water consumption

### Social
Social factors affect the social systems on which communities depend, now and in the future.

- anti-discrimination
- community engagement
- diversity/equal opportunity
- employee engagement
- equal remuneration
- fair trade
- freedom of association
- grievance & remedy processes
- human rights
- indigenous rights
- occupational health & safety
- right to collective bargaining
- sustainable compensation
- training and education
- worker rights
- child labor
- forced/compulsory labor
- human trafficking
- sourcing from conflict zones

### Economic
Economic factors affect the health of the markets on which commerce depends, now and in the future.

- fair dealings
- innovation research / investment
- open competition
- transparency of information
- use of diverse suppliers
- use of HUB zones
- use of local suppliers
- conflicts of interest
- corruption (bribery, extortion...)
- dividing territories
- dumping
- exclusive dealing
- misleading market claims
- monopoly (seller collusion)
- monopsony (buyer collusion)
- patent misuse
- price fixing
- product tying
- refusal to deal

Source: SPLC
There are many perceived obstacles

- Perception that sustainable...: 103
- Lack of information and knowledge: 97
- Lack of technical capacities on...: 66
- Lack of interest and commitment from...: 66
- Lack of legislation or regulations: 65
- Budgetary/resource restrictions: 62
- Lack of a clear definition of...: 57
- The main selection criterion is initial cost: 50
- Insufficient supply of sustainable...: 49
- The overall public procurement system...: 47
- Lack of national suppliers of...: 34
- Concern about quality of sustainable...: 25
- Desire to protect nascent industries...: 21
- Difficulty or cost of Controller/Audit...: 21

Q: Which of the following form a barrier to SPP/GPP in your country?

Source: UN Environment 2013 Global SPP Review
Stronger drivers for SPP implementation

Policy commitments/goals/action plans
Strong political and organisational leadership on SPP
Mandatory SPP rules/legislation
Training of procurement staff in SPP
Expertise in SPP: Legal, environmental, social, economic
Availability of SPP criteria and specifications
Personal commitment to sustainability by staff
Monitoring, evaluation and enforcement of SPP policies
Sufficient availability of sustainable products and services that cost...
Sufficient availability of sustainable products and services
Availability of credible sustainability standards and ecolabels
Measurement of the environmental and/or social benefits generated...
Not applicable
Measurement of the economic and financial benefits of SPP (e.g...)
Access to tools that measure life cycle costs
External recognition for SPP program (e.g. awards)
Pressure from stakeholders / activist campaigns
Inclusion of SPP activities into staff performance and promotion reviews
Learning from peer organisations
Other (please specify)

Source: UN Environment 2016 Global SPP Review

Lack thereof is the 3rd barrier
Policy framework supporting SPP

• Procurement is an instrument that can be used strategically

• However, it needs a strong and enabling political and legal framework
International regulatory instruments favourable to SPP

- European Convention on Human Rights
- ILO Declarations
- OECD Guidelines for MNEs
- Universal Declaration of Human Rights
- The Beijing Declaration on Women
- International Convention on Economic, Social and Cultural Rights
- UN Global Compact
- The Equator Principles
- Montreal Protocol
- Rio +20 Agreement
- Johannesburg Summit on SD
- International regulatory instruments
- Human Rights
- Environment/Development
- CSR
Policy framework supporting SPP in the EU

- Policies for sustainable development
  - SD Strategy review (2006)
  - Europe 2020 Europe's growth strategy (2010)

- Policies for sustainable production and consumption

- Policies and regulations for environmental protection

- Procurement regulations
  - Procurement Directives (2004 and 2014)
Policy framework supporting SPP

Poland

<table>
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<th>SPP POLICY FRAMEWORK</th>
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<td><strong>SPP provisions in overarching and/or thematic national policies:</strong> Yes</td>
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<td>- <em>National plan aimed at increasing the number of buildings with low energy consumption</em>, 2015.</td>
</tr>
</tbody>
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<th>SPP provisions in existing procurement regulations: Yes</th>
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<td>- <em>Regulation of the Prime Minister of 10 May 2011 on non-price mandatory tender evaluation criteria with respect to certain types of public contracts</em>, 2011.</td>
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<th>Dedicated SPP policy(ies) in place: Yes</th>
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<td>Since 2007</td>
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<td>The <strong>SPP NAP 2013-2016</strong> is the 3rd planning document. The previous ones: SPP NAP 2007-2009 and SPP NAP 2010-2012 expired in December 2009 and December 2012 respectively.</td>
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<td>- <em>Recommendations of the Council of Ministers on the application of social clauses by government administration in public procurement</em>, 2015.</td>
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Lesson

National policies and procurement regulations need to provide a coherent policy framework to promote and allow the inclusion of sustainability issues in procurement (not only having an SPP Plan).
Other lessons

• Governments are moving towards a strategic use of procurement as an instrument to achieve policy goals

• Training and provision of information is continuous to build expertise

• Peer collaboration and coordination with the market are increasing to maximise efficiency

• Monitoring is becoming a key issue with different strategies being tested and put in place
Other challenges
Moving from acquisition cost to total cost of ownership to global cost

**Total cost of ownership**
Cost incurred by the organization over the whole period of ownership (usage of maintenance costs, disposal costs) – potential savings

**Real value (what we get)**
Factors in costs incurred by society as a whole, including negative externalities throughout the value chain (CO2 and ODS emissions, impacts on health, labour conditions), or positive externalities (increased know how, technologies…) over the entire life cycle

**Less money (what we pay)**
Ensure that the money paid for more sustainable good is diminished compared to conventional items (volumes, green taxations and investments, phasing out of subsidies for conventional items)
Value

Source: SPLC
Promoting Life Cycle Costing

- Non-monetized externalities
- Cost of externalities environmental/social
- Costs/benefits of risks/opportunities
- Acquisition, use & end of life costs
- Purchasing Price

Total cost of ownership (TCO)

Life cycle costs (LCC)

All life cycle costs and impacts

Source: ISO20400
Greening supply chains
Sustainability Impacts & Opportunities

Within Operations

Within Supply Chain

Source: SPLC
Not just private or public procurement but institutional purchasing
Share of US GDP by end-use consumption.

$10.1$ Trillion

67%

Institutional Purchasing

$2.4$ Trillion

16%

Household Goods

$1.9$ Trillion

12%

Exports

Source: SPLC
Purchasing Organizations

...are uniquely positioned to demand *transparency* into the upstream and downstream impacts of goods and services.

...are capable of incorporating sustainability criteria into purchasing decisions *at a scale that can shift markets.*

Source: SPLC
We need sustainable consumption and production packages
SPP can be much more effective if used simultaneously with other tools and instruments

- Pooled purchasing to increase volumes
- Coordination of institutional purchasing (governments and private sector)
- Ecolabelling schemes and SPP Criteria
- Environmental management – circular economy
- Life cycle costing
- Budgetary mechanisms that allow the use of TCO
- Economic instruments (green taxes, e.g. carbon taxes, phasing out of harmful subsidies)
- Capacity building and access to information
- Education to sustainable consumption
- POLITICAL WILLINGNESS
SDG 12

• **Goal 12**: Ensure sustainable consumption and production patterns

• **Target 12.7**: Promote public procurement practices that are sustainable in accordance with national policies and priorities

• **Indicator 12.7.1** Number of countries implementing sustainable public procurement policies and action plans
Farid Yaker, SPP Programme Officer, UN Environment
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