Sustainable Public Procurement: scope, opportunities and challenges

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Scope of Sustainable Public Procurement

- Relates to national, regional and local priorities
- SPP definition covers range of issues relating to sustainable development: economic, environmental and social
- Organisations need to prioritise actions
- UK and MTF Task Forces have developed risk-based approaches to focus effort
What is Sustainable Procurement?

Economic

Environmental

Social
Risk based approach

- Expenditure
- Environmental impact
- Socio-economic impact
- Existing activity
- Scope to do more
- Influence on the market
- Reputational risk
Risk - Environmental impact

**Themes**
- Emissions to air and water, waste to landfill
- Resource use
- Environmental quality

**Sub-Themes**
- CO2 and methane emissions
- Other air emissions
- Emissions to water
- Waste to landfill
- Hazardous substances
- Materials
- Energy
- Other natural resources
- Water
- Biodiversity
- Local environment
Risk – Socio-economic impact

Themes

• Health
• Education and Employment
• Communities and other social

Sub-Themes

• Health
• Education
• Employment
• Community
• Developing world supply chains
• Diversity
• Other Socio-economic impacts
Barriers to SPP

- UK Task Force analysed barriers
  - Some barriers are more perceived than real
- Common perception that sustainable procurement must always cost more – not the case!
- Efficiency and sustainable procurement go hand in hand
- Barriers related to recommendations
Recommendation 1. Lead by example

- Barriers addressed:
  - Lack of leadership and commitment
  - Confusion about who ‘owns’ SP
  - Poor incentive systems within public sector organisations
  - Mixed messages sent to suppliers on value of sustainable offer
Opportunities to lead

• Example of Norway
  – Ministry of Finance involved
  – Recognises link between economic development and sustainable development

• State governor leadership

• Local authorities / municipalities
  – Mayor of London’s Green Procurement Code
Opportunities to lead

Centres of Expertise

UK Central Point of Expertise on Timber

CPET set up by Defra

Operated by ProForest
Recommendation 2. Set clear priorities

- Lack of clarity and proliferation of priorities
- Lack of cross-government buy-in to sustainable procurement agenda
- ‘One size fits all’ approach
- Guidance overload
- Disconnection between frameworks
Opportunities

• Apply prioritisation methodology
• Focus resources on what is most important to each organisation
• Can also be applied to categories of procurement
• Make it part of commercial reality for procurers and for suppliers
• Be clear and consistent with message to the market
Recommendation 3. Raise the bar

• ‘Meet minimum standards now and set demanding standards for the future’

• Barriers:
  – Lack of prioritisation
  – Lack of enforcement and scrutiny of mandatory minimum standards
  – Failure to signal future trends to the market
  – Failure to manage supply chain risk
Opportunities

• Further development of Buy Sustainable Quick Wins products
  – Mandatory minimum environmental standards
• EC Green Public Procurement criteria
• Product catalogues
• Japan’s Green Purchasing Law?
• ICT green product standards?
Recommendation 4. Build capacity

- Lack of helpful information, training and accountability
- ‘Sustainability’ has little impact
- Procurers not convinced of merits
- Mixed messages and confusing guidance
- Difficulty in calculating intangible benefits
Opportunities

• MTF on SPP training package
  – Including training of trainers
  – 14 trained experts
• Defra-sponsored SP training for UK government departments
• SP Learning Networks
• Audience includes policy makers, chief executives and finance directors, procurers, budget-holders, heads of services

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The Procurement Process

- Identification of need
- Specification
- Supplier qualification and appraisal
- Tendering and tender evaluation
- Contract management and review
- Accounting: whole life costing

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Recommendation 5. Remove barriers

- Failure to apply rules on whole life costing
- Focus on short-term efficiency savings at expense of long-term benefits
- Budgeting practices cause difficulties - division between capital and revenue spending
- Uncertainty over accounting for non-monetary benefits
Opportunities

• Focus on whole life approach
• Need to be clear about long-term outcomes required through procurement
• HM Treasury to produce new guidance
• Still a need for scrutiny process to support decision-makers
Costing the Future: Securing Value for Money through Sustainable Procurement

Inquiry into sustainability in public procurement

Focus on public buildings

Published June 2008

Conference to be held on 14 October 2008
Recommendation 6. Capture opportunities

- Supply chain management falls below standard of private sector
- Difficulty in penetrating public sector market with innovative solutions
- Risk averse procurement
- Delivery of poor value for money for public sector
Opportunities

• Informed dialogue with key markets at an early stage
• Signal future requirements in outcomes terms
• Set performance targets for contract management
• Forward commitment to procure sustainable technologies
• Reward procurement of innovation
Summary

• Need to identify barriers
• Which are real?
• Action plans to remove or overcome barriers
• Need to involve wide range of stakeholders
• Focus on outcomes to be achieved through ‘business as usual’ procurement
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