Sustainable Public Procurement

A Tool for Sustainable Development and Green Innovation

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OUTLINE

• Environmental and social challenges
• What is SPP? Benefits, obstacles and challenges
• The MTF Approach to SPP
• The UNEP Capacity building project on SPP
The main environmental and social challenges
Unequal access to essential goods and services

20% of the world population consumes 87% of the world’s output whereas...

1 billion people survive with less than one euro per day

1 billion people have no access to drinking water
2 billion have no access to sanitation
2.5 billion have no access to electricity
800 million suffering from hunger
Increased inequalities between developed and developing countries

- The gap between countries is phenomenal. Wealth ranges from 600,000 dollars per capita for Switzerland to 1960 dollars per capita for Ethiopia (ratio of 330/1)

- The world's 225 richest people now have a combined wealth of $1 trillion. That's equal to the combined annual income of the world's 2.5 billion poorest people.

Source: UN
The Decent Work Deficit

The decent work deficit remains a daunting challenge

- **One-third of the world’s labour force** is either **unemployed, under-employed** or are **working poor**
- More than 530 million women and men live in families with a per capita income of less than 1 dollar per day
- 1400 million workers – 50% of the world’s workforce earn less than US $2 per day
The demographic challenge

The world population will increase to 9 billion in 2025

The urbanisation challenge

Accelerating urbanization in particular in Southern countries

Aggravating a number of imbalances and problems (housing and urban infrastructures deficits, loss of agricultural land, water pollution, overconsumption of resources)

Population mondiale, 1950-2050
Source : Division de la population (ONU)
World population development

Billions

1750 1800 1850 1900 1950 2000 2050

Developing countries
Industrialized countries

http://www.grida.no/db/maps/prod/level3/id_1250.htm
Ecological challenges

Preserving natural resources

Pollution and overexploitation of natural resources (atmosphere, water, soils, animal and vegetal life, oil, mineral resources, etc.)

- Loss of biodiversity
- Loss of resources: fish stocks, forests, etc.

Economic growth

Increased resource consumption → Increased pressure on natural resource → Increased demand for products → Increased production
Loss of Biodiversity:

More than 12,000 species threatened with extinction in the world,

The pace of extinction is 1,000 times faster than natural
Depletion of aquatic resources
Fish, seafood, plankton, etc.

Over exploitation of fish stocks

- A total of almost 80% of the world's fisheries are fully to overexploited, depleted, or in a state of collapse

- Eg: excessive red tuna fishing in the Mediterranean is threatening to wipe out the entire species
Global Warming
How many Earths do we need?

If we adopt/keep the current modes of consumption of and production of industrialized countries:

- 1900
- 2002
- 2050
- 2100
The decoupling challenge

Economic growth

Quality of life

Modification of modes of consumption

Modification of production techniques

Use of nature

Source: Wuppertal
The Ecological footprint

Fig. 2: HUMANITY'S ECOLOGICAL FOOTPRINT, 1961–2003

The graph shows the increase in humanity's ecological footprint from 1960 to 2003. The footprint has continued to rise, indicating an increasing demand on the planet's resources.
Ecological footprint scenarios

Fig. 3: THREE ECOLOGICAL FOOTPRINT SCENARIOS, 1961–2100

2003–2100, scenarios
- Red: Moderate business as usual (to 2050)
- Orange: Slow shift
- Yellow: Rapid reduction

Number of planet Earths

Year
- 1960
- 1980
- 2000
- 2020
- 2040
- 2060
- 2080
- 2100
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Public Procurement: why is it relevant to Sustainable Development?

Public procurement represents between 8 and 30% of countries GDP

...therefore it can be a major vector in social progress, environmental protection and innovation
What is Sustainable Public Procurement?

“Bringing together the business and the policy arms of government is what sustainable procurement is about.

It is about how the government’s immense buying power can be used to make rapid progress toward its own goals on sustainable development.

It is something the best of the private sector is already doing – whether as a result of enlightened leadership or shareholder pressure.

It is something the private sector expects of the public sector. It is also, increasingly, something the public themselves expect.” Sir Neville Simms in the Foreword to “Procuring the Future”
What is Sustainable Public Procurement?

Sustainable procurement – in short using procurement to support wider social, economic and environmental objectives, in ways that offer real long-term benefits, is how the public sector should be spending taxpayer’s money.

Anything less means that today’s taxpayer and the future citizen are both being short-changed.”

Sir Neville Simms in the Foreword to “Procuring the Future”
What is Sustainable Public Procurement?

“Sustainable Procurement is a process whereby organizations 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 organization, but also to society and the economy, whilst minimizing damage to the environment.”

Procuring the Future – the report of the UK Sustainable Procurement Task Force, June 2006. This definition has been adopted by the Swiss-led Marrakech Task Force on Sustainable Public Procurement.

For more information visit http://www.unep.fr/scp/procurement/whatisspp/
What is Sustainable Public Procurement?
Life-Cycle

Planning -> Raw Materials -> Production -> Procurement -> Use -> Disposal/Recycle
Real value for money

Not just acquisition cost but Life cycle costing:
- costs incurred by the **organization** over the whole life of the good (usage and maintenance costs, disposal costs) - potential savings

- Costs incurred by **society** as a whole, including negative externalities (CO2 emissions, impacts on health, ) or positive externalities (increased know how, technologies, etc.) over the entire life cycle
Un ejemplo de soluciones que benefician a todas las partes: lamparitas

<table>
<thead>
<tr>
<th></th>
<th>Lamparita tradicional 100 W</th>
<th>lamparita de bajo consumo 20 W</th>
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</thead>
<tbody>
<tr>
<td>Ciclo de vida</td>
<td>1 año</td>
<td>8 años</td>
</tr>
<tr>
<td>Consumo de energía</td>
<td>100 W x 8000 h</td>
<td>20 W x 8000 h = 160 kW</td>
</tr>
<tr>
<td>Precio</td>
<td>8 x 1,25 euros = 10 euros</td>
<td>12 euros</td>
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<tr>
<td>Costos de uso (0,11 euros / kWh)</td>
<td>88 euros</td>
<td>12 euros</td>
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<tr>
<td><strong>Costo total para el consumidor</strong></td>
<td><strong>98 euros</strong></td>
<td><strong>29,6 euros</strong></td>
</tr>
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</table>

Fuente: French Environment Ministry
Obstacles

• **Budgetary mechanisms** – difficulty to integrate the full cost of goods and services in the tender process. Need to exchange on innovative schemes of budgetary mechanisms (multi annualization, etc.)

• **Difficulty to integrate external costs or benefits**, especially intangible costs
  EU starting with the integration of the costs of CO2 emissions. Need to work more closely with the life cycle networks and research centers. Increased regional and international cooperation.
Other concerns?

SPP need not cost more

SPP seen as an organizational priority which:
1. Question the need to spend
2. Cuts out waste
3. Seeks innovative solutions

Will reduce rather than add to public spending both in the short and in the long run, if executed by well trained professionals
Other concerns?

Sustainable products might not be available or may be difficult to find

Early engagement with suppliers is a key factor
Other concerns?

SPP requires cultural and organizational change

• Develop knowledge of social, environmental issues – modify training curricula, develop/use new product specifications
• Assess impact of public procurement on Sustainable development, innovation, competitiveness – capacity to analyze the state’s expenditure
• Select priority products and services on the basis of risk/opportunity, scope of improvement, influence on the market
• Stay tuned with SD policy priorities and establishment of a strong inter-ministerial collaboration (widely approved policy plans)
• Monitoring and impact evaluation
Potential Benefits of SPP

Promotes compliance with social and environmental policy/law

- enforcement of international/national legal/policy commitments to achieve social justice/inclusion and environmental sustainability

Ex: Electricity produced from renewable sources
If all European public authorities bought green electricity 18% of the Kyoto commitments could be met

Ex: EU environmental/social legislation is becoming increasingly strict on several environmental/social issues, i.e. accessibility and design for all requirements, use of hazardous substances, emissions, energy savings

EC DG/ENV GPP Toolkit, 2008
Potential Benefits of SPP

Demonstrates socially/environmentally-responsive governance

- conformity with community norms and values
- compliance with international donors expectations

- 85% of EU Citizens feel that policymakers should consider the environment and social policies to be as important as economic policies

- implementing a policy of SP is a very effective way to demonstrate your authority’s commitment to sustainability as a whole

EC DG/ENV GPP Toolkit, 2008
Potential Benefits of SPP

Can contribute to achieve efficiency and cost savings

- Life-cycle costing (LCC): Critical to consider the costs of a product/service throughout its useful life - purchase price, usage and maintenance costs, disposal costs

- Efficient procurement: **SPP involves meeting needs with the most efficient use of resources** - consider the real need to buy

**Ex:** The City of Tübingen in Germany **saved €30,000** per year by centralising cleaning product and service procurement and by using innovative products

EC DG/ENV GPP Toolkit, 2008
Potential Benefits of SPP

Stimulates socially/environmentally conscious markets

- increased demand for products that contribute to achieve social/environmental objectives
- development of standards and information for use by other consumers (role model)
- increased strategic co-operation and dialogue with the supplier base

Ex: in both Japan and the US, the national governments have put laws in place to foster the creativity of industry (Energy Star) and forge a competitive advantage internationally through compulsory public purchasing of eco-friendly products
Potential benefits of SPP

Overall Market

Consumers and Companies

Public Sector

Adapts through price effects and the implementation of standards

Motivation from government example

Influences its own Market Share
In brief....

Public procurement is increasingly seen as a boosting factor to advance Sustainable development, competitiveness and innovation

Complementary to social/environmental/fiscal legislation and regulation

Direct engagement with SD policy targets: SMEs, local communities, disadvantaged groups, etc.
Environmental Impact

- Reducing the ecological footprint: resources, emissions and waste
- Example: concentration of CO₂ and global temperature change

(Sources: ADEME, UNEP)
Social Impact

- Promote access to employment for all
- Monitor compliance with fundamental social rights
Economic Impact

- Identify the full costs (direct and indirect)
- Reduce the cost of crisis management and remediation
- Improve the terms of trade (fair trade)
- Support to innovation/competitiveness
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Marrakech Task Force on Sustainable Public Procurement (MTF on SPP)

The objective of the MTF on SPP is that 14 countries distributed in all regions will have tested the SPP approach by 2010/11

Task Force led by Switzerland

Chaired by: Eveline Venanzoni
Swiss Federal Office for the Environment
eveline.venanzoni@bafu.admin.ch

Co-Chaired by: Sheila Encabo, Philippines

Members: China, Argentina, Mexico, Ghana, Philippines, UK, Norway, Czech Republic, USA, State of São Paolo, Switzerland, UNEP, UNDESA, ILO, European Commission Services, ICLEI, IISD
Marrakech Task Force Approach to SPP

- Status Assessment
- Legal Review
- Market Readiness Analysis
- Training
- Policy Plan
- Implementation
Prioritization – How...?

• Determine **key** spend areas
• Assess key **sustainability impacts**
• **Prioritise** spend categories based on risk/opportunities
• **Start simply** and enhance
Marrakech Task Force Approach on Sustainable Public Procurement

Prioritise Action - Risk and Spend

- Risk +
- Spend +
Marrakech Task Force on Sustainable Public Procurement

- Secure
  - Leather Products
  - Rubber Products

- Critical
  - Textile products
  - Buildings and construction
  - Paper
  - Maintenance and cleaning

- Routine
  - Computer Equipment

- Drive
  - Wooden Furniture
  - Instrumentation

Risk

Value > $50M
National Priority Spend Areas

Scores as a % of Totals

- Construction - Building and refit
- Health and Social Work
- Uniforms/clothing and other textiles
- Food
- Construction - Highways and local roads
- Waste
- Pulp, paper and printing
- Energy
- Operations and Maintenance
- Furniture
- Business Travel
- Transport - Motor Vehicles
- IT Services/Computer services
- Consumables - White goods
- Pharmaceuticals
- Telecommunications, radio, TV
- Chemicals

Influence
Scope
Risk
Procurement Process

Good procurement is Sustainable

Identify need and Assess Risk

1. Evaluate and select suppliers
2. Define the Specification and invite Bids
3. Evaluate Bids and Award
4. Audit and improve supplier
5. Manage the contract and disposal

Procurement

Identify need and Assess Risk
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The Swiss government and UNEP have established a partnership to apply - in up to 14 countries worldwide - the MTF on SPP Approach.

**Funding:**
- EU funding for Costa Rica, Colombia, Mauritius, Tunisia
- Switzerland for Uruguay, Chile
- Francophonie for Lebanon
- Cofinancing from pilot countries
Objectives

• Creation of a pool of SPP experts
• Test the MTF Approach on SPP in pilot countries and come up with a revised approach in 2011
• Produce policy conclusions to be presented to the CSD Special session on SCP in 2010/2011
Pilot Countries
Institutional Setup

**Donors**
European Commission, Swiss Federal Office for the Environment, Organisation Internationale de la Francophonie

**Marrakech Task Force on Sustainable Public Procurement**
Swiss-led, Management of SPP Approach, Quality Assurance

**Pilot Countries**
Mauritius, Costa Rica, Chile, Tunisia, Uruguay, Colombia, Lebanon

**Steering Committee**
Co-chaired by Ministries of Finance and Environment, Social affairs, Industry, Standard bureau, Chamber of commerce, UN

**National Focal Point**
Implementing Organizations
Project manager
Status Assessment, Studies, Trainings, National plan of implementation, etc.

**Funding Arrangements**

**Local Support**
Local Consultants and MTF experts

**International Support**
International partner organizations and MTF experts
### Progress Chart

<table>
<thead>
<tr>
<th>Country</th>
<th>Expression of Interest</th>
<th>Funding Agreements</th>
<th>Implementation Plan</th>
<th>Status Assessment</th>
<th>Market Readiness Analysis</th>
<th>Legal Review</th>
<th>SPP Policy Plan</th>
<th>Training</th>
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- **Completed**: Technically complete
- **In Progress**: Not yet completed
A Country Based Approach

• Not a « one size fits all » Approach
• Factors in countries’ concerns (risk assessment)
• Countries elaborate the National implementation plan
• Countries run the prioritization module of the Approach (choice of priority products and services)
• National focal points are in charge of the process
• The project ensures that capacities are built locally
• UNEP and MTF experts provide an initial support
Challenges

- Political willingness – environment competing with other urgent matters – lack of awareness
- Tight procurement budgets, availability of trained procurers
- Concerns about the possible impact of SPP on procurement principles – value for money, competition, etc.– or on corruption
- Limited use of life cycle costing assessments or eco labelling schemes
- Policy oriented approach – some countries are keen on starting SPP without going through the various stages of the methodology – however the Approach is flexible and modalities of implementation can vary from place to place
Challenges

• Manufactured products generally imported, even more so when it comes to green products which may not be available at all.
• Recycling and green products not always profitable in small developing countries. For these countries, solutions can only be found at the regional level.
• Concerns about exclusion of SMEs, costs of certifications, etc.
Next steps
UNEP’s SPP Initiative (2011-2021)

Its aim is to have, within this time frame, **SPP policies implemented in the largest number of countries** and **coordinated with other related activities** – ecolabelling, life cycle, cleaner production, green economy, etc.

The SPP Initiative will also ensure that **effective capacity building tools and information networks are developed** in the years to come to support the spread of SPP.
Activities (2011-2014)

- Assistance to countries in the roll out of the revised MTF Approach to SPP
- Linkages with key SPP players and other UNEP related projects
  - Networks of Public procurement authorities, local authorities, the private sector, the UN/Multilateral development Banks, the EU GPP policy, etc.
  - Ecolabelling, life cycle, cleaner and safer production, pricing and fiscal instruments, etc.
Activities

An **SPP knowledge management Centre** will be established by UNEP with focus on the following activities:

- Continuous improvement of the **MTF Approach to SPP** - Coordination with other SP/GP players on methodological convergence (Umbrella Approach)
- Management of **UNEP’s online documentation center** and databases
  - Contact database, Guidance documents and product guidelines for procurers, reports, articles, studies, best practices, etc.
  - Elaboration of **studies on key SPP issues**: impact of SPP on trade flows, links with life cycle and ecolabelling, evolution of the budgetary mechanisms, etc.
Way forward

An old African proverb says:

“If you want to go quickly, go alone;
If you want to go far, go together”
Merci!

Thank you!

Gracias!

Grazie!

Tack!

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http://www.unep.fr/scp/procurement