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## 4 Integrating SCP in Government Administration Policies

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### 4.1 Introduction

Governments are expected to demonstrate leadership to support sustainability, not only through setting policies, but also by ensuring that their agencies embrace and pursue sustainable consumption patterns through managing their own impacts generated in the course of conducting government business. Governments have a dual role to play in optimizing sustainable consumption and production (SCP): 1) as the largest institutional resource consumer, governments can promote sustainable consumption patterns at a large scale through improving their own resource-efficiency; 2) as the most influential purchasers in a national economy, who spend typically 15-30 per cent of GDP on a diverse and wide range of goods and services, governments can drive the market for sustainable products through their procurement policies. Among the areas of government spending, the priorities with high impacts for integrating SCP into administration policies in many countries include: buildings and construction, food, energy, waste, office machinery and computers, paper and printing, furniture, transport (air travel and government fleets), clothing and uniforms. This paper deals with options available to governments wishing to integrate SCP into their administration policies, which are largely through policies for sustainable public procurement (SPP) and promoting resource efficiency.

To promote SCP, Agenda 21 calls for all governments to exercise leadership through public procurement. The Johannesburg Plan of Implementation (JPOI) also mandates the promotion of public procurement policies that encourage development and diffusion of environmentally sound goods and services<sup>36</sup>.

Sustainable public procurement (SPP) 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 procuring organizations, but also to society and the economy, whilst minimizing damage to the environment. SPP takes into consideration the environmental, social and economic consequences of: design, non-renewable material use; manufacturing and production methods; logistics and service delivery; use; operation & maintenance; reuse and recycling options; disposal; and suppliers' capabilities to address these consequences through the supply chain.<sup>37</sup>

SPP has a number of benefits: it expands or creates broader markets for goods and services that support sustainable development; it serves as a model for other consumers; and it offers standards and information for use by other consumers. It is often politically attractive in that it responds to public demand for governments to be environmentally and socially responsible in their own operations. Research by the European Commission indicates that, if all European public authorities bought green electricity, 18

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<sup>36</sup> Chapter III of JPOI, Para. 19 (c).

<sup>37</sup> The definition was developed by the UK, and adopted by the Marrakech Task Force on SPP.

per cent of the EU's Kyoto commitment could be met; and if they all bought organic food, that would offset the eutrophication impacts of intensive agriculture to feed over 3.5 million people.<sup>38</sup>

The benefits of SPP include:

- Stimulating markets for sustainable products and services
- Influencing the behaviour of other socio-economic actors by setting an example.
- Support to eco-efficiency and technical innovation by encouraging solutions that create the maximum value with the minimum resource use, pollution and waste.
- Improvement of environmental performance, contributions to meeting national and international environmental policy objectives, and diffusion of life-cycle approaches.
- Advancement of economic performance by identifying efficiency opportunities and improving quality of public spending.
- Impacting positively the welfare and health of citizens (particularly when procuring for education, health care and other social programmes).
- Reducing negative impacts of meeting current government and societal needs on the lives of future generations.

Apart from SPP, another way for governments to integrate SCP in administration and operations is by promoting resource efficiency. Major policy practices regarding resource efficiency in government administration are energy management in governmental buildings and fleets, and waste management in public services. Notable areas of waste management in public services include reducing waste from food catering, recycling of office equipment and supplies (notably paper), and waste management from public infrastructure projects.

The benefits of promoting resource efficiency through government administration policies are numerous. This approach has the potential to reduce resource consumption on a large scale, to create significant opportunities for savings on operational costs, to shape government managerial culture on sustainable consumption, to improve institutional capacity through education and best practices, and to minimize environmental impacts through improved resource efficiency.

The drivers of resource efficiency include:

- Limited natural resource supplies and rising commodity prices for many raw materials due to growing demand.
- Growing demand for and supply of sustainable products in markets
- Market-based economic instruments and regulatory measures that signal clear preference for resource-efficient products
- Growing awareness of and enhanced capacity for resource efficiency and the required knowledge or skills, including improved access to information and technologies
- Accounting and auditing systems incorporating economic, environmental and social criteria
- Private sector and NGO involvement in partnerships for change.

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<sup>38</sup> ICLEI, *Local Government for Sustainability*, 2005

## 4.2 Current Status

### Sustainable Public Procurement

During the regional consultations under the Marrakech Process sustainable public procurement has been identified as a key priority in all regions: Africa, Asia, Latin America and Europe. In response, a Marrakech task force on Sustainable Public Procurement was established, led by the Swiss government, to promote and support the implementation of SPP by developing tools and supporting capacity building in both developed and developing countries. Thus far, four Task Force meetings have been held, and bilateral training programmes have been launched.

The activities of the Task Force on SPP include:

- Developing a practical Toolkit to provide different stakeholders in the procurement process an easy start to implement the concept of Sustainable Public Procurement;
- Carrying out research and prepare background documents in SPP;
- Promoting the implementation of SPP through pilot projects;
- Facilitating the dialogue and work among different countries and stakeholders interested in SPP

Details on progress achieved by the SPP Task Force will be provided during the Panel Discussion on the Marrakech Task Forces.

The scope of SPP policies covers utilities (water, gas and electricity), food, vehicles and machinery purchase/lease/maintenance, physical plant purchase and maintenance, business/office equipment and materials, travel, engineering, service, and development aid. SPP policies have been developed at regional, national and local levels. The EU is initiating activities to increase the level of Green Public Procurement (GPP) in all its member states, among which currently Austria, Denmark, Finland, Germany, Netherlands, Sweden and UK, known as the 'Green-7', have been recognized as the best performers. As indicated in the TAKE-5 study<sup>39</sup>, more than 60% of the tender documents on public procurement in Germany and Sweden contain environmental criteria; among the 25 EU member states, however, environmental criteria are present in only 36% of all the tender documents. Japan, the United States and Canada have also developed national initiatives, programmes and guidelines on SPP. A number of developing countries from Africa, Asia and Latin America are making efforts in SPP, though most are still at a preliminary stage of development. China has issued a green products inventory for greening government procurement at the central and provincial level, and will implement this at all government levels from 2008. Brazil, Mexico and Argentina are currently developing projects on SPP.<sup>40</sup> South Africa and Malaysia have used public procurement as a tool for promoting social groups historically disadvantaged

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<sup>39</sup> The TAKE-5 consortium was formed to measure Green Public Procurement (GPP) in all 25 countries of the EU in 2005. The report is available: [http://ec.europa.eu/environment/gpp/pdf/take\\_5.pdf](http://ec.europa.eu/environment/gpp/pdf/take_5.pdf)

<sup>40</sup> For information on SPP in the State of São Paulo in Brazil see

[www.cqgp.sp.gov.br/grupos%5Ftecnicos/gt%5Flicitacoes/publicacoes/publicacoes.htm](http://www.cqgp.sp.gov.br/grupos%5Ftecnicos/gt%5Flicitacoes/publicacoes/publicacoes.htm) (click on *Apresentação Licitações Sustentáveis*); for information on Mexico's pilot project for green cleaning products supported by the CEC (Commission for Environmental Cooperation) North American Green Purchasing Initiative (NAGPI), see [www.cec.org/trio/stories/index.cfm?varlan=english&ed=21&ID=201](http://www.cec.org/trio/stories/index.cfm?varlan=english&ed=21&ID=201).

by race, ethnic and other types of discrimination<sup>41</sup>. UNEP has supported Ghana and Morocco on capacity building to implement sustainable procurement practices.

Many international organisations are also moving towards larger inclusion of sustainability in their procurement and project definition practices. The multilateral development banks (World Bank, Inter-American Development Bank, Asian Development Bank, etc.) and several UN agencies are taking the issues related to Sustainable Procurement from different angles but all realise that implementing SPP is not only a way to show their engagement towards sustainable development but it also promotes more transparency vis-a vis the public and is a proof of good management practices<sup>42</sup>.

The most-commonly used tools for SPP include procurement guidelines, green product criteria or checklists, specifications and manuals, eco-labelling, codes of conduct and reporting initiatives.

### Categories of SPP policy practices:

*Policies/ programmes targeting specific products or resources with simple criteria for sustainability*, which are relatively simple to define and implement. They can achieve substantial results with modest costs. For example, the United States government requires all Federal agencies to purchase paper having at least 30 percent post-consumer fiber content.

*Policies establishing general criteria for sustainable procurement*, rather than specific product specifications, or giving more specific recommendations for broad product groups, but not for specific products. These approaches allows for coverage of a broad range of products, but leave substantial work for procurement officers to develop specifications and select products meeting the guidelines.

*Programmes that provide information on sustainably produced products and services*. These programmes provide easy access to information on better products for procurement officers and the clear, specific guidelines they need for sustainable public procurement. The programmes also keep the product information updated in light of rapid technology change and changing environmental priorities. The International Green Purchasing Network (GPN) has a database that provides helpful information for practitioners covering most products produced by major manufactures for users to compare and make decisions.

In addition to tool-development, clear and supportive legal frameworks are also necessary in implementing SPP policies. Currently most well-documented SPP examples, even though from coordinated programmes such as Procura+<sup>43</sup>, CARPE<sup>44</sup> and LEAP<sup>45</sup>, seem to be active more at local level rather than having a national scope. Few countries have a governmental-wide, overarching policy on sustainable procurement. A number of countries are taking steps in integrating environmental criteria into their national procurement, yet inclusion of social aspects is included to a much less extent and is limited to organic food and fair trade products, such as clothing, construction and timber. Eco-labels are very popular in many countries, but only one country, Belgium, is actively promoting a social label, and so far

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<sup>41</sup> C. McCrudden (2004), "Using public procurement to achieve social outcomes", Natural Resources Forum 28, 257-267.

<sup>42</sup> The UN and the multilateral banks periodically exchange information on the respective advancements on SP: [www.sustainableprocurement.net](http://www.sustainableprocurement.net)

<sup>43</sup> <http://www.procuraplus.org/>

<sup>44</sup> [http://www.eurocities.org/carpe-net/site/article.php?id\\_article=44](http://www.eurocities.org/carpe-net/site/article.php?id_article=44)

<sup>45</sup> <http://www.iclei-europe.org/index.php?id=LEAP>

only 5 items have been certified due to the complexity of the process.<sup>46</sup> Staff incentives for SPP are still very limited. In very few countries do procurement staff have SPP as part of their performance objectives. Switzerland, on the other hand, provides regular sustainable procurement training to its procurement staff. In most governments, responsibility for SPP is assigned to lower levels of management and not to senior civil servants or Ministers.

## Resource Efficiency

### Resource Efficiency through Energy Management

While government administrative policies to promote resource efficiency might include water, raw materials and public space, among other things, administrative policies directed to achieve energy savings are the most widely employed and likely have the most impact. For that reason this paper will focus on energy management as a means of resource efficiency by government.

Government facilities and services are often the largest energy users within a country, and present a great potential for leading by example in energy-efficiency through relevant administration policies in energy management. Government energy management programmes mainly focus on the sectors of buildings and transport fleets.

Strategies vary from country to country, with some taking a comprehensive approach, including savings targets, efficiency standards, energy audits, energy management committees, improved operation & maintenance programmes, financing, information programs (e.g. efficiency guidelines and labeling), demonstration projects, training, etc. Other countries have chosen to focus on a limited set of the above activities. Some governments of industrialized countries have played an active coordinating role with systematic efforts to lead energy-efficiency programmes for the government sector. For instance, the Federal Energy Management Program (FEMP) in the U.S. provides guidelines, recommendations, information, specifications, training and energy audits to encourage energy efficiency in procurement and new construction and retrofit design to all federal agencies. It also promotes energy efficient technologies, life-cycle analysis, use of renewable energy, and other sustainable design principles. In developing countries, government efforts in energy management have escalated rapidly in recent years, at both national and local levels, including in public infrastructure services and government-owned enterprises.

Government efforts at energy management can go hand in hand with sustainable public procurement. Government commitment to purchasing of electricity from renewable energy sources can reduce the carbon emissions from government operations and create large markets for renewable energy companies, helping to drive down costs through economies of scale. Notable policy practices are the indicative targets on renewable energy in the EU, Renewable Portfolio Standards in the U.S., and Canadian government commitment to “green” electricity procurement. Environmental Management Audit Systems (EMAS) have been increasingly adopted in public and private sectors, in Europe, as a regulation tool for

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<sup>46</sup> From the UK Sustainable Procurement Task Force Working Group Report. <http://www.sustainable-development.gov.uk/government/task-forces/procurement/index.htm>

promoting energy-efficiency, low-carbon consumption patterns and green procurement, notably with respect to chemicals, food and beverages, waste, metal product fabrication and energy supply. As of 2007, 189 public authorities have registered for EMAS, led by Germany, Sweden and other countries.<sup>47</sup>

In addition, government fleets have become a policy focus in energy management. Governments have large fleets of vehicles, and therefore have a huge potential for influencing energy-efficiency by taking leadership to improve the performance of their fleets. One means to accomplish this is through sustainable procurement, which may include, for example, purchasing or leasing vehicles with high fuel-efficiency ratings, choosing the vehicles that best-fit the transport needs, using environmentally-sound alternative fuels, etc.

### Resource Efficiency through Waste Management

Resource efficiency in the public sector is addressed through policies that reduce the amount of waste generated and that implement reuse/recycling programmes. Typical activities geared to resource efficiency through waste management include: reducing packaging in public services, e.g. in food catering; reducing paper consumption through electronic storage, e-forms and electronic documents; encouraging double-sided printing; and sharing magazine/journal subscriptions.

Recycling and reuse programmes generally cover office furniture, office equipment, office supplies and paper, as well as the purchase of paper with recycled content. The European Commission has defined several specific “waste streams” for priority attention by the government sector: packaging waste, end-of-life vehicles, batteries, electrical and electronic waste.

The benefits are beyond the obvious financial savings due to recovering value from the waste stream. Efficiency efforts can minimize environmental impacts, demonstrate good practices to the public and enhance staff moral by encouraging them to make a difference through socially and environmentally responsible practices.

To counter the increasing volume of electronic waste that often contains toxic substances, governments would do well to integrate e-waste management into their administration policies. Such an effort would recognize the fact that they are big consumers of electronic products and therefore big e-waste generators as well. Some measures have been taken from enforcing standards in purchasing to policies on recycling and disposal. The EU Directives on Waste Electrical and Electronic Equipment (WEEE)<sup>48</sup> and on Restriction of Hazardous Substances (RoHS)<sup>49</sup>, promote recycling and reporting on the implementation of waste management programmes. These also provide incentives for eco-design. Japan sets administrative and legal requirements on waste management and recycling, obliging recycling of used personal computers by law.

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<sup>47</sup> EMAS News Letter Issue No. 5, April 7, European Commission.

<sup>48</sup> WEEE Website: [http://ec.europa.eu/environment/waste/weee/index\\_en.htm](http://ec.europa.eu/environment/waste/weee/index_en.htm)

<sup>49</sup> RoSH website: <http://ec.europa.eu/environment/waste/reporting/index.htm>

## 4.3 Challenges

Related to SPP, the challenges are:

- *Strengthening the long-term political commitment to sustainable public procurement.* Many factors can contribute to influencing government decision-makers to take a short-term outlook, including: annual budgeting and reporting cycles; splits between capital and operational budgets; electoral cycles; and intangible benefits versus monetary costs.
- *Introducing effective sustainable procurement management structure and improving accounting systems.* Many public sectors, particularly in developing countries, lack tools and modern management culture to integrate sustainable development goals into their internal structure of accounting, performance targets and staff incentives.
- *Creating an SCP culture, providing technical support and knowledge-transfer for procurement officials through capacity-building programmes.* SCP issues need to be introduced in public administration curricula at universities in civil service training institutions, and in professional organizations, such as CIPFA - Chartered Institute of Public Finance & Accountancy.
- *Greening the supply chain and ensuring that SPP is compatible with legal and regulatory frameworks and trade policies.* Regulatory frameworks for sustainable procurement are still missing in many public sectors. Trade issues may also arise in the context of the WTO and need to be examined and addressed.
- *Promoting social criteria in procurement.* As one of the three criteria of sustainability, social factors so far have not been widely taken into consideration in public procurement. In most countries, the focus up to now has mainly been on environmental impacts of public procurement, whilst far less attention has been paid to employment conditions, anti-discrimination and equality, transparency, integrity, responsiveness, consistency and accountability in public procurement. To accomplish this, socio-labels and standards need to be developed and integrated into SPP policies.
- *SPP in developing countries.* Many developing countries depend heavily on external donors for their management and for their public sector, economic and infrastructures development. A clear signal in favour of SPP from international donors including the multilateral development banks and various development agencies implementing or supporting projects locally is fundamental to diffuse SP in the various canals of development aid is fundamental.
- *SPP capacity building (especially in developing countries)*
- Lack of information, resources and technical support, such as product information, inhibits procurement officers from making informed sustainable procurement decisions, particularly in developing countries. Providing sufficient access to information on sustainable products, clearer procurement guidance and systematic SPP training are essential to improve the procurement quality among governmental agencies. Information updates and exchange of experiences are necessary to make SPP effective in all countries. Adequate funding for capacity building efforts on SPP is also needed

Related to improving resource-efficiency, the challenges are:

- Developing specific regulations and incentive programmes in priority areas, i.e. facilities management, fleet management and waste management. In public sectors, economic savings through resource



efficiency in many cases are not directly reflected as the practitioner's benefits. Also, the lack of mechanisms to demonstrate the economic value of social and environmental costs and benefits is also a major barrier. Appropriate regulations and incentives can motivate public-sectors to move beyond business-as-usual.

- Setting implementation mechanisms that are coherent with sustainable public procurement policies, treasury plans and accounting measures to improve resource efficiency through an integrated approach. Inability in offsetting the whole life-cycle cost savings against short-term budgetary limits is a problematic barrier in governments, and this can constrain decision-makers from investing in more resource-efficient options.
- Creating a culture within government of sustainable consumption through capacity building and staff training. Linking resource efficiency with government performance evaluations, and establishing reporting mechanism for resource-efficiency disclosure.
- Improving exchange of information and best practices across governmental agencies, and in particular, at all levels.

## 4.4 Key questions

Some key questions to be discussed among the participants in the working group on sustainable procurement (on 27 June, Group 4) are suggested below:

1. What national and regional goals for government administration policies could be proposed, with feasible targets in the context of the 10YFP on SCP?
2. What is needed to promote more rapid implementation of SPP, particularly in developing countries? How to overcome key barriers?
3. How can multilateral development banks and other actors in procurement reform be of support?
4. What is needed to promote more rapid implementation of government resource efficiency programmes? How can exchange of experiences be fostered?
5. What tools should be developed to measure and monitor SPP? How can internationally promoted tools and standards and capacity buildings be of help? What support can be given to these measures?