

Report on the Second Expert Meeting on Sustainable Public Procurement
Kifissia, Greece

3-4 November 2003

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Introduction

The Second Expert Meeting on Sustainable Public Procurement was held on 3-4 November 2003 at the Greek National Centre for Environment and Sustainable Development (NCESD) in Kifissia, Greece, hosted by the Hellenic Ministry for the Environment, Physical Planning and Public Works and NCESD. The meeting was organized by the United Nations Department of Economic and Social Affairs / Division for Sustainable Development and the Centre, in cooperation with the United Nations Environment Programme, the International Council for Local Environmental Initiatives (ICLEI) and the Coalition21, the coalition of 21 municipalities from the north-eastern area of the Athens prefecture.

The second Expert Meeting was organized to follow up on issues identified in the first Expert Meeting and other meetings to further promote sustainable public procurement through international cooperation. The first Expert Meeting on Sustainable Public Procurement was held in Copenhagen, Denmark, on 2-3 December 2002. In that meeting, several specific issues were identified for further follow-up, including exchange of information on different approaches, linkages between local and national levels, integration of social aspects, development of practical tools, and clarification of legal issues. In the International Expert Meeting on a 10-year Framework of Programmes for Sustainable Consumption and Production, held in June 2003 in Marrakech, Morocco, sustainable public procurement was identified as useful in promoting sustainable consumption, product innovation and market development for sustainably produced goods.

Participants in the second Expert Meeting were from national environment and related ministries and agencies, international organizations, local authorities, non-governmental organizations and academia. National participants are from Brazil, Czech Republic, Germany, Greece, Indonesia, Morocco, Nicaragua, the Philippines, South Africa, Sweden, Switzerland, Tanzania and the United Kingdom. Participants from local authorities included the Municipality of Sao Paulo (Brazil), the City of Kolding (Denmark), the City of Sendai (Japan), Local Union of Local Authorities of Attica (Greece) and the Coalition21 (Greece). Non-governmental organizations participated in the meeting were European and other regional offices of ICLEI, Hellenic Association of Industries, Hellenic Association of Photovoltaic Companies, the Athens 2004 Organizing Committee for the Olympic Summer Games (ATHOC), and Green Purchasing Network of Japan. Participants from international organizations and academic institutions were from the United Nations Department of Economic and Social Affairs (UN/DEASA), the United Nations Environment Programme (UNEP), the International Labour Organization (ILO), the Organisation for Economic Cooperation and Development (OECD) and Oxford University.

The meeting was opened by Dr. Michael Modinos, the president of the Greek National Centre for the Environment and Sustainable Development. He welcomed the participants to the Centre, which was the venue for the meeting. He outlined the relationship between the meeting and the 10-year Framework of Programmes for Sustainable Consumption and Production, which derived from the Johannesburg Plan of Implementation (JPOI). He noted that public purchasing played an important role for the functioning of the market, accounting for over 20 per cent of GDP in Europe. He also pointed out the relationship between national and local level activities. In this regard, he highlighted the work of ICLEI, in particular their work in promoting local Agenda 21. He further pointed out that there were many tools that could be employed in promoting sustainable public procurement, including eco-labels and Eco-Management and Audit Systems (EMAS).

Mr. Stavros Kampelis, General Secretary of the Hellenic Ministry for the Environment, Physical Planning and Public Works, made a welcome speech on behalf of the Ministry and expressed its satisfaction to host this meeting. He highlighted the importance of promoting sustainable consumption and production and pointed out that the meeting was being organized within the 10-year Framework of Programmes for Sustainable Consumption and Production. He outlined the process since the World Summit on Sustainable Development regarding sustainable consumption and production and pointed out that the Marrakech meeting identified new challenges. The Marrakech meeting reaffirmed the importance of developing policies that integrate economic, social and environmental aspects. Economic incentives and communication tools should be better utilized. He also pointed out the importance of partnership among stakeholders, including government agencies, international organizations, private sectors and non-governmental organizations. In particular, he emphasized the potential of promoting relationship between private and public sectors. Noting sustainable public procurement was identified in both JPOI and the Marrakech meeting, he expressed his hope that the second Expert Meeting would result in increased cooperation and promotion of sustainable public procurement.

Mr. David O'Connor, Chief of Policy Integration and Analysis Branch of Division for Sustainable Development, UN/DESA, then made an introductory presentation on the relationship between the second Expert Meeting on Sustainable Public Procurement and the Marrakech process, which is a process to develop the 10-year framework of programme for sustainable consumption and production, named after Marrakech, where the first International Expert Meeting was held on the subject. He started off from the outcome of the World Summit on Sustainable Development and noted that heads of State reaffirmed the central role of changing consumption and production patterns in the achievement of sustainable development in the Johannesburg Declaration. Chapter III of the JPOI called for the development of a 10-year framework of programmes for sustainable consumption and production, which prompted the International Expert Meeting in June 2003 in Marrakech, Morocco. At the eleventh session of the Commission on Sustainable Development (CSD) held in April 2003, the Commission emphasized practical implementation and exchange of information as a new way forward. He then explained that the Marrakech Process refers to the process that

follows the meeting in Marrakech to develop and promote the 10-year Framework of Programmes for Sustainable Consumption and Production, since the 10-year Framework is an evolving framework, which should develop overtime. The process involves both global and regional processes. He, then, pointed out the link between the second Expert Meeting on Sustainable Public Procurement and the Marrakech Process, noting that the Expert Meeting could serve as an informal task force or a round table that the Marrakech Meeting recommended.

Turning on to the subject of the present meeting, he outlined the multiple objectives of the public procurement, including effective public service delivery, cost minimization, minimum environmental impact, and possible positive social impact. Drawing on the work of OECD, he pointed out some barriers to the effective delivery of sustainable public procurement, including management and organizational culture, budget and finance issues and information barriers. In concluding he posed some questions to the group for reflection throughout the meeting so that the group might identify key barriers to the implementation of sustainable public procurement, and consider how to overcome those barriers. He also asked the group to consider the role of the group and UN/DESA in facilitating the work of promoting sustainable public procurement.

As a way to connect to the main sessions of the meeting, Mr. Simon Clement of ICLEI European Secretariat made a presentation on the potential of eco-procurement in Europe, drawing on the results of a research that had been recently completed. The research was carried out under a project entitled “Environmental Relief Potential of Urban Action on Avoidance and Detoxification of Waste Streams through Green Public Procurement”, called the RELIEF Project for short, which was supported by the European Commission research programme on Environment and Sustainable Development, key action “City of Tomorrow and Cultural Heritage”. The research consisted of surveys, development of methodology and actual calculation of environmental impacts and economic effects. The RELIEF Project then identified key products and specifications to focus on and calculated the potential benefits from switching to those products.

The key products identified were: electricity from renewable sources; food from organic agriculture; buses with clean motor technology; computers with low energy use; sanitary devices with low water use; and buildings with high insulation standards. He presented the main result of potential benefit calculation. For green electricity, for example, if all the public administrations in the European Union switch to green electricity, 60 million tons of CO₂-equivalent greenhouse gas emission could be saved, which is equivalent of 18 per cent of the European Union commitment for the Kyoto Protocol. For personal computers, considering the lifetime of a PC in the public sector to be about five years and that the impact could be expected on the whole computer market, the resulting benefit is considered to be 980,000 person equivalent, or 8 million tons of CO₂-equivalent greenhouse gas emission saving. The benefits were also calculated for other environmental impacts, such as acidification, photochemical oxidant formation, nitrification, resource consumption and waste formation. As an example of other benefit,

the result showed that buying organic food provided huge green house reduction of 400,000 person equivalents, but even higher benefits in nitrification, amounting to 2.2 million person equivalents. In concluding, he underscored that huge environmental relief potential would result from carrying out eco-procurement, but the potential had been hardly known and only a few pioneer cities were implementing. He emphasized that a large-scale implementation would be needed.

Session 1: linkage between national government, local authorities and other institutions in the work of sustainable public procurement

The efforts towards sustainable public procurement are pursued at different levels. On many occasions, local authorities are in the forefront of this effort. However, they may benefit from an overall framework and tools that national government can provide, for example, procurement guidelines and databases. Furthermore, linking these efforts at different levels can lead to enhanced promotion of the market in sustainable goods and services. The session was aimed at exploring these linkages. The presentations were made on the cases of South Africa, Brazil and the City of Kolding, Denmark. The session was facilitated by Mr. Clement of ICLEI European Secretariat.

Mr. Leluma Matooane of ICLEI Africa Secretariat presented a brief study on the case of South Africa and Mr. Sekwati Rakhoho from the Department of Environmental Affairs and Tourism of South Africa followed up with some comments. Mr. Matooane outlined the policies that have been introduced in South Africa with regard to energy efficiency, sustainable consumption and local development as well as targeted procurement pursuant to the requirement of the Constitution (Act 108 of 1996). These included the Draft White Paper on the Promotion of Renewable Energy and Clean Energy Development (August 2002), a supplement to the White Paper on Energy Policy (1998), and the Preferential Procurement Policy Framework Act, 2000 (Act 5, 2000).

The Preferential Procurement Policy Framework Act, in particular, specifically attempted to create a balance between the promotion of domestic industries, especially small, medium and micro enterprises (SMMEs), especially those owned by previously disadvantaged groups. Thus, in South Africa, within this framework, there are programmes that aim at improving public procurement, promoting local economic development and creating job opportunities, targeting at the previously disadvantaged communities. For example, Asset Procurement & Operating Partnerships Systems (APOPS) aims at creating sustainable employment and business opportunities for previously disadvantaged entrepreneurs. Community Based Public Works Programme (CBPWP), stated in 1994, is a specific job creation and poverty alleviation programme, targeted primarily at the rural poor. In addition, there is a specific targeted procurement programme, aimed at promoting the previously disadvantaged groups. It is linked to the "Who Does What" database of SMMEs, which identifies manufacturers and suppliers of products and services from the previously disadvantaged groups. He also referred to the Eco-Responsible Procurement Guidance in Developing and Newly Industrializing Countries (ERNIE programme) of ICLEI, involving four local government, including Durban, South Africa, which would be starting in 2004. He also added that among local

authorities, the Gauteng Department of Environmental Affairs was in the process of formulating a “green procurement programme”.

Mr. Rakho ho, also outlining the legislative framework for the public procurement in South Africa, represented by the Preferential Procurement Act, stressed that focus in the country had been the empowerment of the SMMEs. The challenge would be to improve their participation, while at the same time ensure their competitiveness globally. The new challenge would be to also address environmental aspects. In this aspect, he presented an example of plastic bags, whereby supermarkets imposed a cost on the plastic bags of improved quality to the customers, which resulted in a repeated use of those plastic bags by customers, reducing waste and environmental impact. He emphasized the importance of coordination among the provincial and local governments, local communities and non-governmental organizations.

In the following discussion, the implication of globalization and the trade negotiation on the programmes of South Africa was raised, and it was noted that these programmes might then be reviewed. With regards to the difference between national and local levels in responding to the requirement of trade regime, it was noted that trade discussion would be dealt with at the national level and that it would be at the national level that the framework would be developed in line with the international standards. But the national government would work together with local and provincial governments. With regard to the weakness of monitoring, it was noted that experience of other countries would be appreciated.

The case of Brazil was presented by Ms. Rachel Biderman, a consultant to ICLEI Latin American and Caribbean Secretariat. Ms. Jacimara Machado of the Ministry of Environment, Brazil, presented the effort of the Ministry. Ms. Biderman outlined the state of sustainable public procurement in Brazil at federal, state and municipal levels and the role of non-governmental organizations. She explained that there was a strong legal framework for environmental protection in Brazil. The institutional framework was also well developed, but the country lacked human and financial resources, and that there was no central procurement agency. She pointed out, however, that sustainable public procurement was not an integral part of the country’s environmental policy. As a legal framework, Brazilian Constitution (article 37) stipulates that public works, purchases and services must be contracted through public tendering. In addition, Law 8666 of 1993 regulates government procurement at the federal, state and municipal levels as well as all public agencies. It requires non-discriminatory treatment for all bidders. With regard to the sustainable procurement initiatives, the Federal Government and the state of São Paulo have prohibited the purchase of equipment containing ozone depleting substances. Some states in the Amazon region have started to prioritize certified wood products in their purchases (Acre and Amazonas). In the southern states of Parana, Santa Catarina and Rio Grande do Sul, local governments have chosen to encourage local production of organic food by subsidizing part of the crops and by purchasing part of the production to be used in canteens at local public schools. The City of Sao Paulo has identified civil construction as an initial sector to introduce sustainable procurement and has taken measures regarding wood products. These examples reflect the fact that deforestation is

one of the major environmental concerns in Brazil. In addition to the ICLEI's involvement in ERNIE project, which would involve the city of Sao Paulo, she also introduced some other initiatives by non-governmental organizations, largely regarding the Amazon region.

Ms. Machado presented the activities of the Ministry of Environment in promoting sustainable public procurement. The efforts started in 1999, when the Ministry introduced environmentally conscious management within itself. Building on this experience, the Ministry developed a user guide, called *A₃P*, with a video, aiming at implementing the best environmental practice, including waste control, efficient and optimal use and conservation of natural resources, sustainable public procurement as well as capacity building and changing consumption patterns. The guide was distributed widely among different government agencies. The Ministry further worked to disseminate the information regarding "eco" products, through a four-month display of products and a development of web-site. To date, 120 civil servants from federal, state and municipal levels were trained and 16 federal government agencies, as well as several state and municipal government agencies started to implement *A₃P*. She pointed out that actions that needed to be further pursued were the development of database for the sustainable public procurement, "eco" products catalog and eco-labeling system.

In the discussion that followed, it was noted that social dimension, including the impact on employment, was to be addressed. A case of recycled paper was pointed out as one of the few examples. Three cooperatives worked together to supply recycled paper with the aim of creating employment opportunities among the unemployed. Another example would be sustainable wood products, where workers became organized. It was also pointed out that the City of Sao Paulo had a waste separation programme, which also created employment opportunities among the unemployed.

Mr. Michael Damm of the City of Kolding, Denmark, presented the approach of Kolding in integrating environmental criteria into the purchasing activities. As a background, he explained that the Town Council signed in 1994 the Aalborg Charter, which was approved at the European Conference on Sustainable Cities and Towns, convened by the City of Aalborg and the European Commission. He further noted that the Municipality Plan for 1998 – 2009 obliged the city to strengthen its environmental efforts. The policy, which called for an integration of ecological concerns in all purchasing actions, was confirmed by the Town Council in 1998. The City integrates environmental demands and questionnaires into all calls for tenders. The questionnaires contain questions regarding the environmental performance of the supplier, which are used in the prequalification, and those regarding the products and the packaging are used in selection and awarding. He explained that the questions were designed in a way that positive answers would indicate environmentally friendly product or service and that for each product group or service, there were minimum requirement.

From the City's experience, he argued that green purchasing could be implemented without an increase in costs, for example by modifications of the procurement procedures and creation of an easily applicable assessment. He also pointed

out that higher prices were only found in some of the organic food. He further noted that there were sufficient range of products that satisfied the qualifications and that it would be better not to focus on “labeled” products, but rather on products that would fulfill the demands. He underscored that cooperation between local and national governments needed to be enhanced, in particular in three aspects: political and institutional support for sustainable public procurement at both national and local levels; establishment of a legal framework at global, EU and national levels to promote sustainable public procurement; and towards the improvement of the knowledge regarding the design and evaluation of the criteria for sustainable products and services. As a way forward, he recommended several activities: development of concrete selection and award criteria for sustainable procurement; promotion of political awareness at the local level; focus on information targeted implementation of green public procurement; national campaigns; and continued and increased focus on sustainable procurement.

As an example of initiatives to galvanize national and local efforts, Mr. Clement introduced the PROCURA+ Sustainable Procurement Campaign of ICLEI. Building on the results of the RELIEF project, PROCURA+ aims at disseminating the unique criteria to be used throughout Europe; raising political awareness and obtaining commitment; gradual implementation; and achieving favourable market conditions and economies of scale within European Internal Market. He explained that the campaign would utilize communication tools and send strong market signals. The campaign will officially start on 1 January 2004.

Session 2: Policy and legal framework for sustainable public procurement

The session was aimed at exchange of information, benefiting from presentations on current work by countries and organizations regarding policy and legal framework for sustainable public procurement. The presentations were made by experts from the United Kingdom, Indonesia, OECD, Switzerland and Greece. The session was facilitated by Ms. Hendayani Adishesha of Indonesia.

Mr. Tiernan Humphrys of the Department for Environment, Food & Rural Affairs (DEFRA) of England reported on the activities of the Sustainable Procurement Group. Established by the Secretary of State for Environment, Food and Rural Affairs in 2001, the Sustainable Procurement Group is an inter-departmental group, encompassing 19 Government Departments of England. The Group’s function is to consider how the procurement of government bodies can be carried out in a manner consistent with the Government’s policy and objectives for sustainable development. The Group reported to Ministers in January 2003, outlining four main recommendations with 35 supporting recommendations. The main messages of the report were that there were sufficient scope to pursue environmental objectives in public contracts under current EU Directives; that the use of whole life costing would lead to the purchase of sustainable products without any change in policy; and that there existed continuing confusion between value for money and lowest price. The main recommendations of the report were to revise the joint note on environmental issues in purchasing published by DEFRA and Office of Government Commerce to a statement on Sustainable Government Procurement; to roll

out green procurement commitments across the Government Estate; publication of “quick win” products with specification of standards; and development of a single web-based advisory tool to support sustainable procurement. With regard to “quick win” products, all central government departments would be required to buy products meeting the minimum standards from 1 November 2003.

In addition, as part of Sustainable Farming and Food Strategy, DEFRA introduced the Public Sector Food Procurement Initiative. With £1.8 million spent on food and catering services annually, the Government aims to use the purchasing power to address sustainable development objectives. Mr. Humphrys explained that the upcoming work of the Group would be to address social issues and innovation in procurement. Social issues were considered not as easy as environmental issues to relate to end products and the Group hoped to learn from the experience of the private sector. He also underscored the importance of training and awareness raising.

Ms. Hendayani Adishesha of Indonesian Society of Environmental Professionals introduced the study on Green Procurement in Indonesia, on behalf of the Ministry for Environment. She first outlined the legal base for environmental concern in Indonesia, starting from the 1970s when environmental awareness began. General State Guidelines for Development, published in 1973, incorporated the concept of sustainable development. A number of environmental regulations and policies have been introduced, including those regarding environmental impact assessment, liquid waste standards, hazardous and toxic waste and air pollution. Among tools that facilitate the production of environmentally friendly products, which would be necessary for green procurement, cleaner production captured considerable interest in Indonesia. Through 10 years of work by concerned stakeholders, a number of programmes and activities have been developed to promote cleaner production, including training and seminars, development of guidelines and other information resources, and development of environmental soft loan scheme. The Cleaner Production Counseling Group was established for textile industry and National Commitment on Implementation of Cleaner Production Strategy was established. In addition, the Ministry is also working to promote environmental management systems and some of the ISO series have been adopted as Indonesian version and made available to the public.

With regard to the study on green procurement, she explained that the study was conducted in 2000 in order to identify the possibility in the development of green procurement in Indonesia. It was also aimed at establishing strategy for the development of green procurement and influencing the supply chain. The study revealed that while there was an indication of interest, Indonesian companies needed guidance and resources from the Government. The study indicated a strategy, which called for the Government to show the leadership; merging of greening and purchasing; integration of the knowledge and skills; and the adoption by the Indonesian Government as a whole. The study also identified that in Indonesia, it would be more appropriate to start with a small group of Indonesian companies to achieve the initial wave of change. These entrepreneurs will become the leaders of change and attract other companies in the supply chain. In concluding, she noted five challenges faced by Indonesia: weak

political will; weak and inadequate enforcement of legislation; need for integrated environmental management policies; lack of national multi-stakeholder forum; and inadequate financial and human resources.

Ms. Soizick de Tilly of OECD reported on the activities of the organization in promoting sustainable public procurement. As a background, she noted that OECD started to work on green public procurement in 1996. In the Environment Strategy adopted in 2001, OECD Environment Ministers stressed the decoupling of environmental pressures from economic growth through the use of different policy instruments, such as green public procurement. In 2002, OECD adopted a Council Recommendation to improve the environmental performance of public procurement. Various workshops were held and studies were conducted, which culminated in two publications; *Greener Public Procurement*, published in 2000, and *the Environmental Performance of Public Procurement*, published in 2003.

Drawing on the latter, most recent publication, she reported on the main findings. The objectives of the publication were four-fold: to review the factors leading to environmentally effective and economically efficient green public procurement policies; to evaluate the policies; to identify links between the green public procurement policies and public expenditure management; and to review potential conflicts between green public procurement policies and competition and international trade law.

The review found that the use of instruments in green public procurement policies was increasing. The factors that make these policies successful include, first of all, the simplicity of application of instruments, and secondly, the commitment and active participation of high-level procurement officers. The nature of links with wider environmental or economic policies were also found to affect the result, thus, those with direct benefit on environmental characteristics of public procurement and those with indirect benefits through their influence on firms and households were found to be more successful. A number of inefficiencies in public expenditure management have been identified which reduce potential efficiency gains, as well as environmental benefits of GPP policies. Improving public expenditure management would benefit environmental performance. Domestic competition policy and international trade law were found not to be a significant constraint in environmental public procurement. However, some obstacles in relation to trade regimes, such as additional administrative burdens and uncertainty or ambiguities related to the implementation of laws and regulations, were identified.

As a legal instrument to promote GPP policies among OECD countries, she pointed out the Recommendation on “Improving the Environmental Performance of Public Procurement”, adopted by the OECD Council in 2002. One provision of the Recommendation, which is not a legally binding instrument, requests Member countries to report on actions taken to implement the Recommendation. As a future work, she noted that OECD would assess the progress made by Member countries in implementing green public procurement policies and report to the OECD Council, based on the results of a questionnaire to Member countries.

The outcome of this OECD countries' evaluation should assess the environmental effectiveness of GPP policies, their economic efficiency, the administrative and compliance costs they entail, the revenues they provide and possibly the wider economic effects they have, such as impacts on technological innovation.

Ms. Eveline Venanzoni of Swiss Agency for the Environment, Forests and Landscape presented the experience with sustainable timber purchasing as a case study. As a background, she explained that the Sustainable Development Strategy published by the Swiss Federal Council in 2002 provided a general policy context to green public procurement. The strategy included an Integrated Product Policy (IPP) within financial policy, which also encompassed public procurement. The Strategy aims at clarifying the legal room for maneuver and creating optimal condition, including the revision of the Federal Law and Decree on Public Purchasing. The implementation of the Strategy includes the development of tools and guidelines, dissemination of information and conducting training. Examples of the work in this area included the development of GIMAP (Guide Interactif pour les marchés publics, an interactive handbook), new training concept and ecological product criteria.

As a successful experience, she introduced the experience on sustainable timber purchasing. It originated from the Parliamentarian Initiative in the National Council, dated October 2001, which requested the Government (the Federal Council) to buy timber and timber products only from sustainable forestry in the future. In response, the Swiss Federal Council identified internationally recognized certification schemes, such as Forest Steward Council (FSC), Pan European Forest Certification Council (PEFC), and Q, which is a Swiss label acknowledged by PEFC, as the possible standards and requested for procurement recommendation that would take into account all international obligations including the General Procurement Agreement of the World Trade Organization. As a result, a draft recommendation for purchasers was developed, which included overview of the three timber certification schemes mentioned above, guidance on how to integrate ecological criteria into a call for tender and the bidding appraisal, a model text to integrate into calls for tender and advice on how to weight the ecological award criteria, "sustainable timber". Actual call for tender for new administrative building was published by the Federal Agency for Buildings and Logistics in July 2003. Minimum amount of timber that would meet the criteria of at least one of the three labels were included in the technical specification. It was 50 per cent for larch and 20 per cent for douglas. Additional amount offered was rated under the award criteria within environmental aspects. The weights in the award criteria were 40 per cent for environmental aspects, 30 per cent for the price, 20 per cent for the delivery date, and 10 per cent for references. Award was published in October 2003, and it turned out that 100 per cent of the offered timber (douglas) had a label under FSC or Q. In concluding she pointed out several success factors for sustainable public procurement, including the existence of a strategy or commitment, centralized procurement organization, leading procurement body, with the authority to issue directives and conducive legal framework. She also highlighted the importance of information tools and training, as well as awareness raising among all stakeholders involved in public purchasing.

Mr. Stelios Psomas of Hellenic Association of Photovoltaic Companies, also a collaborator to NCESD, presented several local initiatives for green power procurement. As a background, he laid out the legal and political framework for green electricity. It included from the global level, namely the Kyoto Protocol, the regional level, such as the EU Renewables Directives and the Renewable Energy Guarantee of Origin, to the local level initiatives, whereby local authorities have set their own renewable portfolio standards and targets. He cited the 2002 European Court of Justice ruling that clarified that local authorities were free to tie the award of contracts to environmental criteria, giving a way to local authorities to pursue green purchasing. He then introduced several examples of local initiatives from Europe and the United States. In Rotterdam, for example, all the public buildings, including the town hall, libraries and schools, and the public transportation, such as trams and underground railways, are fully supplied with green energy. As a result, Rotterdam is the largest green energy consumer in the Netherlands and the third in Europe. In the United States, 100 per cent of electricity in Santa Monica, California is supplied by geothermal energy. However, there were some bottlenecks. He pointed out that the power from renewable energy sources often carried some premiums and that energy managers did not generally have a mandate to include renewable energy sources in their energy portfolio. Furthermore, conventional energy prices are extremely low and there are problems with the pricing structures, which have to take into account such factors as grid access, fair transmission and distribution charges.

Then he presented some options for green electricity. One option is to purchase from the grid. In a competitive electricity market, the electricity could be purchased from the local electricity grid, or from a regulated utility that offers renewable electricity from the local power grid, using green pricing programme. When these two options were not available, renewable electricity certificates could be used. However, loss may be high in purchasing from the grid. Another option would be on-site generation. Advantages with this approach would include peak-shaving, possibility of back-up and uninterrupted power supply. Funding for the renewable energy source system could be secured either by leasing or through an energy services company. He pointed out that third-party finance had not been practiced much and the legal framework for public sector was not so favourable. In concluding, he cited the recommendation adopted at the General Assembly of the Climate Alliance of European Cities, held in June 2003, which encouraged the member cities to implement measures for environmentally sound local authority procurement in the energy sector. In response to a question, he clarified that

Session 3: Tools for promoting sustainable procurement – guidelines, training and information tools

The session heard three presentations on different training tools that had been developed and being used. After the presentations, the experts formed three working groups, facilitated by the presenters of the session, for further discussion on the particular tools and other tools that may be useful for different purposes. Each working groups came up with recommendations, which will be included in the last section of this report.

Ms. Isabella Marras of UNEP reported on the work of the organization. UNEP, together with the Inter-Agency Procurement Services Office (IAPSO) of UNDP has developed a procurement database with over 200 sites, which provides information on environmentally responsible procurement, including product selection criteria and links to 106 eco-label sites. Also in cooperation with IAPSO, UNEP is developing sustainable procurement modules, mainly for IAPSO training, but also usable for training by other UN and development agencies. The modules do not go into legal details, but they are designed to provide, in three days, information on the needs, international legal framework, advantages and basic steps to implement sustainable procurement. This is the first such system aimed at UN suppliers and provides a basis for the development of a common language and procedures for UN procurement in support of sustainable development. They will be piloted and adapted by IAPSO for its suppliers, but they would be available to everyone. They started as a training tool for UN agencies, but they have developed to be flexible enough for wider use. She explained that the modules would be available in about six months. In the future, the modules would have a series of slides and a support guide with information.

Ms. Leigh Ginnever of Environment Agency of England and Wales presented on the Agency's supplier management and development programme. The Procurement Strategy of the Agency calls for the Agency to take leadership in sustainable procurement and identifies steps to implement it. The strategy model places supplier management and development within its supporting framework. Twin track approach is taken for supplier management and development. One track is on supplier assessment and so far, 15 key suppliers have been audited, leading to an environmental profile. In addition, top 500 suppliers have been assessed on environmental, social and diversity standing. Another track is supplier development, thereby top 15 to 25 suppliers have undergone intense development programme and personal support have been provided. For top 500 suppliers, feedback has been given and a CD training package covering environmental aspects and corporate social responsibility has been provided to each.

The Agency differentiates suppliers according to their degrees of influence with the market. Thus, if there is a high degree of influence with the market, the Agency will demand sustainable performance of both the suppliers business and the product. If there is moderate inference, it will target requirement into a few key areas and explore development opportunities. The audit programme of the key suppliers are tailored to the specific suppliers. For those accredited with ISO 14001, the audit will be site-visit orientated, but for the others, it will take a policy and process focus. All audits result in a report aimed at improving the suppliers' environmental performance. In order to support suppliers, "GreenMatters" CD training package has been developed. Ms. Ginnever demonstrated a part of the training package. The training package was developed through a collaborative, cross-functional project and was a response to suppliers' demand. The package is sold through the Agency's web site. In concluding, she highlighted the philosophy of starting simple, but continuously improving. She also underscored the Agency's approach of managing the key suppliers and driving the agenda, and to target

suppliers who would have the potential for social risks and the supply chain. Her last point was to make a start and to learn from experience.

Ms. Isa-Maria Bergman of Swedish Environmental Protection Agency presented the EKU guideline, which is an internet-based database for ecologically sustainable procurement. The EKU guideline, available only in Swedish, contains proposals for environmental requirements for about 75 products, as well as environmental information, handbooks, and information on good examples. The aim is to assist public procurement officers, to provide information for companies and to serve as a common information source for ecologically sustainable procurement. The guideline contains proposals for compulsory requirements for technical specification, award criteria, contract clauses for some specific cases, information on the tenderer's environmental work and information on environmental product declaration and environmental statement. The Swedish Environmental Advisory Council is responsible for the development and updating of the guideline and plays a coordinating role, in delivering decision in a transparent manner and conducting multistakeholder working groups. The criteria development and update bases its work on the scientific platform. She informed that the Council did not place a high priority in criteria development only, but also on information dissemination. Therefore, it is developing a handbook, including, for example, different steps of procurement, legal frameworks, and different techniques for procurement. It also conducts education and training programmes for procurement officers and together with the EPA disseminates information to politicians and managers. Currently, cooperation is being conducted among the Nordic countries under the auspices of the Nordic Council of Ministers, for example, on possibilities for cross-Nordic criteria development and information exchange.

Session 4: Social aspects in sustainable public procurement

This session had two main segments. In the first half, Professor Christopher McCrudden of Oxford University presented some preliminary comments based on the paper that he was developing. This part was facilitated by Mr. David O'Connor of the Division for Sustainable Development, UN/DESA. In the second half, Mr. Mike Shone of ILO outlined the work of the organization on this aspect. This segment was facilitated by Dr. Christina Theochari, Environment Manager of ATHOC.

Professor McCrudden explained that linking social justice to procurement policies had been practiced since the nineteenth century. The examples included the United States on "10-hour day" and the United Kingdom on "fair wages". These addressed such aspects as employment conditions, disabled workers, unemployment, anti-discrimination and status equality. ILO Conventions emerged as international agreements on these aspects after the Second World War. Current examples include: enforcement of anti-discrimination laws in Canada, the United States, and in the United Kingdom; set-asides for minority businesses in the United States, Malaysia, South Africa and Canada; unemployment in Northern Island, France and the Netherlands; and human rights abroad in the United States.

There is a diversity of technical approaches to address these linkages, which include qualification criteria, contractual conditions, award stage consideration, price preference and offer-backs. He explained, however, that from the 1960s, but particularly during the 1980s and 1990s, with the spread of globalization and new development in the trade regime, procurement regulations had undergone reforms and the linkages had become restricted. The policies of the European Communities, the negotiation rounds under the General Agreement on Tariffs and Trade (GATT), currently under the World Trade Organization (WTO), the North American Free Trade Agreement (NAFTA), and other bilateral procurement treaties all made impacts on the linkages. He pointed out several possible causes for tensions between procurement reforms and social linkages. They include possible extra costs, possible unfairness to particular stakeholders, greater bureaucracy, option for other policy instruments, possible encouragement for corruption, lack of transparency, and protectionist concern. Faced with these changing international environments, considerable variations in the national responses have been observed. Some countries have abandoned social linkages, at least temporarily, such as the United Kingdom. Some countries have opted out of international agreements in order to preserve social linkages, such as Malaysia. Some other countries have adapted their social linkages somewhat, while retaining them, such as seen in the German states. Yet some other countries have negotiated country-specific exceptions, such as done by Canada. There are other countries that have yet to decide.

He elaborated on the adaptation by the European Community, noting the crucial role played by the European Court of Justice, including Beentjes case on social clause and Concordia Bus case on environmental clause. The European Commission has issued communications regarding environmental and social aspects in public procurement. The package of legislative reform measures have been heavily negotiated on the social issues by the Council, the Commission and the Parliament. At the World Trade Organizations, some issues relating to public procurement have not been resolved, including the Massachusetts case regarding Burma and Myanmar as well as the transparency in public procurement, one of the so-called "Singapore issues". In concluding, he posed some questions for future consideration, such as the similarity between the social and environmental linkages, the role of social issues in sustainable procurement, social issues that are in conflict with procurement reform, and the impact on developing countries.

In the discussion that followed, many interesting points were raised. It was pointed out that compared to the case of environment, the benefit in social issues was difficult to quantify in monetary terms since it would involve such aspects as fairness and human rights. Noting the example of the affirmative action in the United States, which could result in adverse selection of students and faculty, point was made that due to increased argument for liberal economic thinking since the 1980s, issues previously considered social have become economic. The difference in addressing social aspects within national context and outside of a country was also pointed out. Within the national context, it would be easier, especially where there was a direct linkage between the policy and the beneficiaries. However, when it would involve other countries, there would be a legal issue as well as a normative issue to be considered. With regard to legal issue, WTO may be able to provide a solution, but the normative issue would be more

difficult and would depend on social policies of concerned countries. The possibility of developing widely acceptable social criteria was raised, but it was pointed out that such attempt would be very difficult. Compared to environment, where it would be easier to see what was good or bad, social standard would depend on the context, including economic situation, and social and cultural background.

In the second half of the session, Mr. Shone presented the work of ILO in addressing social dimensions of public procurement. He pointed out that for ILO, the key instrument was Convention 94 on Labour Clauses (Public Contract), adopted in 1949, which provided that working conditions under public contracts should not be less favourable than prevailing conditions of work. The Convention is ratified by 59 countries. He gave examples of major financial institutions addressing the social aspects. For example, the International Finance Corporation (IFC) takes into account Core International Labour Standards on all IFC loans, which amounted to \$5.4 billion for developing countries. 18 leading banks have adopted “Equator principles”, which are common standards employed by private banks, in their role as lenders, for managing the environmental and social impact of projects financed through project finance schemes. However, he also pointed out that there were still 20 million in bonded or slave labour and 250 million in child labour globally, and 2 million deaths related to work annually. Noting that employment creation was the central focus of the ILO’s work, he emphasized that the promotion of employment increasing models could take advantage of low labour cost in low-income developing countries.

The construction sector is particularly important in developing countries, where 20 per cent of total investment and 30-60 per cent of public investment goes to the infrastructure. An example in this regard is the Provincial and Rural Infrastructure Project in Cambodia with the World Bank, which favoured labour-intensive construction methods and thereby created an estimated one million additional workdays. Special labour and HIV/AIDS clauses were also incorporated in contracts. He then stated that targeted procurement would be the way ahead and that the assessment of targeted procurement in South Africa, carried out by ILO in 2002, showed a positive result regarding job creation and emerging contractors. In addition, ILO is also carrying out research on the difference of labour-based and equipment-based work methods in the Philippines, Indonesia, Palestine, and Cambodia. He reported that a source book was being developed by the Department for International Development (DFID) of the United Kingdom and ILO on implementing labour standards in construction. In concluding, he suggested some areas that ILO could work as a next step. They included: continuation of social dialogue with major players; work on the World Commission on Social Dimension of Globalization; harmonizing economic, social, environmental and political interest; building on existing initiatives to develop acceptable national and regional guidelines; and a possible new international labour standard.

In the discussion followed, asked whether targeting too much could not lead to favouritism, Mr. Shone responded that there would be a need to separate the case for developing and developed countries. In developing countries, the priority is to reduce poverty and targeted procurement could assist in this regard. With regard to ILO’s work

with bilateral and multilateral organizations in promoting contract resulting job creation, he presented the examples of work with the World Bank and Asian Development Bank as well as those with DFID, Nordic countries, the Netherlands and Italy. With regard to tied loans, he pointed out the necessity of negotiation prior to signing a contract and noted that ILO could provide hands on assistance. With regard to the pressure for privatization, his response was that the notion of private sector creating more jobs was not necessarily the case. Regarding the point that “contract should go to local contractors”, the question of linkage between social consideration and protectionism was raised. The emphasis on construction sector also raised a concern regarding gender equality and a suggestion was made to consider the role of women in development. With regard to the possibility of social labeling, it was pointed out that it would be more complex than the case of environment and legal issues might arise, in particular with respect to the Agreement on Technical Barriers to Trade.

Session 5: Database for sustainable public procurement

The main presentation of the session was by Mr. Hiroaki Koshibu of Green Procurement Network (GPN) of Japan on the work of the organization, focusing on its work on the product database and guidelines. The session was facilitated by Mr. Michael Damm of the City of Kolding.

GPN was founded in 1996 to promote green purchasing in Japan by the initiative of the Environment Agency (currently the Ministry of Environment). It is a non-profit organization with 2,809 members, comprising of 2,177 corporations, 364 public entities, and 268 non-governmental and non-profit organizations. He first outlined the history of green purchasing in Japan, which started in the 1980s with a few targeted products, such as recycled paper and low-emission vehicles. In 1987, Eco-Mark programme was launched and in 1994, Shiga prefecture formulated the first comprehensive guideline on green purchasing in Japan. The approach was more formalized by the enactment of Green Purchasing Law in 2002. Currently, among the public sector, all central government ministries practice green purchasing, as mandated by the Law. In addition, all 47 prefectural governments and 12 designated cities are engaged. Through the survey conducted by GPN, it was also found out that 50 per cent of 700 cities systematically implement green purchasing. GPN survey conducted in 2002 further found out that 51 per cent of responding companies have written policies on green purchasing. Together with another survey conducted in 2001, GPN found that there was a positive market impact of green purchasing. For example, in 2001, among 673 companies, 74 per cent responded that the sales of green products had increased in the two previous years. GPN estimates the market size of green products in Japan to be around ¥38 trillion (\$320 billion). GPN carries out many activities for promotion of green purchasing, including organizing seminars and events, such as “Green Purchasing Award”, provision of guidance, conducting case studies, dissemination of information and establishment of regional networks. In addition, as one of the main activities,

GPN develops purchasing guidelines and product database. The guidelines target major product groups, commonly purchased and have high environmental impact. In developing a guideline, the features to be specified are limited to 10 at the most and focus are given to those that are important and can be differentiated. These guidelines are not meant to set standards, but aimed at suggesting the direction of consideration. The development of a guideline normally takes between 6 months to a year, undergoing wide consultations. The database currently covers 13 product groups and contains information on 11,000 products of 600 companies. It provides detailed information, such as environmental information, the status of eco-labels, conformity with the criteria of the Law, price and major functions. It is updated four times a year and attracts 300,000 page views per month. Mr. Koshibu pointed out that GPN did not recommend specific products and that the choice was left up to the users. The major feature of the database is that product data can be easily compared in the unified format. Manufacturers register the data at their own responsibility through the Internet with a cost of ¥1,500 (about \$13). The 2002 survey showed that the 82 per cent of institutional purchasers used Eco-mark and 45 per cent used GPN Guidelines and Database, showing relatively high usage of GPN information.

He noted the GPN's contribution in achieving high rate of institutional green purchasing in Japan, which were combined with the large interests in obtaining ISO 14001 certification as well as enactment of the Law on Promoting Green Purchasing. As future tasks, he pointed out that GPN would work towards the expansion of the scope of green purchasing, encouragement of voluntary activities exceeding the level provided by the Law and changing individual consumers' behaviour. In addition, he also noted that GPN would increase its efforts on international cooperation through, for example, sharing information and experiences, supporting to initiate green purchasing activities, organizing workshops and conferences, development of common guidelines on internationally traded product categories, and building a global database on products. As a concrete future activity, he announced a plan to hold an international conference with the City of Sendai in the autumn of 2004.

Mr. Hosoi of the City of Sendai followed the presentation and elaborated on the first International Conference on Green Purchasing to be held in Sendai, on 6-7 October 2004. The objectives of the Conference are to promote international collaborations and to advance on the implementation of green purchasing for sustainable development. The Conference aims to adopt Sendai Green Purchasing Manifesto. Mr. Hosoi extended invitation to all the participants of the meeting.

In the discussion that followed, question was raised how to verify the quality of data. In response, Mr. Koshibu noted that GPN did not check the entry, but if any inconsistency was pointed out, it would publish the fact, thereby imposing moral penalty. With regard to the relationship with Eco-Mark, a Japanese eco-label scheme, it was noted that although it was developed under the same umbrella organization, two institutions were quite independent to each other. It was also noted that monitoring of implementation by cities was followed up by surveys.

Concluding session:

The concluding session first heard the outcome of the discussion in working groups by the facilitators.

Ms. Marras reported that the group considered the development of a sustainable development tool-kit and web-based database. The group considered that a tool-kit should be tailored to individual countries and their situations. In developing, it should be widely circulated for comments. It should be clear and concise and refer to existing publications. It should recognize legal constraints and internationally recognized and branded. Such a tool-kit should be available in different languages according to the local needs. Regional training should be conducted for wider application. A possible web-based database that would be linked to the tool-kit was discussed, but mainly in the form of points to be considered. Such points included ownership, coverage and level of standards.

Ms. Ginnever reported on the deliberation of her group, which discussed the issue of social aspects. It was noted that the Supplier Development Tool of the Environment Agency was currently being used on an environmental improvement basis. Social research was carried out alongside the environmental research, but the process has not started to utilize the findings. It was observed that there was a lack of information in the area and the arguments for whether or not to include social criteria largely based on assumptions. Some barriers were identified. It was recognized that supply chains were constantly evolving and therefore by the time mapping exercise was completed, both the chain and the relevant legislation could potentially change. The issues of transparency in the supply chain and the ability of small- and medium-scale enterprises (SMEs) were also pointed out. The group identified some key issues to be pursued. There is a need to know how many SMEs supply government both directly and indirectly within the supply chain. There is also a need to identify where the contracts are going, more specifically, what percentage of contracts are going to the developing countries. In order to address these issues, the group suggested that the research that had been carried out by the Environment Agency of England and Wales could be extended and applied across other countries. The potential institutions to collate and distribute this information include the United Nations, OECD and ICLEI.

Ms. Bergman reported on the outcome of the last group, which discussed widely on different national approaches. The group conclusion focused on how to initiate and promote the implementation of sustainable public procurement. The group considered that initial step was to start small, possibly by pilot projects, in cooperation among wide stakeholders. It would be important to learn by best practices of other countries and institutions. In this regard, the group identified that an international database on best practices was needed. Such a database should be interactive to secure transparency and should be user-friendly. The database should be complemented by a manual in local languages and training should be provided to make it user-friendly.

The meeting then considered the future work, addressing international cooperation and linkage with the Marrakech Process. This segment was facilitated by Mr. Deliyannis of NCED and Ms. Takase of UN/DESA.

The experts highlighted the following as key issues for future activities.

1. Environmental, economic and social pillars need to be integrated or harmonized, employing life-cycle thinking.
2. There is need to recognize and address different regional environmental, economic and social realities and requirements. The ICLEI initiative on RELIEF project is a good example in trying to quantify environmental effects of changing procurement practices in a specific region.
3. For social issues, it would be helpful to identify major product groups for criteria development, for example, textiles, food (“need-to-know” approach), replicating the experience in incorporating environmental criteria. From developing countries’ perspective, poverty eradication is the utmost priority. Many participants were interested in the possible use of public procurement towards this end.
4. There is need for consideration of how developed countries’ procurement policies may influence the welfare consumption and production patterns of developing countries. While much public procurement remains local, globalization is gradually changing that. Use of new environmental and/or social criteria in procurement must not become a new barrier to trade facing developing countries.
5. As many developing countries have not even started integrating environmental aspects into their public procurement practices, cooperation on environmental aspects of sustainable public procurement should continue as a matter of priority.
6. International cooperation and sharing of information on best practices should continue, taking into account regional differences.
7. Have expert meetings at the regional level in conjunction with the regional meetings under the Marrakech Process and invite social experts.
8. Multistakeholder process is important and should be replicated, where appropriate. However, it is not always possible or advisable. Instead, local initiatives should be the starting point.
9. The discussion on sustainable public procurement and sustainable consumption and production patterns should take into account the results of the processes of the major environmental treaties. In addition, consideration should be given to the implications regarding WTO process.

In order to address the above issues, the following actions were proposed.

- a. It was suggested that UN/DESA send out questionnaires to interested governments, local authorities and institutions regarding the following:
 - Feedback on the follow-up activities from the meeting participants. Many participants noted that they would discuss the information obtained at the meeting in their offices, and send the feedback to UN/DESA.
 - On social aspects, key issues of interest/concern to governments, existing policies, guidelines and codes of practice, and concrete examples of how they

work in practice. This information could be synthesized to form a background document for the next meeting.

- Networking, by asking focal points at country, local and institutional levels.
- b. Many participants noted that they would follow-up by:
- Reviewing the current work of their ministries, agencies or organizations, identifying opportunities for further action on sustainable public procurement, and making a list of best practices;
 - Monitoring developments at the national level through surveys;
 - Information dissemination within each country to relevant authorities, managers and politicians.
 - Promoting sustainable procurement in institutions and enterprises, including SMEs.
- c. Many participants agreed that local initiatives are important, given the tendency in many countries towards decentralization, with local governments commanding a larger share of the procurement market, and they looked towards ICLEI to continue to lead the process.
- d. Many developing country participants looked towards development of a tool kit – such as the one being developed by UNEP – for government procurement officers.
- e. Research is needed on resource and capacity building requirements, and on possible sources of funding to assist implementation of sustainable public procurement.
- f. Participants looked towards increased international cooperation and involvement of more countries in this process.

The participants agreed to constitute themselves as an “Expert Group”. The participants also expressed their interest in having future meetings for exchange of information on their activities as well as advancing the understanding on the social aspects of sustainable public procurement and integrating the three pillars of sustainable development in their work.

The Hellenic Ministry for the Environment, Physical Planning and Public Works expressed its satisfaction on the meeting as a host and thanked all the participants and NCED and UN/DESA for organizing the meeting. The Greek National Centre for Environment and Sustainable Development also expressed its satisfaction and gratitude for all, noting that it was the most international meeting that NCED had ever organized. UN/DESA thanked the Hellenic Ministry for the Environment, Physical Planning and Public Works for its generous hospitality, NCED for its collaboration in organizing and to the participants for their active participation. UN/DESA also expressed its gratitude to the Government of Switzerland for their generous contribution that allowed to facilitate the participation of experts from developing countries.