



Green public procurement

Key points

- **Public sector purchasing is a powerful force that can influence markets for environment-friendly products and services and create markets for appropriate technologies and innovative solutions.**
- **Poorly managed government spending is counterproductive to a green economy transition because it depletes environmental assets and diverts scarce financial resources.**
- **Governments need to have a policy framework and matching procurement criteria so that government agencies follow green procurement standards.**

Green public procurement explained

Green procurement is the selection of products and services that minimize environmental impacts. Environmental considerations include, among other things, the reduction of pollution, improved energy and resource efficiency, reduction of waste and toxic and hazardous materials.¹

According to *Procuring the Future*, "Sustainable public procurement is a process whereby public organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization but also to society and the economy while minimizing damage to the environment."² It incorporates social considerations in addition to environmental considerations. Social considerations can include equality, poverty eradication and employment conditions.

Public spending represents up to 30 per cent of national GDP and every purchase is an opportunity to drive markets towards innovation and sustainability.³ Poorly managed government spending is counterproductive to a green economy transition because it depletes environmental assets and diverts scarce financial resources.

Green public procurement is an effective way to pursue social and environmental goals. In addition to creating demand for green goods and services, green procurement can increase the credibility of public authorities, particularly when encouraging industry and consumers to change their patterns of production and consumption.

Sustainable public procurement seeks to achieve the appropriate balance between the three pillars of sustainable development:⁴

¹ United Nations Department of Economic and Social Affairs, "Public Procurement as a Tool for Promoting More Sustainable Consumption and Production Patterns", *Sustainable Development Innovation Briefs*, August 2008. Available from http://esa.un.org/marrakechprocess/pdf/InnovationBriefs_no5.pdf (accessed 22 February 2012).

² United Kingdom, *Procuring the Future* (London, Department for Environment, Food and Rural Affairs, 2006). Available from www.defra.gov.uk/publications/files/pb11710-procuring-the-future-060607.pdf (accessed 25 February 2012). Definition adopted by the Task Force on Sustainable Public Procurement led by Switzerland (membership includes Switzerland, USA, UK, Norway, Philippines, Argentina, Ghana, Mexico, China, Czech Republic, State of Sao Paulo (Brazil), UNEP, IISD, International Labour Organization (ILO), European Commission (DG-Environment) and International Council for Local Environmental Initiatives (ICLEI)) and in the context of the Marrakech Process on Sustainable Production and consumption led by UNEP and UN DESA.

³ United Nations Environment Programme, *Capacity Building for Sustainable Public Procurement* (Nairobi, 2011). Available from www.unep.fr/scp/procurement/docsres/ProjectInfo/ProjectBrochureEN.pdf (accessed 21 February 2012).

⁴ United Nations Environment Programme, Division of Technology, Industry and Economics website "Sustainable Consumption and Production Branch". Available from www.unep.fr/scp/procurement/whatispp/ (accessed 20 February 2012).

- **Economic factors** include the costs of products and services over their entire life cycle, such as: acquisition, maintenance, operations and end-of-life management costs (including waste disposal) in line with good financial management.
- **Social factors** include social justice and equity, safety and security, human rights and decent employment conditions.
- **Environmental factors** include emissions to air, land and water, climate change, biodiversity and natural resource use over a product's life cycle.

Strengths of green public procurement

- **Raising awareness:** Green public procurement can be a driving force to bring sustainable consumption to the attention of the public and entrepreneurs, which ultimately expands markets for green products.
- **Expanding green markets:** Through sustainable procurement, governments can set an example and deliver policy objectives. These signals allow companies to make long-term investments in innovation; thus, public procurement kick-starts markets for more innovative and environment-friendly products and services. It encourages producers to realize economies of scale and consumers to follow the government's lead, resulting in the wider commercialization of green goods and promoting conscious consumption.
- **Social, environmental and economic benefits:** Buying green and efficient products and services generates social, environmental and economic benefits, namely a reduced ecological footprint, enhanced innovation and competitiveness as well as an increased availability of green products and services.⁵

Country experience: Green procurement in Japan

To promote new technology in the market, governments should pursue green procurements in the initial stage of technology diffusion. Zero-emission electric vehicles, for example, are drawing attention because of the growing concerns about global warming and the climate. However, electric vehicles still represent only a niche market, primarily because of the difficulty to set up sufficient recharging infrastructure. Operating an electric vehicle requires periodical recharging, but recharging stations are typically not that plentiful in countries where the vehicles are available.

In Japan, the Nissan electric vehicle called "Leaf" is mostly sold to local governments rather than to regular customers. The lack of recharging station infrastructure makes customers reluctant to buy the cars. Nissan has only sold 13,600 cars around the world since they went on sale in December 2010.⁶ There are now 619 recharging stations throughout Japan, with more than half installed in the company groups that promote electric vehicles, while the remainder are with local governments.

At the early stage of technology diffusion, it is important for a government to promote the technology by using its own procurement scheme. To stimulate the sales of the Leaf, the Nissan Motor Co. developed a charger for electric vehicles that is smaller, cheaper and easy to install. The newly developed quick-charging unit retains a high performance and will cost significantly less than US\$13,000, while the base specification unit will cost less than half the price of the current unit, which is now on sale for US\$19,000.⁷ Nissan plans to install the new charging units at an increasing number of its dealerships nationwide and to introduce the new units at locations throughout Japan that draw large numbers of customers. This fact underscores the importance of the infrastructure availability at the time electric vehicles are introduced in the market.

⁵ United Nations Environment Programme, *Capacity Building for Sustainable Public Procurement* (Nairobi, 2011). Available from www.unep.fr/scp/procurement/docsres/ProjectInfo/ProjectBrochureEN.pdf (accessed 21 February 2012).

⁶ *The Economic Times*, "Nissan Develops Cheaper, Smaller Charger for EVs", September 12, 2011. Available from <http://economictimes.indiatimes.com/news/international-business/nissan-develops-cheaper-smaller-charger-for-evs/articleshow/9954745.cms> (accessed 20 February 2012).

⁷ Green Car Congress website, "Nissan Develops New Quick Charger for Electric Vehicles" (12 September 2011). Available from www.greencarcongress.com/2011/09/nissancc-20110912.html (accessed 20 February 2012).

Box 1: Green public procurement laws in Asia

China: As of 2007, the central and provincial governments are required to prioritize environment-friendly products listed in a green product inventory. The list includes products that have been approved by the China Certification Committee for Environmental Labelling. Products must meet the environmental protection and energy saving standards set by the State Environmental Protection Administration to obtain the label.

Japan: The 2000 Law on Promoting Green Purchasing makes it compulsory for the Government to follow green procurement criteria while encouraging local authorities, private companies and individuals to make efforts for purchasing environmentally sound products and services. All state ministries, departments and agencies have to define procurement targets in every fiscal year and make the results of their green procurement efforts publicly available.

Republic of Korea: The Promotion of the Purchase of Environment-Friendly Products Act of 2005 requires public agencies at the national and local levels to publish and enact green procurement policies and implementing plans and to report the results.

Source: United Nations Department Economic and Social Affairs, "Public procurement as a tool for promoting more sustainable consumption and production patterns", *Sustainable Development Innovation Briefs*, Issue 5, August 2008. Available from http://esa.un.org/marrakechprocess/pdf/InnovationBriefs_no5.pdf (accessed 26 February 2012).

Challenges for green public procurement

- **High implementing costs:** Green products and services may have higher upfront costs than conventional products; thus procurement policies may need to be revised to permit the use of non-price criteria and to incorporate green criteria.
- **Lack of knowledge:** A major hurdle for the widespread use of green procurement practices is a lack of knowledge among officials on how to achieve it. Training on how to incorporate environmental criteria is crucial for acquiring green products and services.
- **Uncertainty regarding real environmental impacts of products:** Making the right choice for specific technologies and goods is particularly difficult in the context of immature technologies and has to be determined by comprehensive analysis.⁸

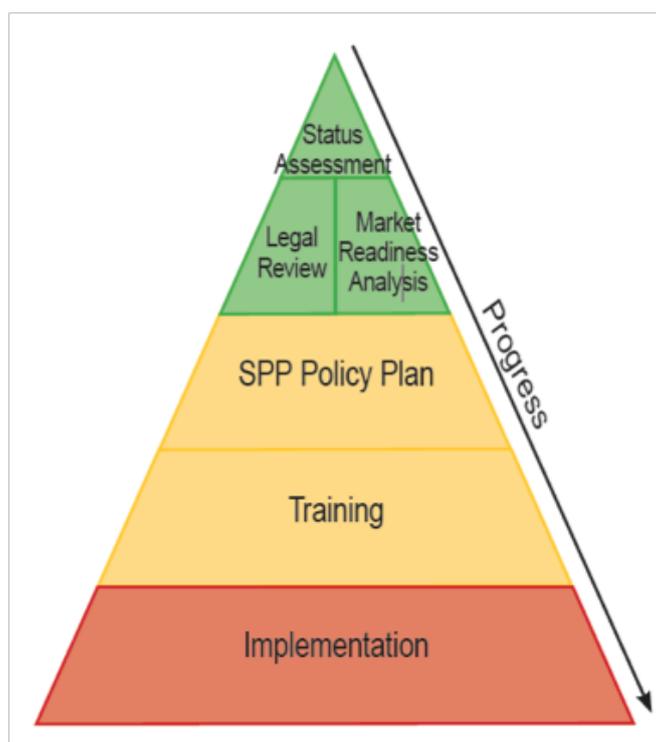
Implementing strategies

Take the step by step approach: The Marrakech Task Force developed a step-by-step approach that aims to encourage and assist public authorities to pursue green, or sustainable, public procurement. It is a flexible implementing strategy and takes into account the varying needs, priorities and legal frameworks present in different countries. Depicted in figure 1, the approach ideally starts from the top of the triangle and ends with the implementing of sustainable public procurement (SPP) in day-to-day procedures; the policy plan must receive inputs from a status assessment, a legal review and a market readiness review.⁹

⁸ United Nations Environment Programme, *Enabling Conditions: Supporting the Transition to a Global Green Economy* (Nairobi, 2011). Available from www.unep.org/greeneconomy/Portals/88/documents/ger/GER_14_EnablingConditions.pdf (accessed 20 February 2012).

⁹ Marrakech Task Force, *Marrakech Task Force on Sustainable Public Procurement* (Bern, 2011). Available from www.unep.fr/scp/procurement/docsres/ProjectInfo/MTF_Flyer_A4_Ansicht.pdf (accessed 21 February 2012).

Figure 1: Developing a green, or sustainable, public procurement scheme



Source: United Nations Environment Programme, *Capacity Building for Sustainable Public Procurement* (Nairobi, 2011). Available from www.unep.fr/scp/procurement/docsres/ProjectInfo/ProjectBrochureEN.pdf (accessed 21 February 2012).

Identify priority sectors for green, or sustainable, procurement: Prioritizing ensures that public procurement expenditures are not used in sectors in which there is little room for governments to influence the market or where governments cannot expect to find green or sustainable alternatives at a competitive price. Adequate means for this are market potential analyses, reviews of national procurement frameworks and procurement assessments.

Circumvent high implementing costs: To lower initial costs, governments embracing green procurement criteria should focus on goods and services that have a short payback time or high rate of return when their efficiency gains are factored in.¹⁰ To overcome the hurdle of high investments, long-term leasing opportunities for equipment, which transfers the costs of maintenance and replacement back to suppliers, should be considered.

Mandate green public procurement: High-level political commitment makes a difference. Government leaders should make clear that green procurement is a priority through the help of a country-based green public procurement policy and action plan that includes a capacity-building programme so that agencies can set expectations for their procurement officers.

Clear criteria integrating social and environmental aspects for green, or sustainable, public procurement are needed. Procedures for selecting products and services and government-wide training and technical assistance for procurement officers will help encourage familiarity with green procurement practices.

¹⁰ United Nations Environment Programme, *Enabling Conditions: Supporting the Transition to a Global Green Economy* (Nairobi, 2011). Available from www.unep.org/greeneconomy/Portals/88/documents/ger/GER_14_EnablingConditions.pdf (accessed 20 February 2012).

Further reading

Buying green! A Handbook on Environmental Public Procurement (Brussels, European Commission, 2004). Available from http://ec.europa.eu/environment/gpp/pdf/buying_green_handbook_en.pdf

Improving the Environmental Performance of Public Procurement: Report on Implementation of the Council Recommendation (Paris, Organisation for Economic Co-operation and Development, 2007). Available from www.oecd-ilibrary.org/docserver/download/fulltext/0207091ec001.pdf?expires=1329987595&id=id&accname=ocid49013645&checksum=D4C5EDF59BB6DF78D26AAB8889568160.

"Public Procurement as a Tool for Promoting More Sustainable Consumption and Production Patterns", *Sustainable Development Innovation Briefs*, Issue 5 (New York, United Nations Department of Economic and Social Affairs, 2008). Available from http://esa.un.org/marrakechprocess/pdf/InnovationBriefs_no5.pdf