



5. Green Public Procurement

Definition and objectives

Green public procurement usually means that the acquisition of goods or services by the public sector takes environmental elements into account (when considering how to create the best possible value for taxpayers).

Green public procurement is thus expected to encourage the market to produce and sell more environmentally sound products and services and thus to reduce their prices through economies of scale. As one of the largest purchasers, the public sector has substantial power to exert influence over the market: Public spending in the EU amounts to about 16% of GDP. It also enables governments to demonstrate commitment to protect the environment in concrete actions.

Mode of operation

Public procurement can be conducted by authorities and organisations (including state owned companies) at local, regional, national and international levels. It involves setting up detailed purchasing rules with clear parameters that prevent discrimination of bidders and ensure transparency. In green public procurement, the environment is counted as one of the parameters when purchasing products and services or contracting out public work. The environmental criteria can be applied to products or services that have environmental impacts relative to available alternatives, examples of which are shown in the box on the right hand side.

A typical procedure for setting up green public procurement schemes is illustrated below. The order of the procedure is not necessarily universal.

Examples of goods and services for green public procurement

- Energy-efficient office equipment and computers
- Stationary/ Office supplies
- Recycled paper
- Office furniture made of timber from sustainably managed forests
- Organic/fair-trade food in cafeterias
- Hybrid/ fuel-cell cars
- Environmentally friendly public transport
- Electricity stemming from renewable energy sources
- Energy-efficient buildings and construction

Step	Issues to consider
Design policy	Government or the contracting body sets general principles for green procurement.
Train the purchasing staff	The existing procurement staff cannot be expected to be environmental experts. The environmental department needs to co-ordinate with procurement staff or purchasing personnel in different departments and needs to organise appropriate training for integrating environmental criteria into purchasing decisions.
Assess needs	The purchasers first need to evaluate their needs for purchasing the item, as they might even be able to conclude that there is no need of purchasing in the first place. Also alternative ways should be assessed, e.g. leasing or renting as these function-oriented solutions have shown to improve resource efficiency considerably.
Define the subject of the contract	After identifying the needs, the purchasers need to conduct a market analysis on what environmentally sound alternatives are available for the item as well as their general price level, and define the subject of the contract (e.g. “energy-efficient building contract”, “environmental cleaning contract”).

Define technical specifications	The purchasers have to translate the subject of the contract into measurable technical specifications that can be applied directly in a normal procurement procedure. The specifications can be defined in a number of ways – setting performance targets, defining minimum requirements, applying national or international technical standards, and specifying (non-) usage of specific materials, and process or production methods. A wide range of private, national and international eco-labels can be utilised to define specifications.
Selecting, awarding and monitoring the contract	The procedure for calling for a tender and selecting the contract is the same as that of ordinary public procurement, but the purchasers need to ensure that the contractor has a capacity for delivery and to properly monitor whether it complies with the specified requirements.

Tab. 1: Steps and issues to be considered regarding green public procurement

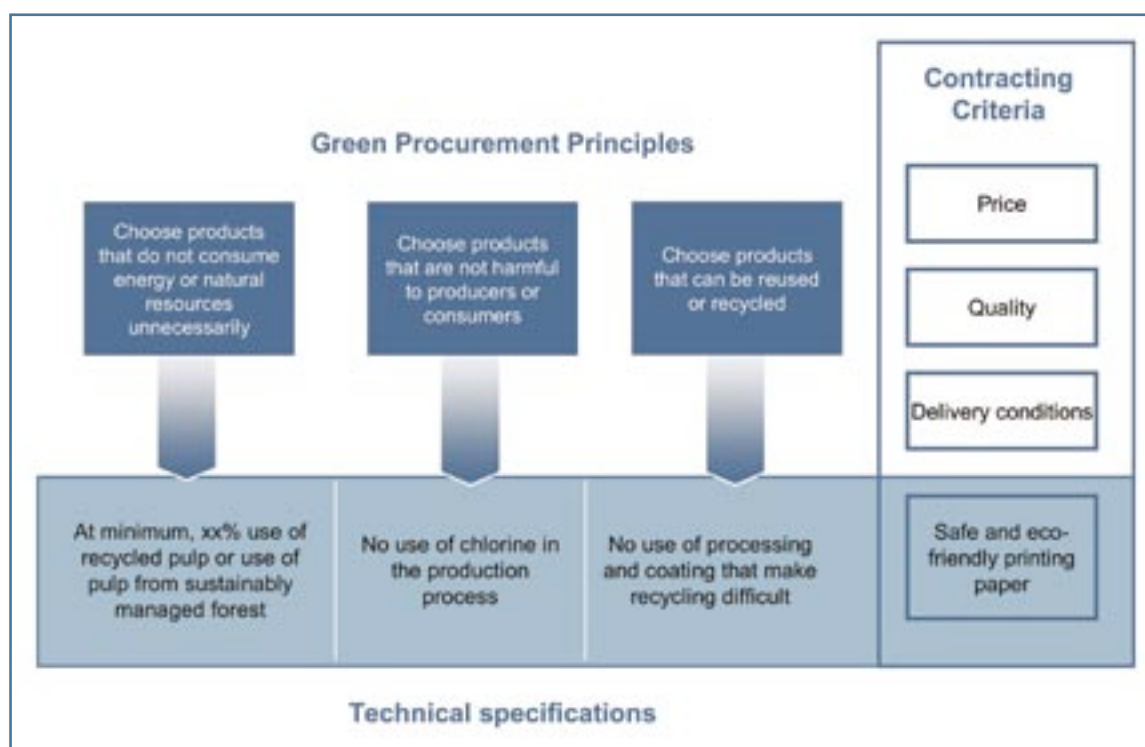


Fig. 1: An example of the procedure to apply environmental criteria for procuring office paper. Source: EC 2004

Strengths & weaknesses

Green public procurement has certain strengths and weaknesses as an instrument promoting resource efficiency as summarised below:

Strengths	Weaknesses
<p>Show commitment and leadership</p> <p>By implementing green public procurement, public authorities can demonstrate commitment to environmental policies and lead the way towards sustainable consumption by setting an example. This will increase authorities' credibility when encouraging industry and consumers to change their consumption patterns.</p>	<p>Extra cost</p> <p>Environmentally sound goods and services tend to be more expensive than the conventional options. Public authorities may need to justify the additional cost to taxpayers. Higher administrative costs may occur as the setting of environmental criteria and subsequent evaluation needs more time. There is a tendency within public procurement to contract large amounts of different products with one tender, which makes it very difficult to set detailed specifications.</p>

Large impact

If many authorities adopt green procurement practices, its positive impact on the environment will be significant. Their green procurement standards may become a general standard for the entire market beyond their geographical boundaries, as did the US Energy Label for office electronics.

Make the green market viable

Green public procurement also provides the market with incentives to produce and sell more environmentally sound products and services. It is expected that the economies of scale that public authorities bring would lower the cost of such products and services faster and more substantially. The initial extra cost entailed with green procurement may lead to greater savings in the long term.

Lack of reliable information

Without reliable information on environmental characteristics of products and services, purchasers cannot prioritise their actions. Eco-labels and technical standards, if available, would greatly help to define specifications, but their criteria and definitions are often diverse depending on country, sector, company, product, and certification body. The lack of a unified approach has made it difficult for public authorities to adopt good practices.

Unfavourable legal framework

Existing legal frameworks in many countries are not necessarily favourable to green public procurement. The principles for conventional public procurement and international treaties include non-discrimination, best value for money and free movement of goods and services. They may not allow authorities in all cases to specify high environmental standards or discontent may be created amongst vendors.

Table 2: Strengths and weaknesses of green public procurement. Source: EC, 2004; Borg & Co., 2003

The cost incurred for implementing green public procurement is not necessarily significant as existing procurement procedures and frameworks can be utilised (see the table below). Where product information and standards on environmental aspects are already available the cost for developing technical specifications can be significantly reduced.

Category	Description	Faced by
Formulation	...for setting up the internal structure promoting and overseeing green procurement	Public body implementing green procurement
Capacity building	...for training the purchasing staff to understand the integration of environmental criteria into the regular procurement procedures	Government/Public body
Developing standards	...for setting up product standards and a database that can be utilised for technical specifications	Government/Public body/Standard-setting body/ Industry/ Consumer Advisory/ Protection Organisations
Contracting	...for selecting the contractors and monitoring their compliance	Public body

Table 3: Costs associated with green public procurement

Success factors

Success of green public procurement depends on a variety of factors that capitalise on the strengths and minimise the weaknesses described above:

Success factor	Explanation
Set up frameworks for environmental information disclosure	The availability of environmental information on products and services is one of the basic conditions to determine the success of green public procurement. The government needs to set regulatory or voluntary frameworks (or encourage others to set similar schemes) for companies to disclose environmental information on their products and services (e.g. eco-labelling, environmental management and performance certifications, green product database).

Work together with other authorities and standard-setting organisations	To ease implementing green public procurement, public authorities should be encouraged to act jointly in setting common policies and standards for technical specifications. They can also utilise existing product information platforms (e.g. European Green Procurement Database) and internationally recognised standards or certification schemes (e.g. Forest Stewardship Council).
Co-operate between departments	Green procurement requires various departments within the public body to exchange ideas and co-operate with respect to purchasing orders. By purchasing together, they can save the transaction costs as well as increase the economies of scale of green products.
Provide a legal protection	A legal framework that enables public purchasers to justify adding environmental specifications for procurement may be needed to avoid legal disputes with vendors. The EU adopted the new Public Procurement Directive in 2004 for this purpose.
Involve industry and NGOs	Green procurement would be most effective when public authorities engage stakeholders including industry/vendors, consumers and environmental organisations during the planning stage. Their views can help set sound but practical purchasing criteria as well as help taxpayers understand the value of buying green products and services. This can also stimulate green procurement in industry.

Table 4: Success factors for green public procurement. Source: EC, 2004; Borg & Co., 2003

Key Literature and Case Studies

European Commission (2004): *Buying Green!: A handbook on environmental public procurement*, Brussels.

ICLEI (2000): *Green Purchasing Good Practice Guide*, Freiburg.

Borg & Co. AB (2003): *Harnessing the Power of the Public Purse: Final report from the European PROST study on energy efficiency in the public sector*, Stockholm.

Case Studies / Examples	Link
UNEP Sustainable Procurement Website:	http://www.unep.fr/pc/sustain/policies/green-proc.htm
German Federal Environmental Protection Agency (UBA)	www.beschaffung-info.de
The UK Waste & Resources Action Programme	http://www.uneptie.org/pc/sustain/design/green-proc.htm
UNEP Sustainable Procurement Programme	http://www.uneptie.org/pc/sustain/design/green-proc.htm