A summary of the “Buying for a better world” report

What is the role of the UN in encouraging sustainable procurement?

The United Nations buys over US$14 billion of goods and services each year from around the world. This gives the organization significant purchasing power to achieve its sustainable development objectives. That does not just mean getting the lowest price, but also using procurement to promote social justice and human rights, to ensure environmental sustainability and to build a future of equitable development and prosperity.

What are the key criteria?

Three factors underpin sustainable procurement. Achieving an appropriate balance between these factors is very important:

1. Economic factors, which include the costs of products and services over their entire life cycle, acquisition, maintenance, operations and end-of-life management costs (including waste disposal);

2. Social and labour factors, recognizing equality and diversity; observing core labour standards; ensuring fair working conditions; increasing employment and skills and developing local communities; and

3. Environmental factors, which include natural resource use and water scarcity, emissions to air, climate change and biodiversity over the product life-cycle.

What commitment has the UN made to sustainable procurement?

On 5 June 2007 (World Environment Day), the UN Secretary-General made a pledge “[…] to explore ways of making the United Nations more climate friendly and environmentally sustainable, and to develop a climate neutral approach to its premises and operations.”

At the October 2007 meeting of the Chief Executives Board (CEB), heads of the UN agencies, funds and programmes, committed to move their organizations towards climate neutrality. This approach was set out in the UN Climate Neutral Strategy.

How does sustainable procurement reinforce the principles of financial regulation?

Best value for money – the concept is defined by the UN as the “optimization of whole-life costs and quality needed to meet the user’s requirements, while taking into consideration potential risk factors and resources available”.

Fairness, integrity and transparency – these principles are guaranteed through the incorporation of sustainability criteria at the early stages of the procurement process.

Effective international competition – sustainable procurement must be implemented fairly between suppliers from countries who are developed, developing and who have economies in transition.

The best interest of the UN – by ensuring economy and efficiency.

What role do suppliers play?

Suppliers to the UN are encouraged to adopt the Supplier Code of Conduct which lays down the expectations the UN has of its suppliers. The UN encourages its suppliers to register with the UN Global Compact initiative. The Ten Principles of the UN Global Compact covers issues such as human rights, labour rights, bribery and corruption as well as expectations on environmental management.

Where is sustainable procurement happening within the UN?

There are numerous examples of UN departments who have adopted sustainable development and are serving as case studies for the rest of the organisation. Most notably, sustainable procurement is being implemented by the World Bank, the Asian Development Bank, the Inter-American Development Bank and the African Development Bank.

Are member states engaged with sustainable procurement?

In 2002, the Council of the Organisation for Economic Co-operation and Development (OECD) called for Member states to “ensure the incorporation of environmental criteria into public procurement of products and services including, where appropriate, environmental impacts throughout the life cycle, while ensuring that transparency, non-discrimination and competition are preserved”.

Sustainable procurement is being implemented across the globe supporting national, regional and international policies. These policies target poverty, wealth creation, stimulation of local economies and employment, promotion of labour rights and the development of environmental technologies.
How is a sustainable procurement policy and action plan formulated?

Obtain high level commitment to sustainable procurement - when approaching managers to discuss sustainable procurement, refer to sustainability issues as well as the benefits (e.g. potential cost savings and enhanced organizational reputation). Advice can be sought from the sustainability management focal points and the Emission Reduction Strategy of the UN organization concerned.

Set up a sustainable procurement working group - establish a cross-departmental Working Group which has a mix of expertise and includes the sustainability management focal point of the organization.

Assessing sustainability risks in procurement & prioritize spending - define a set of issues that the sustainable procurement policy will address and a small number of products or services on which the Action Plan will focus. The number of sustainably purchased products and services can be increased over time with experience.

Develop a sustainable procurement policy - this will provide a sound basis on which to build a coherent, well co-ordinated approach. The policy statement should be a short, high level statement of intent.

Set targets – these should be attainable and relate to either organizational objectives – e.g. achieving carbon neutrality, reducing waste, or specific objectives through the procurement process e.g. number or value of tenders containing sustainable specifications.

Implement a sustainable procurement action plan - this should provide information on how the plan will be delivered; what the timescales are; assign responsibilities to individuals and identify objectives and targets; set milestones in which to achieve targets; and provide information on how success will be measured.

How can sustainable procurement be integrated into procurement planning?

Demand management – challenging needs. Many organizations have achieved success by 're-thinking' their needs.

Resource allocation – ensure purchased items are able to deliver the maximum outcome from a limited amount of input over the longest period of time.

Market analysis - have a good understanding of the market and the types of products and services available

The title of the tender should reflect the need for sustainability.

What tools can be used to define product / service requirements?

State the minimum criteria

Use environmental labels - the complete list of product categories that major eco-labelling programmes cover can be found on the website www.globalecolabelling.net/categories_7_criteria/. The website www.ecolabelindex.com/ecolabels/ provides information on the 300 environmental labels existing worldwide in more than 211 countries.

Use of social labels - Social labels can cover different types of socioeconomic issues, e.g. a ban on child labour.

How can sourcing contribute to sustainable procurement?

It is important that the environmental & social performance of suppliers is looked at. The way to approach this is to:
1) Appraise and short-list suppliers – once a short list of potential suppliers has been established, procurers will normally perform an initial screening of their sustainability qualifications. A more detailed appraisal is usually conducted when tenders are evaluated.
2) Identify sustainability sources through United Nations Global Marketplace (UNGM).
3) Score suppliers on their sustainability, and award contracts accordingly.

What should be taken into consideration when evaluating a supplier?

Whole-life costing - Forum for the Future and Fife Council have developed a tool that enables procurement professionals to understand the total cost of a product from purchase to end of life. It can be found at: www.forumforthefuture.org/project/WLC+CO2.

Technical criteria – only those bids which comply with the minimum sustainability bids will be considered compliant, a weighted scoring system can be used to give extra points to proposals which exceed minimum levels.

An evaluation matrix can be used to compare different proposals as it enables the comparison of a range of technical criteria against price.

How should supplier relationships to be managed long-term?

Contract management has the potential to ensure suppliers’ commitments are implemented and sustainability benefits are achieved. Performance indicators are also an incentive for the organisation to work with suppliers towards sustainability and improve the organization’s energy efficiency, social considerations, etc.

For further information please read the full report: Buying for a Better World.