

Green Public Procurement and Circular Economy

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Mr Dariusz Edward Prasek

Doctor in Environmental Engineering, Member of the United Nations Advisory Board on Circular Economy, International Expert in Environmental, Social and Governance Areas. Former Director of Operations in Environmental and Sustainability Department of the European Bank for Reconstruction and Development.

Introduction

With the support from the Government of Sweden, Georgia is currently implementing a programme aiming to promote and accelerate the transition to the Circular Economy (CE). The programme is being implemented with the assistance of the Georgian Society of Nature Explorers “Orchis” and involvement of international and national experts. The programme provides recommendations to various groups of stakeholders, including policy makers, financial institutions and project promoters how to accelerate the implementation of circular economy principles at various levels of economic activity.

The objective of the CE is to maintain the value of products, materials, and resources in the economy by closing material loops and minimizing waste generation. In recent years, the role of public procurement has been recognized as an important, but as yet not fully exploited, opportunity by cities and municipalities in their transition toward circular societies. By using their procurement to choose environmentally friendly goods, services and works, they can make an important contribution to sustainable consumption and production – what we call Green Public Procurement (GPP).

What is Green Public Procurement?

Green procurement stems from pollution prevention principles and activities. Green procurement compares price, technology, quality and the environmental impact of the product, service or contract. Green procurement policies are applicable to all organisations, regardless of size. Green procurement programmes may be as simple as purchasing renewable energy or recycled office paper or could involve setting environmental requirements for suppliers and contractors.

“Green” products or services utilise fewer resources, are designed to last longer and minimise their impact on the environment from cradle to grave. In addition, “green” products and services have less of an impact on human health and may have higher safety standards. Whilst some “green” products or services may have a greater upfront expense, they may save money over the life of the product or service.

Although GPP is a voluntary instrument, it has a key role to play in international efforts to promote a more resource-efficient economy. It can help stimulate a critical mass of demand for more sustainable goods and services which otherwise would be difficult to get onto the market. GPP is therefore a strong stimulus for eco-innovation.

To be effective, GPP requires the inclusion of clear and verifiable environmental criteria for products and services in the public procurement process. The European Commission, the World Bank Group and a number of European countries have developed guidance in this area, in the form of national GPP criteria. The challenge of furthering take-up by more public sector bodies so that GPP becomes common practice still remains. As does the challenge of ensuring that green procurement requirements are somewhat compatible between countries – thus helping create a level playing field that will accelerate and help drive the market for environmentally sound goods and services.

What are the benefits of Green Public Procurement?

The benefits associated with GPP are not limited to environmental impact, but can include everything from social and health to economic and political benefits. Public procurement can be instrumental in addressing numerous environmental problems. Some examples have been listed below:

- Greenhouse gas emissions (through the purchase of products and services with a lower CO2 footprint throughout their life-cycle);
- Deforestation, (through the purchase of wood and wood products from legally harvested and sustainably managed forests);
- Water use (through choosing more water-efficient fittings);
- Energy efficiency and resource use (by choosing products which are more efficient and implementing environmentally conscious design principles);
- Air, water and soil pollution (by controlling chemicals and limiting the use of hazardous substances);
- Waste (by specifying processes or packaging which generate less waste or encouraging reuse and recycling of materials);
- Sustainable agriculture (by purchasing organically produced food).
- Green purchasing can also set an example for the general public and the private sector, and influence the marketplace. Establishing a GPP policy, and communicating initiatives and their results, demonstrates that action in this area is possible and that it leads to positive outcomes. It can also encourage private sector organisations to use green criteria for their own procurement. GPP can also act as a useful channel for raising environmental awareness by identifying the environmental impacts of a particular product/service throughout its life-cycle and providing information on the benefits of greener alternatives.

Policies on GPP can improve services to the public and thus enhance quality of life. Cleaner public transport, for example, improves air quality. GPP can help drive higher quality standards for products and services, delivering better performance for public authorities and ultimately citizens. New products and services which have been developed to meet the requirements of GPP may also become popular with private consumers, improving overall standards.

GPP often leads to savings over the whole life-cycle of a purchase – both for public authorities and for society in general. Purchasing more energy-efficient IT equipment can save money in many different ways: for example, lower electricity use and easier recycling or reuse at the end of its life. Similarly, a more energy and water-efficient building may cost more up-front, but will save money in the long run.

Promoting green procurement gives important incentives for industry to develop 'green' technologies and products and promote them in the market place. In particular, small- and medium-sized companies may profit from environmental procurement, as it offers an opportunity to find markets for their innovative solutions and products. Introducing 'green' tendering criteria can influence the marketplace and result in new entrants in the field of environmental technologies and products – potentially resulting in increased competition and reduced prices.

What are the key elements of an effective Green Public Procurement?

Effective implementation of GPP requires determining the scope for GPP, setting priorities and targets for the relevant activities, organising appropriate training for staff and monitoring performance. All of these elements may form part of a GPP policy. They should also be supported by the operating procedures and e-procurement systems.

To be most effective a GPP policy should include clear targets, priorities and timeframes; indicate the scope of the purchasing activities covered; indicate who is responsible for implementing the policy; and include a mechanism for appropriately monitoring performance. The GPP policy should be aligned with any existing policies and strategies relating to procurement and the sustainable operation of the organisation. External advice or peer review from other public sector organisations implementing GPP is beneficial.

Once a policy is in place some form of operational implementation plan should be established, outlining specific tasks, responsibilities and a time plan. The policy and implementation plan should then be communicated as widely as possible, particularly to the staff most affected and to suppliers who have a role to play in delivering the policy. Implementing GPP requires the involvement and cooperation of different departments and staff members across an organisation. Finance, environment and procurement officers will likely need to be consulted, as well as certain specialist departments such as construction, energy or IT.

Introducing GPP into procurement practices will typically require a step-by-step approach. One method is to select a small range of product and service groups to focus on initially. Pilot activities within specific departments, which are most willing to participate can help to demonstrate successful implementation and gain wider acceptance.

In identifying which product, service and works sectors to prioritise, some key factors should be initially kept in mind:

Environmental impact – select those products or services which have a high impact on the environment over their life-cycle.

Budgetary importance – focus efforts on areas of significant spend within the authority.

It is also important to set up clear targets in order to assess progress, and to communicate the intentions within the organisation and to the general public. Examples of some targets are presented below:

- Overall procurement targets – 80% of procurement (by value and by number of tenders) should include GPP criteria by 2022. Targets can differ for national, regional, local levels;
- Product/service specific targets – by 2022, 60% of meals served in school canteens should be organic, or by 2023, all cleaning services should use products meeting the EU Ecolabel criteria;
- Operational targets – all procurement staff will receive GPP training by 2022, or GPP guidance will be available to all staff on the organization's intranet.

In the GPP, the preparatory stage is crucial. Thorough analysis and planning are essential before launching a tender if environmental goals are to be achieved. It can also help to ensure that procedures are run efficiently and obtain best value for money over the entire life-cycle. Different procedures may be used to implement GPP, depending on the subject-matter of the contract and the information gathered during the pre-procurement stage. Procedures such as the competitive procedure with negotiation and competitive dialogue may be suitable when there is a need to be able to adapt a solution to your specific needs. Life-cycle costing, joint procurement, framework agreements or energy performance contracting, for example, may help to demonstrate cost savings through GPP, or to lower investment barriers.

Public procurement is about matching supply and demand, in order to deliver the goods, services and works which the public sector is responsible for providing. Value for money is clearly a key consideration, as is the need to ensure a good level of competition and to respect the international and national legal framework. GPP can be combined with these objectives and in many cases will positively contribute to them – for example by reducing life-cycle costs or encouraging suppliers to update their product or service offers.

GPP can use a number of procurement tools, which are recognised as contributing to financial efficiency, helping to make the business case for applying higher environmental standards. A commonly used tool is Life-cycle costing (LCC) – Procurement decisions are often still made on the basis of the purchase price. However, for many products and works, costs incurred during use and disposal may also be highly significant – e.g. energy consumption, maintenance, disposal of hazardous materials. Taking life-cycle costs into account in procurement makes clear economic sense. As purchase price, energy and maintenance costs may be paid by different departments within the organisation's structure, establishing LCC within procurement procedures will likely require cross-departmental cooperation. Further information on LCC can be found on the EU GPP website: <http://ec.europa.eu/environment/gpp/lcc.htm>.

A very important factor in the effective implementation of the GPP are contract clauses. Contract clauses can address environmental considerations at the performance stage. These must be linked to the subject-matter of the contract and advertised in advance. The client can specify that goods are to be supplied or services/works performed in a way that minimises environmental impact, and environmental performance may be linked to penalties or incentives under the contract. Compliance with contract clauses should be carefully monitored during the execution phase, with responsibility for compliance and reporting clearly indicated in the contract. In order to discourage breaches of environmental commitments, adequate sanctions should be provided under the contract. Subcontractors should also be held responsible for environmental aspects of the work they carry out. If joint liability applies with the main contractor, then this should extend to cover compliance with applicable environmental laws. The client can require the replacement of a subcontractor who does not comply with these laws.

Why is Green Public Procurement Important for Georgia

Georgia has significantly advanced its transition to the CE. In addition to the previously mentioned programme on raising awareness on the CE, the Government of Georgia with the assistance of national and international experts supported by the Government of Sweden has launched and is well advanced in mapping the circularity of the Georgian economy with a view to provide recommendations to develop a Road Map to Circularity and adopt a Circular Economy Strategy. Within this context, GPP is an essential instrument in greening the current procurement system through which public authorities can play a supporting role in the transition towards a circular economy.

There are a number of well-developed GPP guidance documents at the international and national levels. For example, the European Commission has developed criteria to facilitate the inclusion of green requirements into public procurement tenders for more than 20 product groups. These include 'core criteria' suitable for any contracting authority and focused on key environmental issues, and 'comprehensive criteria' with a higher level of ambition aimed at purchasing the best environmentally-friendly products available on the market. Furthermore, an extensive collection of detailed good practice examples from across Europe are available on the European Commission's website – <https://ec.europa.eu/environment/gpp/case>. Based on these positive examples as well as initiatives already undertaken such as those already implemented in Georgia under the European Union for Environment Programme (EU4Environment), the Government of Georgia may consider the development of their own Green Public Procurement Guidance to further accelerate the transition of the Georgian economy to circularity.