SUSTAINABLE PROCUREMENT: IS EUROPE LEADING THE WAY?

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PREFACE

The European Union Centre at RMIT was established in 2010 to support various academic, outreach and mobility initiatives. One such initiative is offering senior government, business and union leaders the opportunity to engage in discussions about key policy issues facing Australia, drawing on European Union experience.

The second Policy Briefing was conducted on the topic: ‘Sustainable Procurement: Is Europe Leading the Way’. This intention of the Policy Briefing is to bring together stakeholders with diverse perspectives with the aim of identifying a focus for innovative policy development.

The Report presents the key learning from this Policy Briefing in the Executive Summary. The following sections include a statement of the background to the topic (prepared by Professor John Fien), the two powerpoints used by the two key presenters, and an overview of the discussion which occurred in the plenary session.

We are very grateful to the two lead presenters, Hugh Wareham, the Chief Executive Officer of ECO-Buy, which is a not-for-profit Centre of Excellence in Environmental Purchasing, and Professor Stephen Gough, Head of the Department of Education at the University of Bath. He is the Lead Researcher on the Learning for Sustainable Procurement Research Project, which is a joint project between the UK National Health Service Purchasing and Supply Agency, the Centre for Research in Strategic Purchasing and Supply, and the Centre for Research in Education and the Environment. Professor John Fien, Innovation Professor in sustainability at RMIT, was instrumental in the organisation of the Briefing. Our final thanks are to all the participants in the Forum; they are listed subsequently in this Report. All made helpful contributions to the discussion.

The European Union Centre at RMIT is one of twenty-six such centres funded by the European Commission to promote better understanding of the European Union, and to facilitate key partnerships. We are very grateful to the European Commission and the European Union Delegation in Canberra for their ongoing support.

Professor Bruce Wilson
Director
SUSTAINABLE PROCUREMENT: IS EUROPE LEADING THE WAY?

BACKGROUND PAPER

SUCCESS IN SUSTAINABLE PROCUREMENT:
AN ADAPTIVE LEARNING NETWORKS APPROACH

An RMIT / University of Bath (UK) Partnership

Sustainable Procurement is a process whereby 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, whilst minimizing damage to the environment. Sustainable Procurement should consider the environmental, social and economic consequences of: design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers’ capabilities to address these consequences throughout the supply chain.


The Opportunity

Sustainable Procurement is a key platform in the sustainable development policies and procedures of the national and most State governments in Australia. It is also increasingly a focal area of corporate environmental management and corporate social responsibility of companies that are working to ensure their operations are financially secure as well as have a positive social and environmental impact in the communities in which they operate.

Current European Experience

The European Union has indicated that it regards procurement policy as a key means of addressing the major challenges of climate change, energy and resource efficiency, health and demographic change. ‘Green’ public procurement has been a developing element of European Commission strategy for greater sustainability over the past decade, reflected most recently in the Europe 2020 Strategy: A European strategy for smart, sustainable and inclusive growth, released by the Commission in March 2010.

A recent study on sustainable public procurement in Europe indicated that legal provisions, action plans and guidelines are a complementary set of instruments that have become accepted as key elements of policy-making in Europe. The report emphasises that the scope of sustainable public procurement should recognize economic, environmental and social issues, and that this be reflected fully in costings of alternatives and in consideration of ‘value for money’. They conclude also that notwithstanding legal and policy expectations, training and building the capability of public procurers is critical to making a difference on the ground (see R. Steurer, G. Berger, A. Konrad and A. Martinuzzi Sustainable Public Procurement in Europe: Summary of case studies and conclusions Research Institute for Managing Sustainability, Vienna University of Economics and Business Administration, 2007).
Australian Experience

Indeed, Australian companies are among the world’s leaders in practicing sustainable procurement and all levels of government have policies to encourage consideration of ‘best value’ v. ‘cheapest price’. Yet, there is much we can still learn from experiences overseas. This Policy Briefing will focus on the UK experience and, especially, how the National Health Service (the largest non-military purchasing authority in Europe) is defining sustainable procurement in terms of water efficiency, carbon miles, international fair trade v. local entrepreneurship and social enterprise, worker safety, community health and whole-of-life costing.

Benefits of implementing a Sustainable Procurement policy in both the private and public sectors include:

- Minimization of risk in supply chains
- Enhanced organizational and brand reputation
- Maximization of social and environmental outcomes
- Reduced carbon loads and waste streams
- Cost savings through replacing “best (short-term) price” in purchasing with “best value” considerations such as whole-of-life costing, maintenance demands and risk minimization.

The Challenge

Cost is a major driver in the procurement of goods and services. However, recognition of the need to transform procurement decision making to incorporate sustainability considerations is now widespread, and commitments are being made to achieve the goals of sustainable procurement. The concept is generally clear and understandable; the difficulties commonly arise in applying the principle of sustainable procurement in practice and the availability of a sufficient knowledge base upon which to draw.

Sustainable procurement is not an easy policy to implement. It requires procurement managers to balance decisions based upon incomplete information and conflicting “goods”. For example, in some cases, purchasing locally may be more expensive but the reduced transport involved reduces the costs of storage and the carbon load of transport. It also may lead to the purchase of a product that is easier to repair and maintain, which contributes to local employment and good will, and which avoids the reputational risks of uncertainty of social and environmental responsibility in supply chains.

Some organizations may attempt to have an “easy win” over sustainable procurement (e.g. through switching to low energy light bulbs). However, sustainable procurement is a complex practice to embed effectively in the long term. These enduring and complex aspects of sustainable procurement mean that the development of awareness and information (e.g. central sustainable procurement policies and manuals), while necessary, are not sufficient for effective procurement officers to understand the dynamics of sustainable procurement and make decisions that are the best possible ones in particular places and times.

Hence, many non-technical barriers currently exist, and these are preventing the implementation of sustainable procurement from proceeding efficiently and rapidly. There is a lack of available/accessible information, such as LCA and other environmental performance data, and often a lack of knowledge and capacity both to support sustainable purchasing decision making and to develop appropriate enabling policies and organisational infrastructure. Financial and management systems currently in place also potentially provide barriers to the uptake of sustainable procurement. In particular, the process of acquisition of necessary skills and capacities, and knowledge barriers to uptake are poorly understood, and it is in this area that we can learn much in Australia from the UK experience.
The Centre for Research in Strategic Purchasing and Supply (CRiSPS) is working with NHS Purchasing and Supply Agency (PASA) to investigate the links between sustainable development and procurement. A requirement identified by staff and managers is that purchasing staff need to understand what interventions they are able to make to align procurement decisions with sustainability.

The professional development program that was planned to meet this need engaged procurement staff at national and local levels in learning about sustainable procurement through training, lectures, workshops, and action-based learning projects. The aim of the program was for participants to identify key aspects of sustainable procurement, select key indicators for best practice in sustainable procurement, and apply them in practice.

The objectives are:

- To ensure that all buyers participating have a common understanding of sustainable development by attending an opening workshop
- To participate in action learning through group projects involving teams of buyers from NHS PASA and the wider NHS, over an 8 week period
- To work together in ‘virtual teams’ using e-learning and online tutorials to develop key ideas and progress the projects. It is envisaged that learners will participate in 4 online tutorials/group exercises
- To present the group findings at a closing presentation days attended by project sponsors, senior NHS PASA and wider NHS staff in the form of a two hour training session.

Participants in the program are divided into six groups, each looking at one of the following areas of sustainable procurement:

- Working with small to medium enterprises and social enterprise
- Local sourcing
- Sustainable food
- Environmental supply chain development
- Ethical supply chain development
- Encouraging sustainable innovation.

Following the final presentations, all participants have an understanding of these key areas of sustainable procurement and are in the position to provide guidance to other NHS staff on how to integrate issues of sustainability into procurement.

Thus, the program was implemented in three stages: (i) preliminary briefings to understand participants’ prior knowledge and attitudes; (ii) an eight week process of face-to-face and on-line workshops; and (iii) a workplace application phase in which participants are supported by the facilitators and their own growing networks.
The RMIT/UK Partnership

RMIT has entered a partnership with the Centre for Research in Strategic Purchasing and Supply (CRiSPS) at the University of Bath to develop an Australian version of this successful training program. This involves engaging groups of purchasing managers in the public, private and civil society sectors in a structured sequence of face-to-face and then online collaborative learning about sustainable procurement. During the program, purchasing staff will learn how:

- To develop knowledge in key aspects of sustainable procurement, covered in the initial workshop and online tutorials
- To research the implications their organizations’ strategic plans, supply chains and community contexts to identify the range of significant variables to be considered in sustainable purchasing
- To investigate a key sustainable procurement theme and develop key pointers for how this can be integrated into procurement practice
- Worked in a small group to prepare and deliver a two hour training session to the rest of the course participants which will enable them to integrate the sustainable procurement topics into practice
- Developed knowledge that will allow them to act as a beacon for sustainable procurement in their organization
- Developed a network of contacts that can assist in sharing knowledge and best practice.

We will be advised and supported by the UK researchers but will have full flexibility in structuring the activities to meet participants’ needs and interests.

Our aim is to help participating organizations to reach a better understanding of:

- The contribution of procurement and supply to sustainable development and other organizational goals
- The development of training to improve learning and management competence in sustainable procurement, and
- The effectiveness of the learning processes which build capacity for sustainable development.
Benefits for participating organizations in Australia include:

- Teams of trained purchasing and supply staff from across the organization
- An understanding of applying sustainable procurement in practice in the organization
- Production of education material on sustainable procurement
- Development of a network of sustainable procurement beacons throughout the organization
- Presentation of course projects at staff seminars (e.g., lunchtime exchanges)
- Greater understanding of learning processes and effective ways to encourage behaviour change
- Demonstration that sustainable procurement is integral to achieving value for money.

For further information

For further information contact John Fien at RMIT.

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PRESENTATION - Mr Hugh Wareham

The Sustainable Supply Chain

Alison Brown
Lynn Crossley
Michael Malm

“One that meets the needs of the present, without compromising the ability of future generations to meet their own needs”
Recognising that good health also depends upon social, environmental and economic factors, such as deprivation, education, housing and nutrition, the NHS will work with other public services to intervene not just after, but before ill-health occurs.  

_The NHS Plan_

NHS Purchasing & Supply activity, through sustainable development, can actively contribute to improving the health and well-being of the nation's people.  

_NHS PASA_

Sustainable Procurement is good for you!

The mind-set:

a) the environmental agenda is a fringe issue  
b) that it is for someone else to worry about  
c) that there is an inherent and fixed trade-off:  

Ecology v. Economy
Pollution = Inefficiency

- Washing-up liquid or shampoos can contain hormone disruptors which accumulate in body tissues.
- Palm oil (which is found in 1 out of every 3 supermarket foods) leads to devastation of Indonesian rainforests. Many plantation workers show acute paraquat poisoning symptoms, with significant increases in birth defects.
- Toothpaste contains parabens, which has been linked to cancer, and Sodium Laurel Sulphate which has been described as a gastro-intestinal or liver toxicant.
- It takes one-third of a pound of chemicals to grow enough cotton for one T-shirt, depleting wildlife, impoverishing soil, poisoning water systems and endangering the health of cotton growers.

Information on suppliers in areas such as:

- Environment
  (Environmental Reporting, Pollution)
- People
  (Oppressive Regimes, Workers’ Rights, Irresponsible Marketing)
- Animals
  (Animal Testing, Factory Farming, Animal Rights)
- Product Sustainability
  (Organic, Fairtrade, Positive Environmental Features)

We - the mass of common men and women in all countries - also compose the world’s market. To sell to us is the ultimate aim of the world’s business. Hence it is ourselves as consumers who stand in a central relation to all the economies of the world, like the king in his kingdom.....that we are not kings, but serfs in the mass, is due to our failure to think and act together as consumers and so to realise our true position and power.”

"Think and act together"
"Think globally....act locally."

1. Ensure commitment at Trust Board Level

2. Build Sustainable Procurement into overall Organisational Strategy

3. Set priorities for greening procurement
   
   *adopt a step by step approach*
4. Consider environmental impact

select those products or services with a high impact on the environment

6. Look for visibility

will public and staff realise that we are trying to improve our environmental performance?

5. Focus on one or more environmental issues, such as climate change or waste

introduce requirements into the contract on energy efficiency or recyclability

7. Identify the need

look for alternative solutions, buying green may be buying less
8. Performance or Functional specifications

- organically grown food
- 'green' electricity
- sustainable timber

9. Award contracts based on Whole Life Costs

- purchase & associated costs
- operating costs
- end-of-life costs

10. Link with other public bodies

- Work collaboratively
- Share good practice
- Lead by example

11. Encourage Competition

- widen supplier base, with opportunities for:
  - SME’s
  - Ethnic minorities
  - Social Enterprises
  - Voluntary sector
12. Supplier Management

*Working with suppliers for continuous improvement*

*Encourage innovation*
Sustainable Procurement: a UK perspective

Steve Gough: University of Bath

Times are tough ...

- Sustainable procurement is bound to be affected by deep cuts in government spending
- But some really good work has been done, and it will continue to be of value
- In particular, we’ve learned a lot about the mechanics of linking top-down policy to bottom up innovation

NHS PASA Research

- Two cohorts of procurement officers
- Supported by OGC and DEFRA
- Initial 2-day interactive training
- 6-week online group projects focused on sustainable supply chains; social enterprise; sustainable innovation; and, sustainable food chains
- Final presentations
- Focus groups

PASA SD Policy Key Issues included ...

- Maximising the potential of employees to contribute
- Sustaining the environment for future generations
- Supporting the communities within which the Agency and the NHS operate
- Managing the wider impacts on society of the Agency’s activities
- Engaging stakeholders and public disclosure of progress
Sustainable procurement is ...

- Good procurement
- Responsive to environmental, social and economic opportunities and threats. One way to think of this is ‘adding blended value’
- Sensitive to context, trade-offs and issues of time and scale
- About learning-by-doing

Dimensions of sustainable procurement (with thanks to Darian McBain)

- Mix of local/regional/global spend
- High environmental standards for products
- Encourage supply chain improvement (both environmental and social)
- Openness and transparency eg tendering plans
- Purchasing policies in place eg FairTrade, recycled paper
- Understanding of legislation eg EU procurement rules
- Use of quality standards
- Encourage innovation
- Appropriately trained staff
- Ethical code of conduct

10 dimensions of Corporate SD Performance

- Ethics, values and principles
- Accountability and transparency
- Triple bottom line commitment
- Environmental process focus
- Environmental product focus
- Socio-economic development
- Human rights
- Workplace conditions
- Engaging business partners
- Engaging non-business partners

Things to remember ...

- There’s no perfect answer and you can’t do everything at once
- Learning is part of doing sustainable procurement
- Top-down policy matters
- So does bottom-up initiative and practitioner knowledge
- Crises come and go but the sustainable procurement issue is enduring
- There’s plenty of knowledge and resources, but people often need help to adapt it to their particular needs
SUSTAINABLE PROCUREMENT:
IS EUROPE LEADING THE WAY?

OVERVIEW OF PLENARY

The two presentations set the context for the discussion that followed. The discussion began with some reflection on European experience and recognition that European practices have often been used as examples for Australian initiatives in procurement, with water being one particular area where Australia has exercised leadership. However, it is still a very complex area, reflected in the many competing labels to guide sustainable procurement that make it a difficult area to navigate.

Within Australia, it is still an area very much in its infancy. In the first place, there is significant work to be done to gain senior management commitment and resources for the work that needs to be done. The challenge is how to embed the principles of sustainable procurement into the core processes of an organisation. There is a huge opportunity for streamlining processes and providing greater clarity for suppliers.

Some of the issues explored in the general discussion included:

- The value of the British experience has been the training with ‘whole of supply chain’ participation, both within and across organisations;
- The value also of lifecycle methodology (‘whole of life’ costing) as a critical part of the process in getting organisations to understand why sustainable procurement can enhance their overall productivity rather than adding to corporate cost structures;
- The lack of government leadership even though there are some very good examples in particular areas, and in local government;
- How to get organisations to recognise the opportunity costs of not procuring sustainably;
- Recognition that this is very much about changing community and corporate cultures;
- Encouraging decision-makers to think comprehensively about their purposes, and to see how triple bottom line investment (in transport for example) can lead to local procurement which in turn enhances community sustainability;
- However, there are complex processes and methods for analysis and measurement of consequences that can be very useful:
• Health services were one focus of discussion, given the extent to which they generate and have to dispose of waste;
• The importance of case studies which are success stories, in relation to both money and environmental benefits;
• Recognition that training needs the right kinds of support so that it is easy to implement when busy procurement managers are back in the workplace;
• The simple value of encouraging conversations about sustainable procurement, as ultimately this is a long-term process of embedding new practices; and
• Recognition that while regulation is important, it is better, not more regulation, that is required.

An audio recording of the full discussion is available from the European Union Centre at RMIT.
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