

# **NATIONAL STRATEGY & ACTION PLAN FOR SUSTAINABLE PUBLIC PROCUREMENT IN SRI LANKA & CAPACITY BUILDING & AWARENESS CREATION**

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## **ACKNOWLEDGEMENT**

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## TABLE OF CONTENTS

ACKNOWLEDGEMENT.....	II
TABLE OF CONTENTS .....	III
EXECUTIVE SUMMARY .....	1
CHAPTER 1 - INTRODUCTION .....	3
CHAPTER 2 - PRESENT LEVEL OF STATE SECTOR PROCUREMENT .....	4
Procurement Expenditure in 2015-2016 .....	4
Currently Applicable Guidelines.....	4
National Procurement Commission .....	5
Current Status and Review .....	6
Revision of the Government Procurement Guideline by the NPC.....	6
Reformatting the GPP Policy drafted by the MoMDE .....	6
CHAPTER 3 – INTERNATIONAL SPP EXPERIENCE .....	7
Asian SPP experience.....	7
GPP in Denmark .....	12
Overview of SPP Success Factors .....	13
CHAPTER 4 - REVIEW AND ANALYSIS.....	19
Scope of the “Public” Sector to be Covered .....	19
SPP Regulations and Guidelines.....	19
Prioritized Product Groups .....	20
Criteria to Prioritize Products.....	21
Capacity Building.....	23
Monitoring and Evaluation Scheme for SPP Implementation .....	23
CHAPTER 5 - RECOMMENDATIONS ON STRATEGY FOR SPP IN SRI LANKA.....	25
CHAPTER 6 - TRAINING MODULES.....	29

## Abbreviations

CAA	Consumer Affairs Authority
CP	Cleaner Production
EUD	Delegation of the European Union to Sri Lanka and Maldives
EC	European Commission
GDP	Gross Domestic Product
GPP	Green Public Procurement
EU	European Union
GOSL	Government of Sri Lanka
IGNP	International Green Purchasing Network
ITI	Industrial Technology Institute
LCA	Life-cycle Analysis
LCC	Life-cycle cost
MoMDE	Ministry of Mahaweli Development and Environment
MoF	Ministry of Finance
Mol	Ministry of Industries
NCPC	National Cleaner Production Centre
NIE	National Institute of Education
NPC	National Procurement Commission
NPS	National Productivity Secretariat
NPSC	National Policy Support Component
PE	Procuring Entity
SBD	Standard Bidding Document
SCP	Sustainable Consumption and Production
SLIDA	Sri Lanka Institute of Development Administration
SLSI	Sri Lanka Standard Institute
SPP	Sustainable Public Procurement
TCO	Total Cost of Ownership
UNEP	United Nations Environment Programme

## EXECUTIVE SUMMARY

Sustainable Consumption and Production, SCP, is becoming increasingly relevant for sustainable economic development, highlighted by the fact that SCP is included in the Sustainable Development Goals (SDGs) as individual stand-alone goal (SDG 12). Green/Sustainable Public Procurement (GPP/SPP) is an important approach to transform existing unsustainable public procurement and consumption patterns with its own SDG target – 12.7: *Promote public procurement practices that are sustainable, in accordance with national policies and priorities.*

The report identifies the current state of Green Public Procurement (GPP) in Sri Lanka and reviews international experience from other Asian countries that can serve as reference point for further development of GPP instruments and policies for Sri Lanka.

In addition to the technical reports prepared by the experts, a stakeholder consultation workshop with around 20 representatives from Sri Lanka's government and relevant stakeholders was held in Colombo on 29<sup>th</sup> August 2017. The recommendations from this stakeholder consultation are included in this report.

## Main findings of the technical reports

The public sector procures goods and services in large volumes and procurement under SPP principles can support the country's striving for increased sustainability. Rules and procedures are in place for public procurement, but there is no annual report on procurement, no mechanism for collecting and monitoring national procurement statistics. Public procurement function is not yet professionalized and an Electronic Government Procurement (e-GP) system has not been established. Considering the Life Cycle Cost (LCC) or Total Cost of Ownership (TCO) in the tendering process is not a commonly practiced method, but some institutions consider cost of spare parts and maintenance cost when procuring goods.

The relatively new National Procurement Commission (NPC, 2016) is developing two documents providing guidance on SPP to state procurement entities – the Procurement Guideline chapter 14 and the Procurement Manual chapter 14. The documents state that GPP is mandatory for all government institutions, but it is not made clear what is actually expected of the involved institutions and there are no specific SPP targets formulated for the institutions obliged to implement SPP.

There is ample international experience demonstrating different principles and tactics to SPP and providing a wealth of inspiration for establishing a realistic and efficient Sri Lankan model for SPP. The review of Asian and European SPP experience throws light on organisational elements such as vision and policy; leadership; strategy; staff; systems; and structure.

## Recommendations

**Seven strategy targets** have been identified, formulated and discussed with key stakeholders, here with an indicative time schedule:

1. Clarified scope, structure and responsibilities, 2018
2. Clear SPP guidelines with stepwise how-to-do, 2018
3. System for SPP criteria and five product criteria, 2018
4. Capacity created in key institutions, 2019

5. Pilot SPP exercises, 2019
6. Monitoring system for SPP, 2020
7. New Action plan for SPP, 2020

**The importance of clear political leadership and a transparent and effective structure cannot be exaggerated.** The report provides recommendations for the division of tasks between key stakeholders.

**A more narrow institutional scope** would allow institutions to learn from the first movers. As far from all government institutions in Sri Lanka employ staff with specific procurement competencies, and considering experience from other countries, **it is recommended to implement SPP in Sri Lanka in a stepwise cascade:** a) An initial phase with support to a few public pilot entities that demonstrate specific interest for SPP; b) Expansion of the institutional scope to include all institutions at a specific level; c) Inclusion of further institutions as found relevant.

The NPC Guideline and Manual provide information on the principles of SPP but limited guidance on how to actually carry out SPP. **The following support tools should be developed:** a) guideline on how to do SPP in practice; b) nationally determined SPP criteria for the selected product groups, allowing procurement staff to focus on the process of procurement; c) tools/spreadsheets enabling procurement entities to ensure that Total Cost of Ownership is calculated in a uniform and correct way<sup>1</sup>; d) Guideline on how to control delivery of products' compliance with SPP criteria; e) easy-to-apply procedures on compliance monitoring of SPP efforts and effects.

**It should be considered to work only with a few relevant product groups** in the first phase of SPP implementation. Relevant product groups for the initial phase include (with rationale in brackets): Lighting; Air-conditioners; Paint; Chicken; and Liquid milk. **Procurement criteria should be developed at national level** based on a Life Cycle screening and taking into due consideration the specific Sri Lankan conditions (and learning from other countries' SPP work). As a starting point for discussion and market dialogue, initial procurement criteria were agreed on by workshop participants at the SWITCH-Asia SPP Workshop in Colombo in 2017 and included in the report.

Based on the SPP workshop and international experience, **important competences for establishing a well-functioning SPP model should be established:** Policy and budgetary implications; General awareness on SPP; Specialized SPP knowledge, tools for identifying green products; Developing procurement criteria and specifications. **Pilot SPP projects** will serve to increased competences and testing guidelines and approaches.

**A monitoring system should be established** with an appropriate, but not overly ambitious technical level, and if possible be based on existing data already compiled by central level actors. The SPP workshop agreed on the **distribution of tasks among key institutions** as accounted for in the report. The consultants further have provided **suggestions for the monitoring program**, based on international experience.

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<sup>1</sup> The consultant has provided a range of targeted TCO tools with manuals.

# CHAPTER 1 - INTRODUCTION

SWITCH-Asia Sustainable Consumption and Production (SCP) National Policy Support Component for Sri Lanka project (NPSC) commenced in mid-January 2015 is a 4-year EU funded project awarded upon the request of the Ministry of Mahaweli Development and Environment (MoMDE) as a 'technical assistance programme' to support strengthening the overall government policies and institutional framework for implementation of SCP practices. MoMDE is the main beneficiary of the NPSC project which also strengthens the role of the Ministry as the national focal point for the implementation of the 10 Year Framework of Programmes on SCP.

After extensive stakeholder consultations since inception, the Project Expert Team has prepared a draft National SCP Policy. Pending formal approval of the National SCP Policy, it is necessary to introduce SCP related policy tools (regulatory, economic, information, voluntary and behavioural) and apply them to selected pilot sub sectors of the Food & Beverages Industry to assess their effectiveness before applying them to all other sectors of the country.

The overall objective of this project is to support the Sri Lankan Government in selecting, adapting and implementing suitable economic and regulatory policy instruments to promote sustainable consumption and production, thereby enhancing the long-term sustainability of consumption and production patterns.

To be able to support an increase in sustainable, eco and resource efficient cleaner production, the demand for cleaner, greener and environmentally friendly and sustainable products, goods and services needs to be increased. This is particularly important for middle-income countries such as Sri Lanka, where the opportunities for greener economic growth are numerous, and national consumption is on the rise. MoMDE has prepared a draft National Green Procurement Policy with the support of the SCP NPSC project, which is now awaiting the formal approval for implementation.

Introducing Sustainable Public Procurement (SPP) to the public procurement system of Sri Lanka is of paramount importance for promoting sustainable consumption and production patterns. Government being the single biggest consumer, it could play a catalytic role in changing the production patterns of suppliers to become more sustainable.

In order to introduce SPP to the public procurement system, a national SPP Strategy and an action plan - based on the draft National SCP Policy and other policy tools already developed by the Ministry of Mahaweli Development & Environment (MoMDE) – is presented in this paper, comprising the following sections:

- A review of public procurement in Sri Lanka
- An inventory of good international practice within SPP
- An analysis and conclusion on key SPP topics – including scope of SPP; regulations; prioritisation of product groups; criteria for product prioritisation; capacity building; and monitoring.
- Recommendations on the national SPP strategy for the following years.

## CHAPTER 2 - PRESENT LEVEL OF STATE SECTOR PROCUREMENT

### Procurement Expenditure in 2015-2016

As per the Annual Report 2016 published by the Ministry of Finance, public procurement expenditure in Sri Lanka is in the year 2016 LKR 596 billion (equivalent to USD 4 billion) which is approximately 5.0% of the GDP.

	2015			2016		
	Value	Share		Value	Share	
	Rs. Bn.	As a % of Total Exp.	As a % of GDP	Rs. Bn.	As a % of Total Exp.	As a % of GDP
<b>Public Investment</b>	<b>408</b>	<b>71</b>	<b>3.7</b>	<b>461</b>	<b>77</b>	<b>3.9</b>
Acquisitions and rehabilitations of Fixed Assets	233	41	2.1	250	42	2.1
Infrastructure Development	175	30	1.6	211	35	1.8
Other goods and services (Supply of consumables and other recurrent items)	163	29	1.5	135	23	1.1
<b>Total</b>	<b>571</b>	<b>100</b>	<b>5.2</b>	<b>596</b>	<b>100</b>	<b>5.0</b>

*Source: Annual Report 2016, Ministry of Finance*

This is a low figure compared to other countries, for example around 12 % in OECD countries (average 2015<sup>2</sup>), 16 % in EU member states (average 2016<sup>3</sup>), and up to more than 25 % in developing countries as Angola and Eritrea<sup>4</sup>. This might indicate that the published statistics in Sri Lanka may not have properly captured all relevant figures, including the expenditure of State Owned Enterprises, Provincial Councils and Local Authorities<sup>5</sup>.

Administratively, the country is organized in three tiers: (i) Central Government; (ii) Provincial Councils and (iii) Local Government. Procurement of goods, works and services takes place at all these tiers. Main stakeholders in public procurement are Ministry of Finance and other government agencies; Procuring Entities (PEs), private sector (comprising consulting firms, contractors, and suppliers), and the civil society.

### Currently Applicable Guidelines

Currently applicable guideline for public procurement is the Procurement Guidelines of January 2006, approved by the Cabinet of Ministers. The Guidelines are supplemented by a Procurement Manual which provides some additional details together with various mandatory forms and templates. The Guidelines on the Selection and Employment of Consultants issued in August 2007 governs the procurement of consultant services. Set of national standard bidding documents have been published for national use. These Guidelines, Manuals and Standard Bidding Documents (SBDs) are applicable to all public procurement (central and provincial) entities using national budgetary funds. Hence, the country has adequately established procurement rules and procedures for public procurement. However, the developments in public procurement since 2006 should be incorporated to the national regulations.

<sup>2</sup> OECD 2016: <http://www.oecd.org/gov/public-procurement/>

<sup>3</sup> EU 2017: <http://ec.europa.eu/trade/policy/accessing-markets/public-procurement/>

<sup>4</sup> WB 2016: <http://blogs.worldbank.org/governance/public-procurement-rich-country-s-policy>

<sup>5</sup> Better clarity in this regard and also of the breakdown of public expenditure in different sectors and product categories would be of paramount importance to set baseline conditions and to monitor the progress of sustainable public procurement



## National Procurement Commission

With the introduction of National Procurement Commission in 2016 under the 19<sup>th</sup> amendment to the constitution, public procurement has been given more prominence and legislative approach to improve the public procurement system in the Country.

The function of this Commission is formulating fair, equitable, transparent, competitive and cost-effective procedures and guidelines, for the procurement of goods and services, works, consultancy services and information systems by government institutions and cause such guidelines to be published in the Gazette and within three months of such publication, to be placed before Parliament.

Functions of the NPC comprehensively would be (i) monitoring and reporting to the appropriate authorities, on whether all procurement of goods and services, works, consultancy services and information systems by government institutions are based on procurement plans prepared in accordance with previously approved action plans; (ii) monitor and report to the appropriate authorities on whether all qualified bidders for the provision of goods and services, works, consultancy services and information systems by government institutions are afforded an equal opportunity to participate in the bidding process for the provision of those goods and services, works, consultancy services and information systems; (iii) monitor and report to the appropriate authorities on whether the procedures for the selection of contractors, and the awarding of contracts for the provision of goods and services, works, consultancy services and information systems to government institutions, are fair and transparent; (iv) report on whether members of procurement Committees and Technical Evaluation Committees relating to the procurements, appointed by government institutions are suitably qualified; and (v) investigate reports of procurements made by government institutions outside established procedures and guidelines, and to report the officers responsible for such procurements to the relevant authorities for necessary action.

The NPC is in the process of upgrading the national procurement guideline. Among the other changes proposed in the draft prepared by the commission, new developments such as e-procurement; framework agreements; and sustainable (green) public procurement are also encompassed in the proposed revised guidelines.

Up until the changes to the constitution made through the 19th amendment, the basic contract law of the country did not have specific provision directly bearing on public procurement. However, the Supreme Court has affirmed on several occasions that the provisions of the Guidelines have the force of law on procurement issues. In the absence of a procurement act or law, some important provisions of the Guidelines are not enforced in full effect and often are superseded by various administrative rules and circulars.

Nevertheless, procurement is defined as a devolved or decentralized subject to the provincial councils under the 13th amendment dated November 14, 1987 to the Constitution. As of now, all nine provinces use the national procurement guidelines with amendments made to procurement decision authority levels, which may vary from province to province. The delegation of the procurement authority is decided upon by the Provincial Council in accordance with the provincial financial rules.

Moreover, 19th amendment may not be applicable to procurement carry out by the government institutions under the provincial councils. Appended below is the paragraph 156 H of the Constitution.

“In this Chapter, “government institution” includes a Ministry, a government department, a public corporation, a local authority, any business or other undertaking vested in the Government and a

Company registered or deemed to be registered under the Companies Act, No 7 of 2007, in which the Government, a public corporation or any local authority holds more than fifty *per centum* of the shares”.

## **Current Status and Review**

In the absence of a high level public procurement strategy, there is no policy on setting targets for government procurement performance, in terms of both economy and efficiency; identifying staff professionalization and capacity development needs (from management to front line operations); or promoting a culture that encourages the continuous review of available procurement and contracting strategies that might be able to deliver potential economy and efficiency gains. An effective procurement monitoring and evaluation system is yet to be established. A procurement data and information collection system, which is crucial for further improvements in the public procurement system, as well as for keeping the stakeholders informed about the effectiveness of public expenditure, also is not yet in place. No annual report on procurement is prepared and published. There is no mechanism for collecting and monitoring national procurement statistics.

Public procurement function is not yet professionalized. Staff engaged in procurement operations does not comprise procurement professionals but other public officials, including accountants and engineers, who are assigned to procurement tasks. Despite the fact that the GOSL has produced a fair number of procurement diploma holders, no evidence is available about their employment as professional procurement specialists.

The GOSL is yet to consider initiating the establishment of an Electronic Government Procurement (e-GP) system in order to benefit from the transparency and efficiency that such a system provides in the conduct of public procurement. The country has an e-Government Policy, which was approved by the Cabinet of Ministers in 2009, but e-GP is not included in the e-Government program.

Considering the life cycle cost or total cost of ownership for selection process is not a commonly practiced method in evaluation of bids. Some institutions consider (i) cost of spare parts; (ii) maintenance cost; etc. when procuring goods.

## **Revision of the Government Procurement Guideline by the NPC**

NPC is currently engaged with a revision of the existing procurement guideline. In the process, a chapter on Green Public Procurement is added to the draft circulated for comments. The Expert Team reviewed the draft and observations are shown in the Annex 01 - Comments on Government procurement guidelines. Team also re-drafted the Chapter on Green Public Procurement in order to be in line with the SCP policy and the principles of public procurement. The recommended chapter on Green Public Procurement is attached hereto in Annex 02 - Revised draft of Chapter 14 of the NPC Guideline.

## **Reformatting the GPP Policy drafted by the MoMDE**

The Expert Team reformatted the GPP policy drafted by the MoMDE and is annexed hereto. See Annex 03 - Reformatted Draft GPPP.

## CHAPTER 3 – INTERNATIONAL SPP EXPERIENCE

This chapter aims at identifying good international practices from work with Sustainable Public Procurement (SPP) – with specific focus on experience from Asian countries.

### Asian SPP experience

Many countries have incorporated SPP in their national procurement systems and utilise SPP as a tool for sustainable consumption and production. This section highlights selected good international practices with emphasis on Thai experience<sup>6</sup>.

A review of international SPP frameworks<sup>7</sup> has revealed a number of success factors and challenges that contribute to formation of an overall SPP Framework Model which again can serve to guide the establishment of the Sri Lankan SPP framework.

Some challenges are recognised in most countries working with SPP, especially:

- GPP or SPP may lead to higher costs as the alternative products – especially in a short-term view may be more expensive in terms of purchasing price than that of the traditional ones.<sup>8</sup>
- Decentralised and fragmented public procurement makes it difficult to change the procurement approach and also to achieve potential benefits from large volume procurement.
- Lack of sustainable products in the marketplace hinders procurers from actually purchasing sustainable products and also allows for a (too) high premium price on the available sustainable products.
- Mandatory policy frameworks for SPP are typically more effective in driving implementation, but voluntary approaches are more widespread.
- Monitoring is a challenge, but countries increasingly monitor different aspects of SPP.

### Vision and Leadership for SPP

A review of the SPP efforts and experiences in selected South-East Asian and European countries shows that overall political commitment and SPP oriented planning at the national level is crucial to ensure that visions are pursued and strategies implemented.

In Thailand, the SPP concept is rooted in the Economic and Social Development Plan 11<sup>th</sup> (2011-2016) with a clear vision for SPP, highlighting among others that:

- Governmental organisations should be the leader to promote SCP
- Creative and green economy should be developed
- Low-carbon and environmental-friendly society should be promoted
- Changing to more environmental-friendly production and consumption to improve the quality of life, safety and health should be encouraged

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<sup>6</sup> The Thai SPP scheme has been functioning for more than ten years and has demonstrated good effectiveness in terms of both governance and actual SPP volume.

<sup>7</sup> Refer to Reference list.

<sup>8</sup> Consideration of Total Cost of Ownership is not mainstreamed. Most often only the purchasing price is taken into consideration.

The Thai Environmental Quality Plan is also based on the sufficient economy principle to balance the utilization and conservation of natural resources and environment to move towards sustainable development with participation of all stakeholders.

The main legislation concerning government procurement in Thailand is the “Regulation of the Office of the Prime Minister on Procurement”<sup>9</sup>. Also relevant are the “Act on Offences Relating to the Submission of Bids or Tender Offers to Government Agencies”, which imposes sanctions for criminal offenses to ensure fair bidding; circulars of the council of the Cabinet; and standards laid down by the State Audit Commission.

The publication of a clearly defined legal framework enhances the transparency of procurement and thus reduces the risk of corruption. Thailand’s laws, regulations, and policy guidelines on public procurement are published in the Royal Gazette. They are also posted on the Web sites of the Ministry of Finance, the State Legal Council, and the Ministry of Interior.

### **Strategy for SPP**

Experience from Thailand and the Philippines may serve to inspire the Sri Lankan efforts.

#### ***Thai SPP strategy***

The overall aim of the Thai SPP strategy is ‘To shift towards more environmental-friendly production processes and consumption behaviour while resulting in better quality of life, more environmental safety and better health conditions for the citizens’. The EQM 2012-2016 SCP strategy includes specific elements for government sector, support and advice sectors, the private sector and the community. The work program includes promotion of sustainable consumption and green public procurement, as well as other themes as sustainable industry and agriculture, tourism and infrastructure.

Instruments to be used for implementation include:

- Rules and standards, including environmental standards, energy efficiency standards, etc.
- Environmental taxes and eco-taxes
- Green procurement and market support
- Information instruments as eco-labelling, increased research & development, and education & training.

Since 2005, the Thai Pollution Control Department (PCD) under the Ministry of Environment and Natural Resources has prepared and followed a clear strategy for introduction of SPP in Thailand:

- 1) The Ministry of Natural Resources and Environment has adopted SPP as working method
- 2) Product groups for SPP criteria and eco-labelling have been selected. Criteria of environmentally-friendly products and services have been selected, based on LCA studies and findings on some products/services that have not been able to achieve the set targets
- 3) Guidelines and templates for SPP have been produced
- 4) A database for certified green products and services has been established
- 5) An online SPP monitoring system has been established and monitoring reports prepared

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<sup>9</sup> Procurement by local government agencies is governed by the “Regulations of the Ministry of Interior on Procurement of Provincial Administration”, whose key principles are similar to the ones mentioned here. State-owned enterprises set their own procurement regulations.

- 6) A national SPP promotion plan has been prepared, approved by cabinet and accomplished. The plan targets both central government and local authorities, and information on SPP has been disseminated to central and regional government offices
- 7) The PCD has supported other government offices in implementing green procurement
- 8) Key stakeholders network has been strengthened through various meetings
- 9) Cooperation from governmental organisations to adopt the SPP plan has been requested
- 10) A Reward Scheme has been established, giving rewards to offices with a good SPP performance and to manufacturers/service providers consistently delivering green products/services

One hundred seventy (170) organisations have participated in the SPP implementation in the first phase of SPP plan (2008-2011). The Thai SPP system has chosen to work both with SPP criteria and more comprehensive eco-label criteria. The monitoring results show a fourfold increase in the public purchasing of SPP-certified products/services from 2009 to 2012 as well as a growing volume and values of SPP products/services<sup>10</sup>. In terms of the budget, it was reported that the budget spent for SPP-certified products (12 items) accounts for 76%, while that for SPP-certified services accounts for 84% of the total budget. In the product groups where less than half the unit were SPP products, the key issues were identified based on the monitoring results as part of the strategy.

In the next phase, the (Draft) Strategic Plan of Promoting SPP in Public Sector has been prepared aiming to support government authorities in efficient green procurement and raising public and organizational awareness through the following means:

- 1) Increase the amount of green procurement in public sector
  - a. Increase number of complied products and services in public procurement system
  - b. Build confidence and knowledge of officials in green procurement
  - c. Facilitate procurement officials to conduct green procurement
- 2) Stimulate green supplies of products and services
  - a. Encourage manufacturers and service providers to get relevant certifications i.e. eco-label (green label) and green leaf hotel. In the first 2 years, other schemes e.g. carbon footprint will also be supported for the sake of preparation for green label and green leaf schemes.
  - b. Change perception of suppliers and service providers to be in accordance with changing consumption behaviour of green society
  - c. Prepare environmental information database throughout life cycle for national products, prepare experts and develop knowledge on environmentally friendly materials, products, and services and prepare information on relevant laws and regulations of major trade partners
  - d. Build capacity of manufacturers, suppliers and service providers
  - e. Support manufacturers and service providers with economic instruments
  - f. Organize rewarding scheme for manufacturers/service providers
  - g. Develop and strengthen products/services certification system
- 3) Establish sustainable consumption of general public and organizations
  - a. Establish more green corners in various department stores
  - b. Change perception of consumers towards green society
  - c. Support academic sector to play important roles in promoting green products and services
  - d. Support annual national road-shows
  - e. Create network of green consumers among general public and organizations
  - f. Encourage state enterprises and private sectors to implement green procurement policy

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<sup>10</sup> Only 40% of the organisations submitted the SPP report to PCD as it allegedly was difficult to understand the monitoring scheme.

- 4) Manage and steer the plan
  - a. Prepare and review work plan and increase number of products and services
  - b. Monitor, evaluate and revise implementation plan on a continual basis
  - c. Expand the scope to national green procurement network

The expected target groups are more than 1,000 sub-national authorities.

### ***The Philippine SPP strategy***

The strategy of the 2012 Green Procurement Program is fledged out in the goals and activities:

- Environmentally informed decisions in purchase and use of products
- Environmental criteria in public tenders, when possible
- Establish specifications requirements for products/services considered environmentally advantageous based on scientific consideration such as life cycle analysis (LCA)
- Develop incentive program for suppliers of environmentally advantageous products/services
- Promote eco-labelling as instrument to identify/measure environmental preferences of products/services for public procurement
- Purchase products and services in compliance with government procurement policy and international standards, such as the WTO Agreement

More specifically, the implementation arrangements include actions as:

- Formulation & publication of annual green procurement policy of each national agency targeting at least 30% of the planned budget for green products & services
- Submission of annual procurement policies for compliance review and monitoring.
- Legal/administrative sanction for non-compliance
- Conduct of research/studies on the identification of environmentally preferable products and services, establishment of eco-labelling criteria for products & services, etc.
- Pilot-testing of green procurement for the centralized procurement of commonly used goods.

### **Systems for SPP**

The Thai SPP systems are well developed and suitable for the broad national implementation of SPP. The Thai method of procurement depends on several factors, including the value of the contract, the nature of the goods or services, and the urgency of the procurement. Since 2005, procurement over THB 2 million (USD 50,000) has had to be conducted through an electronic auction.

The National Committee in Charge of Procurement interprets the regulation, makes recommendations concerning its enforcement and amendment, grants exemptions to procuring agencies, and hears complaints.

The procurement regime requires the use of model contracts and tender documents to strengthen the transparency of the procedures. The procuring agency must publish the prequalification criteria and method of selection. The publication of procurement opportunities increases participation and consequently reduces the risk of collusion or failure of tendering. In Thailand, all agencies must advertise their procurements on the Government's central procurement web site and relevant agencies' web sites. In addition, they must notify other public agencies as well as newspaper offices. The minimum period allowed for submitting a tender is 21 days. Clear definition of the criteria and procedure for bid selection is also important in reducing corruption.

Selection committees are tasked with the evaluation and selection of offers. The name of the winning bidder is announced on the Web site of the procuring agency. The reasons for the decision

are available upon request. Thailand uses model documents. If none of the received bids meets the requirements, the tender will be re-invited.

Products and services have been identified within the scope of procurement by public governmental organisations. A Top 20 List was prepared covering the items that are highly purchased with regards to the following aspects:

- Technical aspects (processing with lower environmental impacts),
- Environmental aspects (based on life cycle considerations),
- Economic aspects (availability of alternative products/services, availability in markets, high amount of purchase).

SPP criteria are formulated based on the technical/environmental/economic aspects and taking into account the stakeholder's opinions. In general, the criteria of Thai Green Label and SPP are closely connected. The process of setting criteria is:

- 1) Product selection: Products/services with no green label; Lesser than two companies having been awarded the green label; No producers can comply with green label at the beginning
- 2) Literature review: Reviewing related national and international standards; Reviewing the criteria of green label
- 3) Drafting the criteria of SPP: Questionnaires to relevant organisations; Stakeholder consultation meetings with producers, governmental organisation, the private sector.
- 4) Setting the criteria of SPP

To facilitate the purchasing decision, a database of certified environmentally friendly products/services has been set up.

#### **Staff Resources for SPP**

The Philippines is an example on how to successfully incorporate competence building into the SPP scheme. The departments and organisations involved in the national SPP scheme are also board members in the National Eco-labelling Program of the Philippines 'Green Choice Philippines' and they will all undergo training on Green Procurement and enlist the participation of all officers, related offices, businesses and other stakeholders involved in their supply chain. The Department of Trade and Industry in 2012 stated that the SPP efforts are expected to develop the "knowledge and skills of government offices" on how to buy green and integrate the green public procurement policy model with existing government procurement programs. The regulation also provides for the development of guidelines among procurement entities in the establishment of their green procurement programs.

An example of motivation of staff is seen in Thailand in the Pollution Control Department's strategy for SPP where a Reward Scheme has been established, giving rewards to offices with a good SPP performance and to manufacturers/service providers consistently delivering green products/services.

#### **Comparative study - SPP in selected Asian countries**

Japan, Thailand and Korea have made great efforts to institutionalize SPP through legislation, eco-labelling programmes, setting priority green public procurement products, and delivering green public procurement promotion and incentive programmes. UNEP has carried out a comparative study of sustainable public procurement frameworks and programming<sup>11</sup>. The following table shows some of the key characteristics of the SPP frameworks in the three countries<sup>12</sup>.

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<sup>11</sup> UNEP 2017: Comparative Analysis of Green Public Procurement and Ecolabelling Programmes in China, Japan, Thailand and the Republic of Korea: Lessons Learned and Common Success Factors.

<sup>12</sup> Refer also to appendix 3 for an additional comparative analysis provided by INGP.

	Japan	Thailand	South Korea
SPP Law	2001	2008	2005
Mandatory/ voluntary	Mandatory, central government	Voluntary	Mandatory, Central government
Leadership	Ministry of Environment	Ministry of Environment	Ministry of Environment,
Budget	200 T\$/year for support to SPP	No specific budget line	No specific budget line
Targets	None	Increase in SPP and departments	None
Criteria setting basis	Ecolabels	Ecolabels	Ecolabels
Incentives	None	Reward for good SPP effort	Bonus for good SPP effort

The following product and service categories are included in all three countries' SPP models:

- Office equipment
- Paper
- IT equipment
- Household appliances
- Vehicles
- Furniture
- Lighting

Each of the countries embraces additional product categories<sup>13</sup> in the SPP models, ranging from 17 categories in Thailand to the 169 categories in Korea. Thailand includes both environmental and social criteria in their SPP criteria set, while Korea and Japan solely focus at environmental criteria.

## GPP in Denmark

EU has stated an objective that 50% of public procurement should be green. To carry out this green procurement, the EU Commission has developed a range of GPP criteria (21 product groups). However, it is the member states that are responsible for the implementation of green procurement in practice.

In Denmark, the Agency of Environment – placed under the Ministry on Environment and Food - is responsible for the promotion of green procurement. The agency has carried out three larger initiatives:

- Partnership for Green Public Procurement with 16 ambitious ministries, counties and municipalities. The secretariat of the partnership formulates criteria (16 product groups), supports market dialogue, disseminate good practices among the members.
- The Forum for Sustainable Procurement more broadly analyses procurement challenges, arrange seminars and conferences and disseminates SPP information to more than 1,000 institutional and individual members.
- The Responsible Purchaser Website disseminates examples, criteria, solutions and case stories.

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<sup>13</sup> Each category can include a number of more specific product groups. Japan, as an example, covers 21 product categories and 66 groups of products or services.



The regulation of green Procurement in EU, and in Denmark in particular, is characterized by “soft” governing tools, which are focusing on knowledge sharing, establishing networks and providing information and tools to conduct green procurement. All Danish municipalities and ministries should have a GPP policy, but GPP is in practice voluntary, meaning no sanctions will be imposed. There is no continuous monitoring of the GPP efforts, but the Agency of Environment has carried out two reports mapping the amount of green public procurement.

Public purchasers report that major challenges include lack of political will and procurement resources, time limits, budget cutbacks, lack of market matureness.

## Overview of SPP Success Factors

It is internationally acknowledged that there is a need for a coherent institutional framework to ensure that SPP moves on from the policy statement level and to actual implementation. Experience from a series of countries show that the following institutional elements should be taken into consideration – as illustrated in the figure.



### Political commitment

Many case studies stress the importance of political commitment both at the national level and in the city or region concerned. In order to secure political backing, dissemination activities should always highlight the benefits when implementing SPP policies. Irrespective of financial implications, SPP drives innovation, achieves global and local environmental and health goals, improves the public image, increases the legitimacy of political representatives, and meets the responsibilities towards today's and tomorrow's society. Where political support is strongest, often the more developed national schemes are found.

Governments should enhance sustainable procurement leadership by establishing a designated national committee and leading organisation with representation of green product experts, manufacturers, relevant government officials, consumers and civic group members. Government will make implementation easier as it assigns the SPP programme with an institutional home and dedicated leadership, including a budget, and also clearly places responsibility for the necessary SPP tasks with the relevant institutions. Networking between procurement entities will allow for more cost-effective, large volume procurement of sustainable products.

### The SPP Strategy

An SPP target makes clear that a given share of public procurement would need to integrate sustainability performance; strategy and action plans spell out the way forward, including identifying the most relevant product groups for SPP.

### National Laws and Structure

National laws and policies constitute an all-important prerequisite for SPP; without such a framework, SPP will have little legitimacy as the subject of strategies and actions plans. There is a need for specific sustainable procurement regulations to require sustainable procurement under the overall 'Government Procurement Law' (or similar) and to standardise and direct (or compel) government agencies and municipalities to fulfil their sustainable procurement obligations.

A structure that includes high level organisations offering a high credibility for decision makers is crucial – for example for dissemination of the cost-effectiveness of most green products and services.

In countries with a multiplicity of regulatory agencies overseeing procurement at federal, state and municipal levels, efforts made by municipalities or within individual public sector organizations may remain disparate.

### **Practical Help and Tools**

For the daily work of the purchasing authorities, SPP should be practical and easy-to-use. Green public procurement guidelines and procedures clarify expectations for staff. The guidelines clarify why, when, and how to apply sustainable procurement principles within the procurement process, just as they will spell out how inclusion of “Total Cost of Ownership” aspects may change the perception of green products as more expensive.

Identifying environmentally preferable products may be complex, it entails bringing together verifiable information about the effects products and services may have on the environment, possibly considering the entire product life cycle. For this purpose, national SPP product guidelines are crucial, including good purchasing practices, showing that green products do not necessarily cost more, particularly when Life Cycle Costs (LCC) are incorporated. Competing lists should be avoided (for example energy/environment). Ecolabelling schemes are useful – but not a prerequisite – for setting realistic and relevant procurement criteria. The approach should reflect national conditions and priorities.

For successful SPP, it is relevant to provide practical assistance and best practice examples from other public procurement bodies, e.g. model tender documents and advice on how to overcome key barriers to foster cost-effective implementation of SPP.

Even more convincing than figures to prove the cost-effectiveness of sustainable purchasing is to show that other public procurement bodies are already successful in SPP. Good practice examples and especially tender documents that show how sustainable products and services can be procured legally sound are a major contribution to furthering SPP.

### **SPP Criteria and Criteria Systems**

Technical specifications with threshold values would present the securest option, as this will guide less skilled or less knowledgeable procurers. Use of award criteria will still be applied once threshold levels have been reached. Weighting of award criteria should be clearly identified and award criteria should encourage innovation.

Certification/ declaration from third party verification is to be preferred, followed by other transparent schemes. Recognised environmental labelling criteria can be used as technical specifications, award criteria or contract clauses.

### **Human Resources for SPP**

As a country expands the scope for SPP and as the system is improving, it will need a large number of procurement personnel and supply agents at national and regional/local level. It is imperative to have an effective SPP personnel management strategy and to set up training events/centres for sustainable procurement personnel. The training should focus on general skills, communication skills, product knowledge, thinking and analysis skills. In many countries, universities and research institutes provide procurement courses as a part of the degree curriculum.

### **Management and Monitoring**

A simple and easy-to-use monitoring system enhancing the credibility and value of the SPP scheme could include benchmarking possibilities. Monitoring normally focus on activities and outputs, but

measurement of outcomes may take place in more advanced systems. Both local and national authorities often lack statistical data on their procurement activities.

### **Stakeholder Participation**

One avenue to increase SPP expertise is to increase stakeholder participation in procurement processes. Multi-stakeholder input can be very valuable in appreciating the complexities involved in SPP and implementing strategies and systems to meet prevailing procurement patterns.

### **SPP Communication**

Environmental information is essential for green public policy making and for issuing procurement lists. A dedicated internet platform for all SPP related information and tools will ease communication with both the procurement officers and the suppliers. It will also ease admittance to sustainable procurement information and the most up-to-date sustainable product information and technology information.

### **Budgets & Financial Implications**

Accounting procedures and multi-year budget frameworks that allow temporal flexibility to carry-over or borrow-against-the-future are important to enable SPP. In terms of organization, there is the issue of split responsibilities for capital and operating costs. While procurement contracting is the responsibility of one agency, operational budgets are typically controlled by another agency, and the use and maintenance of the product/service/development belongs to yet another. As the benefits of SPP accrue during the product life and at the products' end disposal, those bearing the capital costs may not be the first to realize the benefits of sustainable alternatives.

### **Subsidies & Innovative Support**

It is obvious that important steps towards a more innovative green manufacturing sector and more competitive SPP can be taken if green products and services, and their providers, could enjoy preferable tax policies, obtain support for green innovative projects and processes, or have priority over non-green competitors in government procurement contracts. Subsidies for green products and services could be established within the government procurement budget in order to reduce the total purchasing costs in a life cycle perspective. Alternatively, consistent application of full-cost accounting to both green and non-green products and services may reveal that in many cases subsidies are not needed.

### **Transparency Across the Procurement Process/Cycle**

There is an increasing focus on transparency at all stages of the procurement process and on combating corruption on the awarding of contracts. Public procurement, the world over, is today organized electronically, and this is reported to have greatly facilitated transparency. It also enables stakeholders to be better informed on procurement processes and aware of criteria and the contents of bids.

### **Cooperation Across Municipal Boundaries**

Cross-institutional cooperation may be the way to increase technical and commercial capacity of smaller entities, e.g. municipalities. All operations should take every opportunity to co-ordinate their efforts in the regional perspectives. Being part of a network to support, share and show costs and benefits of SPP is a valuable asset that many local authorities use.

The table on the next pages provides insight into the SPP efforts compiled by The International Green Purchasing Network, IGNP, in 2015.

## IGNP Comparison of Asian Countries' SPP Frameworks, 2015

The International Green Purchasing Network, IGNP, has prepared a comparative study of the GPP models in seven Asian countries.

		Japan	China	Taiwan, China	Hong Kong	Singapore	The Philippines	Indonesia
Organization Information	Name of Organization	Green Purchasing Network (GPN)	China Green Purchasing Network (CGPN)	Environment and Development Foundation * Green Purchasing Alliance is not active.	Green Council	Green Purchasing Network Singapore	Philippine Center for Environmental Protection and Sustainable Development Inc.	Indonesia Green Purchasing Network
	URL	<a href="http://www.gpn.jp/">http://www.gpn.jp/</a>	<a href="http://www.cgpn.org/">http://www.cgpn.org/</a>	<a href="http://greenliving.epa.gov.tw/GreenLife/eng/english.aspx">http://greenliving.epa.gov.tw/GreenLife/eng/english.aspx</a>	<a href="http://www.greencouncil.org/">http://www.greencouncil.org/</a>	<a href="http://www.directgreen.net/new/s/green-purchasing-network-singapore/">http://www.directgreen.net/new/s/green-purchasing-network-singapore/</a>	<a href="http://www.pcepsdi.org.ph/">http://www.pcepsdi.org.ph/</a>	
	Legal Entity	No	No	Yes	Yes	No	Yes	No
	Membership System	Yes	No	No	Yes	No formal membership system or fees to join	Yes	Yes
	# of Members	2,374	N/A	N/A	~240 Hong Kong Green Purchasing Charter as of Nov. 2014	10 organizations/companies and growing	18 company-subscribers	23
Current Status of Green Purchasing and Relevant Regulations	Legal Framework	Yes	Yes	Yes	No	No	Yes	No
	Name of Regulation(s)	Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (Act on Promoting Green Purchasing) <a href="http://www.env.go.jp/en/laws/policy/green/index.html">http://www.env.go.jp/en/laws/policy/green/index.html</a> The Law concerning the Promotion of Contracts Considering Reduction of Emissions of Greenhouse Gases and Others by the State and Other Entities (Green Contract Law) <a href="http://www.env.go.jp/en/laws/policy/green/contract.html">http://www.env.go.jp/en/laws/policy/green/contract.html</a>	Recommendations on the Implementation of Environmental Labelling Products in Government Procurement (2006)	Article 96 of the Government Procurement Law (1999); Article 22 of the Resource Recycling and Reuse Act (2003)	N/A	No plans to be aware of, but as it fits in with Singapore's sustainable development plan, there is opportunity to introduce it.	Executive Order No. 301 Series 2005	N/A
	# of Product Categories	Act on Promoting Green Purchasing: 21 Act on Promoting Green Purchasing: 6	N/A	- Top priority for GPP: 130 product categories (34 designated for GGP) under Green Mark Label - Second Priority for GPP: 45 product categories under Energy Saving Label - Second Priority for GPP: 11 product categories under Water Conservation Label - Second Priority for GPP: 6 product categories under Green Building Label	N/A	N/A	40 (as of 2014)	N/A
	Subject to the Regulation(s) and Compliance	Mandatory: All Ministries and Incorporated Administrative Agencies Encouraged: Local Governments	Encouraged: Central Government, Government Agencies, Local Governments	Mandatory: Central Government, Government Agencies, Local governments, Public Sector Encouraged: Corporations, Individuals	Encouraged: Government Agency (Environmental Protection Department: EPD)	N/A	Mandatory: Central Government, Government Agencies Encouraged: Local Governments, Public Sector, Corporations, Individuals	Mandatory: Government Agencies Encouraged: Central Government, Local Governments, Public Sector, Corporations, Individuals

## IGNP Comparison of Asian Countries' SPP Frameworks, 2015 /2

		Japan	China	Taiwan, China	Hong Kong	Singapore	The Philippines	Indonesia
Current Status of Green Purchasing and Relevant Regulations	Monitoring and Reporting System	Yes: All Ministries and Incorporated Administrative Agencies No: Local Governments	Yes: Central Government, Government Agencies, Local Governments	Yes: Central Government, Government Agencies, Local Governments, Public Sector, Corporations No: Individuals	No	N/A	Only corporations have monitoring and reporting system	No monitoring or reporting systems
	Reference Information of Implementation	<a href="http://www.env.go.jp/policy/hozen/green/g-law/shiryou.html">http://www.env.go.jp/policy/hozen/green/g-law/shiryou.html</a>	N/A	<a href="http://greenliving.epa.gov.tw/GreenLife/eng/english.aspx">http://greenliving.epa.gov.tw/GreenLife/eng/english.aspx</a>	Government Logistics Environmental Report 2013 <a href="http://www.epd.gov.hk/epd/sites/default/files/epd/english/how_help/tools_epr/files/GLD_er2013_e.pdf">http://www.epd.gov.hk/epd/sites/default/files/epd/english/how_help/tools_epr/files/GLD_er2013_e.pdf</a>	With the support of other interested groups, GPN Singapore will be lobbying for the introduction of green purchasing plans and guidelines.	No reports have been submitted to the National Ecolabelling Board as specified in EO 301 (Series 2005)	N/A
	Other Systems/Mechanisms to Promote Green Purchasing	- GPN has drawn up "Green Purchasing Guidelines" in 19 categories and listed important points that should be considered in the environmental D17 aspect when purchasing a product. - Ministry of the Environment revised EcoAction 21 Guidelines 2009 that requires implementation of green purchasing. <a href="http://www.env.go.jp/policy/j-hiroba/ea21/guideline2009_en.pdf">http://www.env.go.jp/policy/j-hiroba/ea21/guideline2009_en.pdf</a>	No	The Taiwan Environmental Protection Administration has various measures/initiative to promote green purchasing toward the private sectors, e.g., development of Green Mark criteria on services, awarding the best performers in green purchasing, encouraging businesses to give Green Points to consumers if they purchase/use Green Mark products/services, etc.	Since 2000, the Government (Environmental Protection Department) has been developing green specifications for items commonly used by bureaus and departments <a href="http://www.epd.gov.hk/epd/english/how_help/green_procure/files/Green_Specifications.pdf">http://www.epd.gov.hk/epd/english/how_help/green_procure/files/Green_Specifications.pdf</a>	N/A	Yes. Promotional campaigns, trainings, conferences and exhibitions.	Yes (No detailed information is available)
Implementation of Green Purchasing	Roles and Challenges of Regulations	Challenges: - Continuous training of procurement officers - Promote environmentally friendly products and services - Quantification of environmental impact reduction by green purchasing - Dissemination of green purchasing activities among consumers	Roles: prioritize procurement for environmental labeling products Challenges: lack of special regulation or law for green procurement	N/A	Roles: Voluntary Challenges: So far there is no GPP criteria developed in Hong Kong	Roles: Difficult to define who role it is in Government Challenges: Government has other priorities; Green buildings, Energy Efficiency	Roles: Government Procurement Policy Board (GPPB) should require to implement EO 301 (S.2005) and adopt the draft implementing guidelines developed by the NELP-GCP Board. Use ecolabelling as tool in identifying the environmental preferability of products Challenges: lack of GPP knowledge and skills, lack of implementing tools and guidelines	N/A

## IGNP Comparison of Asian Countries' SPP Frameworks, 2015 /3

		Japan	China	Taiwan, China	Hong Kong	Singapore	The Philippines	Indonesia
Implementation of Green Purchasing	Implementation by Government Agencies	In FY2014, more than 95% of procurement in 189 designated procurement items out of 199 except public works have met evaluation criteria. (Source: Document of Ministry of the Environment, FY2014)	The total value of Government purchased products of EL reached 176.2billion RMB in 2014 which was about 75.3% of the total products with same function purchased by the government	Annual spending of GGP amounts to 330 million US\$ in 2013.	Government Logistics Department (GLD) adopted green specifications drawn up by the consultants of the Environmental Protection Department (EPD) and awarding contracts for the supply of environment-friendly products, where applicable. Examples include printing paper with recycled content, mobile waste containers with recycled plastic content, vehicles meeting higher emission standards, liquefied petroleum gas light buses, Euro V diesel and BS diesel for use by various government bureau/ departments <a href="http://www.epd.gov.hk/epd/sites/default/files/epd/english/how_help/tools_epr/files/GLD_er2013e.pdf">http://www.epd.gov.hk/epd/sites/default/files/epd/english/how_help/tools_epr/files/GLD_er2013e.pdf</a>	National Environment Agency has an internal policy. The Singapore Environment Council (supported by Government) has introduced certification and labelling of eco products and eco offices.	Still in infancy stage, needs to capacitate procurement officers, need to implement GPP regulation	Minister of Industry The Republic of Indonesia with full supported from GPN Indonesia awarded more than 100 Indonesian companies with Green Industry Award 2014.
	Implementation by Local Governments	69 % of local governments (82.9% of wards and cities, 54.1% of towns and villages) have implemented green purchasing of more than one item in each category according to survey which was conducted by Ministry of the Environment in FY2014.	N/A	N/A	N/A	N/A	1. Memorandum of Understanding (MOU) was signed in 2012 by eight government agencies to undergo capacity-building trainings for GPP. Individual institutional Action Plans were produced during the trainings. <a href="http://www.eco-business.com/news/government-agencies-begin-training-for-green-procurement-program/">http://www.eco-business.com/news/government-agencies-begin-training-for-green-procurement-program/</a> 2. Quezon City and the Department of Trade and Industry (DTI) were the first institutions among the 8 pilot agencies in the MOU to lay initial activities for GPP implementation. <a href="http://www.switch-asia.eu/news/workshop-on-green-public-procurement-gpp/">http://www.switch-asia.eu/news/workshop-on-green-public-procurement-gpp/</a>	N/A

## CHAPTER 4 - REVIEW AND ANALYSIS

This chapter includes an analysis of the Sri Lankan situation within specific components that – according to international experience – are important for establishment of an effective SPP model.

### Scope of the “Public” Sector to be Covered

The NPC Procurement Guideline states that GPP is mandatory for all government institutions. However, acknowledging that far from all government institutions in Sri Lanka employ staff with specific procurement competencies, and considering experience from other countries, it is recommended to implement SPP in Sri Lanka in a stepwise cascade.

1. An initial phase during which MoMDE and NPC cooperate with and support a few public entities – ministry, Provincial and/or Local Authority – that demonstrate specific interest for SPP. Based on consultations and the SPP workshops carried out in this project it appears most relevant to start with selected ministries which can serve to investigate specific challenges and opportunities for SPP in Sri Lanka.
2. The next wave could expand the institutional scope to include all institutions at a specific level – for example Provincial councils or larger local authorities. In this context the expectations to the involved institutions should be made quite clear to ensure motivation and effectiveness in the endeavours.
3. A third wave could include further institutions as found relevant.

### SPP Regulations and Guidelines

The NPC has submitted two documents providing guidance on SPP to state procurement entities – the Procurement Guideline chapter 14 and the Procurement Manual chapter 14.

The two documents are partly overlapping in contents and it is not completely clear how the two documents supplement each other. Neither the guideline nor the manual include more precise procedures on how to practically implement SPP considerations in procurement, for example as demonstrated in the EU Guideline on Green Procurement – the Buying Green Handbook to be found at <http://ec.europa.eu/environment/gpp/pdf/Buying-Green-Handbook-3rd-Edition.pdf>.

To initiate an effective process and providing a clear picture to stakeholders on the SPP obligations, the Expert Team finds that the following support tools and rules could be developed:

- A definition on the term ‘Implementation of SPP’. The NPC Guideline states that all state institutions should implement SPP, but it is not clear what is actually expected of the involved institutions and there are no SPP targets for the institutions obliged to implement SPP. A more narrow institutional scope than stated in Guideline 14.1 would allow institutions to learn from the first movers.
- The Guideline and the Manual express the ambition that the involved institutions should procure green or sustainable products and services. However, no national guidance on relevant SPP criteria exists, and it is hardly realistic to expect the involved institutions to come up with SPP criteria themselves. Thus, there is a need for nationally determined SPP criteria for the selected product groups, based on life cycle considerations and market dialogue with the suppliers.
- The NPC Guideline mentions that ‘Total Cost of Ownership’ should be calculated by the procurement entities. This is a very important message as TCO considerations will often lead to procurement of more sustainable solutions solely based on economic considerations. Thus, there is a need for development of tools/spreadsheets enabling procurement entities

to ensure that TCO is calculated in a uniform and correct way without exorbitant use of resources in each institution. In the present project, the Expert Team provides a range of targeted TCO tools with manuals.

- In general, public procurement suffers from lack of control of contract compliance by the supplier, and this is even more evident when it comes to SPP as there is a lack of third party audited products in Sri Lanka. Therefore, a Guideline on how to control delivery of products' compliance with SPP criteria should be developed – ideally with precise procedures for each of the product groups embraced by the SPP effort.
- In order to monitor the SPP performance of the involved institutions, there is a need for easy-to-apply procedures on compliance monitoring of SPP efforts and effects. Refer to the section on monitoring of SPP efforts.

## Prioritized Product Groups

In the Procurement Manual, NPC has listed 12 product groups for which an 'IAEC-GPP group will develop green specifications' <sup>14</sup>. All the 12 product groups are covered by the procurement models in other Asian countries and are relevant in the SPP context:

- Building & construction products;
- Cleaners & detergents;
- Flooring products;
- Furniture & fittings;
- Office products & services;
- Paint Products;
- Paper Products;
- Recycled products & services;
- Textiles Toiletry & personal hygiene products;
- Services;
- Recycled products & services; and
- Cleaning Services.

As preparation of valid and operational SPP criteria is a complex process involving actors from both the public and the private sector, it should be considered initially to work only with a few relevant product groups in the first phase of SPP implementation. The selection should take into consideration the following parameters:

- Product areas where SPP is easy to implement, with high cost/benefit ratio (quick wins)
- High procurement volume in financial terms;
- Sri Lankan strategic productive sectors;
- Significant environmental impact;
- Potential scope of environmental or social improvements;
- Potential socio-economic gains; and
- Potential positive influence on the market and the suppliers.

The selection of relevant product groups has been discussed on several meetings and workshops with national key stakeholders with the following recommendations (rationale in brackets):

- Lighting (economic gains, easy solution, easy control);
- Air-conditioners (huge energy consumption, easy criteria, quick wins);
- Paint (local production, substantial consumption, lead free alternative);

<sup>14</sup> NPC Draft Government Procurement Manual 2017,



- Chicken (growing consumption, national production, public attention); and
- Liquid milk (growing consumption, important sector).

## Criteria to Prioritize Products

For the selected products groups, criteria should be developed at national level based on a Life Cycle screening and taking into due consideration the specific Sri Lankan conditions<sup>15</sup>.

With SPP being a completely new theme in Sri Lankan public procurement, and acknowledging that there is limited capacity and resources for more elaborate sustainability screenings/assessments, it is suggested for each product to identify a few, easily applicable and controllable criteria that can be expanded in the next phase of SPP implementation in the country. This next phase may very well be connected to the expected establishment of a national eco-label mark early 2018.

As a starting point for discussion and market dialogue, the participants in the SPP workshops have agreed on the following initial procurement criteria:

### Lighting

- Minimum 3 star rating <sup>16</sup> for light sources
- All procurement of lighting shall be based on calculation of Total Cost of Ownership<sup>17</sup> covering the expected lifetime of the most durable lighting equipment offered

### Air-conditioners

- Only dual-converter AC equipment can be procured
- All procurement of AC equipment shall be based on calculation of Total Cost of Ownership covering the expected lifetime of the most durable equipment offered

### Paint

- 2018: Specify acceptable price premium for lead free paint. The following table is an example<sup>18</sup> where a preference will be given to a product with lesser lead content than the maximum safe levels. Percentage premium will be added to the bid price for comparison purpose.

Contents of Lead - ppm	>80 - <90	>70-<80	>60-<70	>50-<60	>40-<50	>30-<40	>20-<30	>10-<20	>0-<10	0
Percentage premium	10.0%	9.0%	8.0%	6.5%	5.0%	3.5%	2.0%	1.0%	0.5%	0.0%

- From January 01, 2019: Only paint with no content of lead can be procured.

<sup>15</sup> A solid basis for the Sri Lankan criteria development process can be criteria work and eco labels from other countries as the principles and environmental characteristics will for most products not differ a lot between nations. Market consultations with the relevant sectors will provide input on the national characteristics to be taken into account.

<sup>16</sup> According to the national Energy Efficiency Labeling Scheme for electrical appliances ([http://www.gic.gov.lk/gic/index.php?option=com\\_info&id=1700&task=info&lang=en](http://www.gic.gov.lk/gic/index.php?option=com_info&id=1700&task=info&lang=en).)

<sup>17</sup> Total cost of ownership (TCO) is a financial estimate determining the direct and indirect costs of a product or system. It is a management accounting concept that can be used in full cost accounting or even ecological economics where it includes social costs. Asset ownership brings purchase costs, nevertheless, ownership also brings costs due to installing, deploying, using, upgrading, maintaining and disposal the same assets. These after-purchase costs can be substantial. Consequently, for many kinds of assets, TCO analysis finds a very large difference between purchase price and total cost of ownership or total life cycle costs. And, the difference can be especially large when ownership covers a long time period. As a result, TCO analysis sends a very strong message to buyers, capital review groups, and asset managers.

<sup>18</sup> The figures in the table are hypothetical.

### Liquid milk

- Fresh milk, not from reconstituted milk
- Use of chemicals below the recommended level - from milking to processing
- Organic milk

### Chicken

- Use of antibiotics below the recommended level

Or simply

- Organic chicken

As an example on more elaborate, relevant criteria, the Expert Team has – based on Asian examples - prepared the following table for the three initially selected product groups. It should be noted that this below table does not constitute a complete and all-encompassing criteria setting for the product groups – it merely serves as an example.

	Paint (M)	Textile (apparel) (L)	Air-Conditioners (L)
<b>MINIMUM PERFORMANCE REQUIREMENTS</b>		<b>Durability:</b> Minimum number of washes.	<b>Appliances must have a minimum energy efficiency ratio (EER) of A.</b> Setting the minimum EER can be guided by labels that rank appliances from A to G.
<b>HAZARDOUS SUBSTANCES</b>	<p><b>No heavy metals in the product.</b> The sum of mercury, lead, cadmium and hexavalent chromium shall not exceed 0.1% (1,000 ppm) by weight.</p> <p><b>Maximum levels of VOC:</b></p> <ul style="list-style-type: none"> <li>• Emulsion paint: &lt;50g/l</li> <li>• Other water-based varnish: &lt;100g/l</li> <li>• Solvent-based paint and varnish: &lt;300g/l</li> </ul> <p><b>Packaging:</b> Metal without lead.</p>	<p><b>Restrictions on the types and amounts used in the product of:</b></p> <ul style="list-style-type: none"> <li>• Pesticides</li> <li>• Dyes</li> <li>• Acrylamines (carcinogens)</li> <li>• Flame retardants</li> <li>• Pentachlorophenol</li> <li>• Phthalate softeners</li> <li>• Formaldehyde</li> <li>• Heavy metals</li> </ul>	<p><b>Maximum levels according to the EU RoHS Directive and other RoHS laws worldwide:</b></p> <ul style="list-style-type: none"> <li>• Lead (Pb): &lt;1000 ppm</li> <li>• Mercury (Hg): &lt;100 ppm</li> <li>• Cadmium (Cd): &lt;100 ppm</li> <li>• Hexavalent chromium (Cr VI): &lt;1000 ppm</li> <li>• Polybrominated Biphenyls: &lt;1000</li> </ul>
<b>OTHER MATERIAL REQUIREMENTS</b>	<b>Plastic:</b> Plastic must not contain substances classified as carcinogenic, mutagenic or reprotoxic.	<b>Organically produced textile fibres:</b> Proportion of cotton or other natural fibres from organic production.	<b>Plastic:</b> Plastic must not contain substances classified as carcinogenic, mutagenic or reprotoxic.

## Capacity Building

Competent staff is a prerequisite for the success of SPP efforts. An assessment of capacity needs in the complete SPP process will lead to identification of a need for additional capacity. Specific staff competences are needed at several levels of the Sri Lankan institutional apparatus in order to carry out SPP in practice.

According to the outcome of SWITCH-Asia SPP workshop in Colombo in 2017, the NPC should have the overall responsibility for SPP capacity building in Sri Lanka, including the responsibility to identify the needs of capacity to be established and of the institutions to do so.

Some of the competences needed to establish a well-functioning SPP model include:

- Policy and budgetary implications: MoMDE, MoF, NPC
- General awareness on SPP: SLIDA, NCPC, NPS, SLSI, NIE, Universities, CAA and any other sector specific institutions
- Specialized SPP knowledge, tools for identifying green products (Eco labelling, standards, certifications): ITI, CEA, SLSI
- Attributes of Green Products and testing: ITI, SLSI
- Developing procurement criteria and specifications: MoMDE, MoI, sector related institutions

According to the SPP workshop, the short term capacity building approach should be repeated for awareness building. The long term programme should be for universities and other training institutions to incorporate SPP as a concept for all their relevant sources. Funding for the capacity building should come from Public Funding with foreign financial assistance wherever possible.

Refer to chapter 6 in which two training modules are briefly described.

## Monitoring and Evaluation Scheme for SPP Implementation

The public sector procures goods and services in large volumes and procurement under SPP principles can support the country's striving for increased sustainability. A monitoring system will provide data allowing the SPP responsible institutions in actually monitoring and evaluating the results of SPP implementation, but weak monitoring is according to UNEP a characteristic of many national SPP efforts.

A monitoring system should have an appropriate, but not overly ambitious technical level, and if possible be based on existing data already compiled by central level actors.

The SWITCH-Asia SPP workshop in Colombo in September 2017 identified the following institutions to be involved in the monitoring

- MoF should monitor the progress and establish the mechanism.
- The NPC should delegate monitoring to procurement officers of public institutions.
- Reporting should be done by MoMDE.
- Compliance monitoring is the responsibility of Government Auditor General.

International experience shows that monitoring can encompass the following (and more) themes, going from the basic a) to the advanced level e):

- a) Number of involved/active institutions
- b) Number of product groups with SPP criteria
- c) Number of contracts with SPP requirements

- d) Actual expenditure on SPP-products
- e) Environmental, social and economic benefits from SPP

It is recommended that Sri Lanka includes point a) - c) in the initial monitoring system in order to – as far as possible – utilise existing data and data compilation structures, allowing the responsible entities to focus more on implementation than on monitoring in this first phase.

## CHAPTER 5 - RECOMMENDATIONS ON STRATEGY FOR SPP IN SRI LANKA

With the new Sri Lankan GPP Policy and the present review of the Sri Lankan public procurement model as starting points, and taking into consideration the identified international best practices for introduction and mainstreaming of Sustainable Public procurement, the Expert Team suggests the following strategy for the next years' work with SPP in Sri Lanka.

The strategy proposal reflects some overall principles that have been formulated in light of international experience:

- Implementation of SPP is first of all an organisational process, secondarily a technical one
- Implementation of SPP takes time and requires a broad organisational effort
- SPP should be implemented gradually, with stepwise increase in ambitions and scope

As the SPP is still at the very infant stage in Sri Lanka, more detailed action planned at this stage is not feasible.

The strategy has been prepared in close cooperation with Sri Lanka key stakeholders.

### Strategy Targets

Seven strategy targets have been identified, formulated and discussed with key stakeholders:

1. Clarified scope, structure and responsibilities, 2018
2. Clear SPP guidelines with stepwise how-to-do, 2018
3. System for SPP criteria and five product criteria, 2018
4. Capacity created in key institutions, 2019
5. Pilot SPP exercises, 2019
6. Monitoring system for SPP, 2020
7. New Action plan for SPP, 2020

The strategy targets are fledged out in the following.

#### 1. Clarified scope, structure and responsibilities, 2018

A clear and limited institutional scope is recommended in order to allow gradual implementation and learning from doing. The responsibilities for key themes should be made clear from the beginning to avoid confusion and overlapping/lacking efforts.

The participatory SPP Consultative Workshop held in Colombo, August 2018, provided valuable input to the definition of structure as listed below:

- A. Baseline figures for public procurement at national and sub-national level
- B. Identify pilot institutions with SPP interest
- C. Establish effective and transparent structure, example:
  - Policy: MoMDE with MoF
  - Leadership in practice + Help Desk: MoMDE
  - Budget implications: MoF
  - General awareness on SPP: MoMDE with NPC
  - Clear procedures for SPP: NPC
  - Criteria setting: MoMDE with SLSI
  - Implementation: NPC
  - Monitoring: MoMDE

## 2. Clear SPP guidelines with stepwise how-to-do, 2018

There is a need for a clear SPP guideline providing decision makers and procurement officers a stepwise approach on how to carry out SPP in practice. The NPC has already initiated this effort with the new chapters in the National Public Procurement Guideline and Manual (to which the consultant has delivered comments and recommendations in the present project), but more detailed hands-on guidance will be needed to support procurement officers in the daily demand of sustainable products.

- A. Form working group with key stakeholders
- B. Investigate international guidelines
- C. Identify relevant 'Entry points' for SPP
- D. Prepare practical and operational SPP Guideline
- E. Test SPP Guideline in practice
- F. Revise and amend

## 3. System for SPP criteria and five product criteria, 2018

Procurement staff needs clear SPP procurement criteria to be able to carry out SPP in practice. Without centrally prepared criteria, each procurement unit will have to develop own criteria, and experience shows that this is a troublesome and ineffective process that may effectively hinder SPP from happening.

- A. Decide on system and procedure for criteria setting
- B. Re-visit Sri Lankan priorities for SPP
- C. Learn from other countries' criteria
- D. Consider Total cost of ownership (TCO)
- E. Carry out market dialogue
- F. Decide criteria for five product groups (*draft criteria provided in the present project*)
- G. Test on market and in procurement entities

## 4. Capacity created in key institutions, 2019

Motivated and competent procurement staff is a prerequisite for effective implementation of SPP. The project has carried out an overall assessment of the present procurement and SPP capacity in the country and prepared training modules for both policy makers and procurement staff. Naturally more training will be needed and it is suggested to start with in-depth training of the procurement officers of the pilot institutions initiating SPP in Sri Lanka.

The participatory SPP Consultative Workshop held in Colombo, August 2018, provided valuable input to the capacity building element of the strategy:

The capacity themes should include, and the institutions that should be involved in each area:

- General awareness on SPP: SLIDA, NCPC, NPS, SLSI, NIE, Universities, CAA and any other sector specific institutions.
- Policy and budgetary implications: MOE, MOF, IPS
- Specialized SPP knowledge, tools for identifying green products (Eco labelling, standards, certifications): ITI, CEA, SLSI
- Attributes of Green Products and testing: ITI, SLSI
- Developing procurement criteria and specifications: CAA, MOE, MOI, sector related institutions

The short term approach should be repeatedly awareness building. The long term programme should be for universities to incorporate SPP as a concept for all their relevant sources.

The funding for the capacity building should come from Public Funding with foreign financial assistance wherever possible. A green credit line should be available to develop for green product manufactures.

Other initiatives could be incentive schemes for producers and benefits for End users (Public Officers).

The strategy elements, presumed to be carried out from 2019, are proposed to be:

- A. Capacity needs assessment in selected institutions (refer to section 8)
- B. Decide on methods, timing
- C. Ensure funding
- D. Prepare capacity building, curricula, materials, etc.
- E. Carry out capacity building
- F. Revise curricula, materials, etc.

#### **5. Pilot SPP exercises, 2019**

Perhaps the most convincing tool for implementation of SPP is case stories documenting the economic, environmental and social effects of SPP – and clearly demonstrating the procedures leading to the sustainable procurement. It is suggested to initiate pilot projects in five institutions, also allowing for test and further development of guidelines, procedures and training modules.

- A. Identify pilot institutions
- B. Agree on procurement area
- C. Support pilot SPP during the complete process
- D. Evaluate and feed back to capacity building

#### **6. Monitoring system for SPP, 2020**

There is in general a lack of adequate monitoring of SPP efforts all over the globe. The Expert Team finds it important that a monitoring framework is established to document the results and effects of SPP (refer to section 4) and recommend a realistic and pragmatic view on the monitoring options to in the best possible way utilising existing data and data compilation mechanisms. As the project has demonstrated that only fragmented information exists on the present volume and contents of public procurement, it is recommended to establish a joint public procurement baseline covering both state and sub-national public entities' procurement.

The participatory SPP Consultative Workshop held in Colombo, August 2018, provided valuable input to the planning of the monitoring system:

The expenditure on SPP-products based on True Cost (life cycle basis) should be monitored on the environmental and social benefits, the cost savings (Total Cost of Ownership) and the pay back. A state full-baseline should be generated. Ministry of Finance should establish the mechanism. The National Procurement Commission should amend and update the public procurement guidelines & procedures and delegate the enforcement role to procurement officers of public institutions. Reporting should be done by the CB.

The strategy elements, presumed to be carried out from 2020, are proposed to be

- A. Define baseline – what is procured by public sector
- B. Identify existing data collection flows within procurement
- C. Decide on monitoring responsibilities
- D. Decide what to monitor
- E. Carry out pilot monitoring
- F. Establish full monitoring model

## 7. New Action plan for SPP, 2020

Following the SPP efforts in 2018-2020, the MoMDE with key stakeholders are recommended to prepare a new action plan for SPP, expanding the scope in terms of products and institutions and opening up for additional national benefits of SPP.

- A. Form working group
- B. Collect case stories and good examples
- C. Evaluate processes and results
- D. Prepare next SPP Action Plan



## CHAPTER 6 - TRAINING MODULES

In the long run it will be mandatory for all government institutions in Sri Lanka to take environmental considerations into account when procuring. Sufficient human resources in the government institutions is a precondition for SPP, hence building sufficient human capacities on SPP is therefore the most urgent task to create a successful system of SPP.

Two training modules have been developed under the present contract (respectively targeting policy makers and procurement staff) and delivered in word and powerpoint format. The training modules cover the topics mentioned below. The trainer should have knowledge about topics as procurement, green procurement, organisational development, strategy development, and strategy implementation.

The training course for policy makers comprises five modules:

- Module 01: Public Procurement in Sri Lankan context
- Module 02: Introduction to Sustainable Public Procurement, SPP
- Module 03: International Experience with SPP
- Module 04: Actions to be carried out to fulfil the SPP policy targets – Implementation
- Module 05: Monitoring and regulation

The training course for procurement staff comprises four modules:

- Module 01: National Public Procurement System and the essence of Public Procurement
- Module 02: Introduction to Sustainable Public Procurement, SPP
- Module 03: International Experience with SPP
- Module 04: Implementation of SPP

***See the Annexes 06 and 07 for more details.***