

Chapter 14 – Green Public Procurement

REVISED DRAFT

14.1 – Introduction

- 14.1.1 When economy of a developing country like Sri Lanka is rapidly growing, it often expands beyond the available natural resources necessary to sustain the long term economic growth and often the processes are quite wasteful. With the time, the capacity of the natural environment to purify effluents and absorb toxins reaches its threshold limits and then collapses causing significant loss of biodiversity and life-supporting ecosystems. This tendency is seen all over the globe.

The worldwide crises in energy, water and finance have created multifaceted socio-economic and environmental problems that every nation now faces. The bio-capacity of the earth is shrinking owing to the increased human demand on the ecological systems. Natural resources are limited and rapidly diminishing due to over-exploitation, especially of non-renewable resources.

As a response to this situation, the international markets for more sustainable products are growing. This trend is not limited to new markets and production or to monetary benefits; it advances knowledge on sustainability, builds credible partnerships, and leads to breakthrough innovations and improved brand reputation.

Having realized the negative impacts of unsustainable development, joining hands with the international community, Government of Sri Lanka has endorsed “Agenda 21” and the “Rio+20 Outcomes”, including the UN “10-year framework of programmes on Sustainable Consumption & Production” (10YFP) and the achievements of Sustainable Development Goals (SDGs).

Towards achieving a more sustainable procurement practice, Environmental and Social considerations are incorporated to the revised edition of the Government Procurement Guidelines, 2017 while remain the basic principles of good public procurement: namely (i) maximizing economy or value for money; (ii) timeliness or efficiency; (iii) establishment of transparency and accountability; (iv) providing fair and equity to all stakeholders; and (v) adhering to rules and regulations.

- 14.1.2 Sustainable Public Procurement is “A process whereby public organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life

cycle basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst significantly reducing negative impacts on the environment.”¹

14.2 Implementation Strategy

- 14.2.1 Educating decision makers, procurers and other relevant public officials on the use of Sustainable Public Procurement (SPP jointly by the NPC and the Ministry in charge of environment portfolio);
- 14.2.2 Establishment of a helpdesk jointly by the NPC and the Ministry in charge of environment portfolio to disseminate information and to provide technical support to PEs;
- 14.2.3 Identification of priority areas (products) and providing comprehensive guidance to PEs jointly by NPC and the Ministry in charge of environment portfolio; and
- 14.2.4 Establishment of compliance monitoring and evaluation mechanism for PEs jointly by NPC and the Ministry in charge of environment portfolio.

14.3 Inclusion of Green Public Procurement Criteria in Bidding Documents

SPP can use several procurement tools that are recognized as contributing to financial efficiency and achieve higher environmental and social standards. Such approaches include:

- Comprehensive need analysis;
- Life Cycle Costing;
- Joint procurement – Combining/packaging;
- Framework agreements;
- Scoring system;
- Alternate bids;
- Preference for higher performance or better quality; and
- Market analysis.

- 14.3.1 **Comprehensive Need Analysis:** A thorough needs analysis involving the relevant stakeholders will help to define the scope for greening the contract, as well as avoiding unnecessary purchases. Environmental performance levels and particular materials and production methods may be specified, where relevant. Specifications, technical standards; and/or labels can relate to any stage of the life-cycle, e.g. raw material extraction, processing, packaging, delivery, use phase or disposal.
- 14.3.2 **Life Cycle Costing:** Life-Cycle Costing is a methodology where costs of a given asset are considered throughout its life-cycle.
- 14.3.3 **Joint Procurement – Combining / Packaging:** Combining the procurement activities within the PE and/or among the PEs may achieve savings through bulk buying, reduced administrative costs, and pooling environmental, technical, and market knowledge. This type of procurement may be particularly valuable in relation to SPP, so that environmental and social skills and knowledge of the market for green products and services can be shared.

¹ UN 10YFP – Principles of Sustainable Public Procurement, March 2015.

- 14.3.4 **Framework Agreements:** A framework agreement may be established with one or more PEs and allows for multiple contracts to be awarded without repeating the whole procurement process. Frameworks can contribute to SPP by allowing greater flexibility in the award of contracts, and in some cases by pooling demand between several PEs. They may also increase the incentives for suppliers to offer environmentally enhanced solutions, due to the potential to win multiple contracts and therefore regain any additional expenses involved in implementing these solutions.
- 14.3.5 **Scoring System:** Scoring system may be used during selection process to recognize environmental performance beyond the minimum requirements set in the specifications. Such a scoring system should be clearly spelt out in the bidding document and two envelop method shall be used to achieve transparency in the process.
- 14.3.6 **Alternate Bids:** Bidders may allow to submit alternate bids delivering higher environmental performance.
- 14.3.7 **Preference for higher performance or better quality:** Bidders will be given a preference for supplying products of higher performance or better quality than minimum specified in the bidding document. Such a requirement should be clearly spelt out in the bidding document and that shall be used for evaluation of bids.
- 14.3.8 **Market Analysis:** Market analysis is needed when defining SPP procurement criteria to determine whether appropriate alternatives are available which offer reduced environmental impact.

14.4 Cost Estimates and Budgetary Provisions

Due to considerations of the additional aspects during the SPP process, the initial price of the contract may be higher than for a general procurement process. PE shall consider the additional cost implications and include in the budgetary estimates appropriately.

14.5 Contract Administration

SPP includes not only selection and award criteria, but also specifications and contract performance clauses. The criteria shall be designed and inserted into bidding documents.

14.6 Smart Implementation Practices

The following smart practices will help achieving SPP objectives.

- Environmental award criteria should be linked to the subject-matter of the contract;
- Do not confer an unrestricted freedom of choice on the contracting authority;
- Ensure the possibility of effective competition;



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- Evaluation criteria should be explicitly mentioned in the contract notice and bidding documents, together with their weightings and any applicable sub-criteria;
- Allocate points during the award stage to recognize environmental performance beyond the minimum requirements set in the specifications;
- Adopting a life-cycle costing approach reveals the true costs of a contract; Considering energy and water consumption, maintenance and disposal costs in the evaluation may indicate that the greener option is also the cheaper option over the full life-cycle; and
- Labels and other forms of third-party evidence can help to assess how well a contract performs against the chosen award criteria.