



*SWITCH-Asia Sustainable Consumption and Production (SCP)
National Policy Support Component (NPSC) for Sri Lanka*

Training module for policy makers:
Developing a national policy strategy
for sustainable public procurement



PURPOSE OF THE TRAINING COURSE



The purpose of the training course is to inform policy makers about the potential effects of and methodologies for utilising public procurement as a lever for sustainable development.

Tentative agenda

9.00 Registration of participants

9.30 Welcome and introduction

9.40 Introduction to Sustainable Public Procurement (SPP)

Discussion: How should sustainable public procurement be defined in the Sri Lankan context?

10.20 Presentation of the national Green Public Procurement Policy (GPP)

10.40 *Discussion: How to prioritize between different policy targets?*

Eg: Environmental concerns vs. economic costs

11.00 Short break

11.20 The proposed Sri Lankan SPP strategy - Identifying strategy goals

Discussion: Are the goals the correct ones, does the strategy appear feasible, realistic and relevant?

12.00 Actions to be carried out in order to fulfill the SPP policy targets – with responsibilities

Discussion: Criteria setting; Capacity building

12.40 Monitoring and regulation

13.00 Rounding off and conclusions of the day

Reflection: What is the main challenges implementing the SPP policy?

13.30 *Lunch*



Public Procurement Sri Lanka Context

November 21, 2017



PURPOSE OF THE MODULE

- * This module serves to provide an overall picture of the Sri Lankan public procurement model .

Public Expenditure

	2010	2014	2016
	(Rupees) (USD)		
GDP at Market Prices (in billions)	6,414 57	9,785 75	11,839 81
Per Capita GDP at Market Prices	310,214 2,744	473,261 3,625	558,363 3,835
Total Exp. + Net Lending (in billions)	1,280 11	1,796 14	2,234 16
Total Expenditure as a percentage to GDP	20%	18%	19%

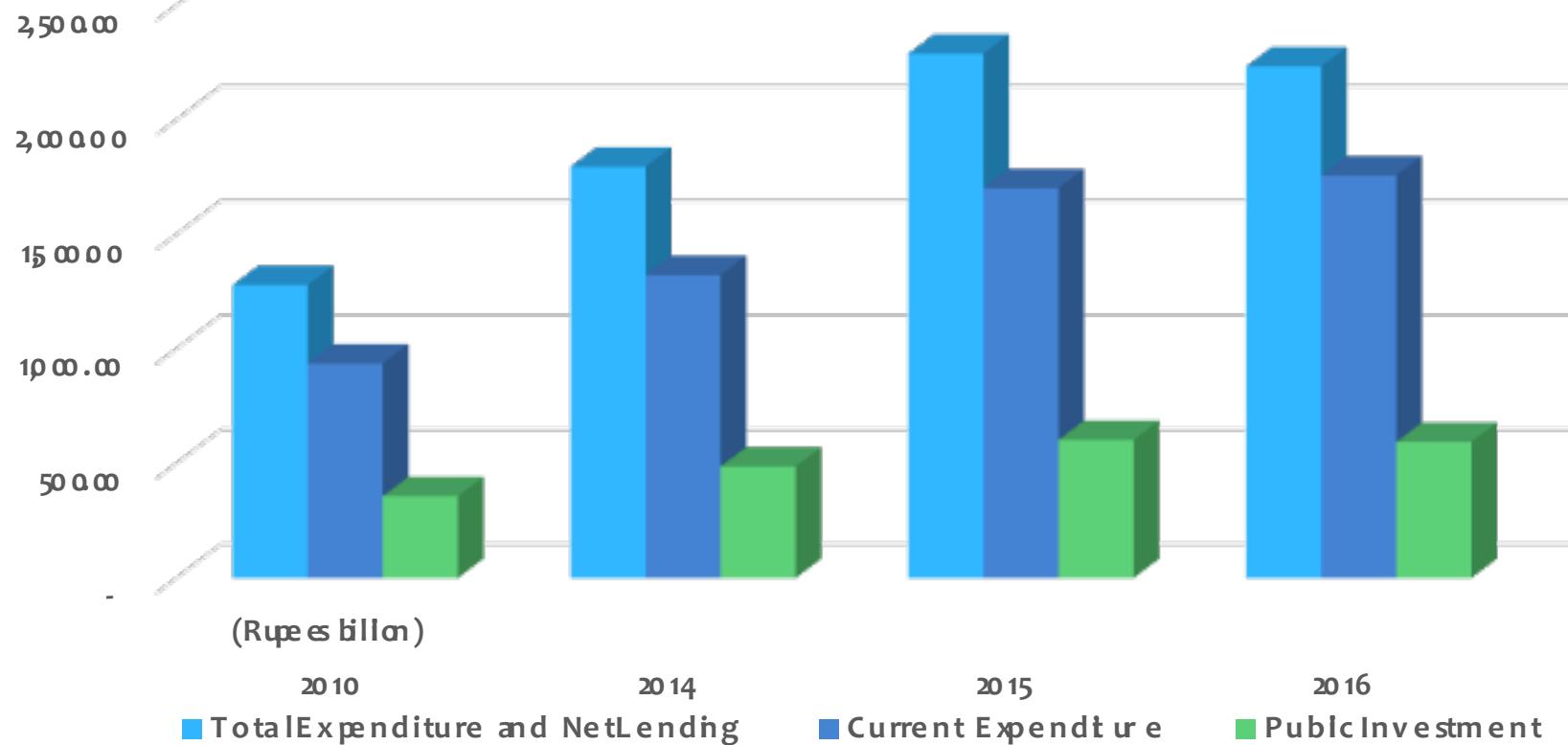
Public Expenditure

Source: Annual Report 2016, Ministry of Finance

	2010	2014	2016
	(Rupees billion) (USD million)		
Total Expenditure and Net Lending	1,280 11,323	1,796 13,755	2,234 16,029
Current Expenditure	937 8,293 72%	1,323 10,132 73%	1,758 12,073 75%
Public Investment	357 3,153 28%	487 3,727 27%	594 4,080 25%

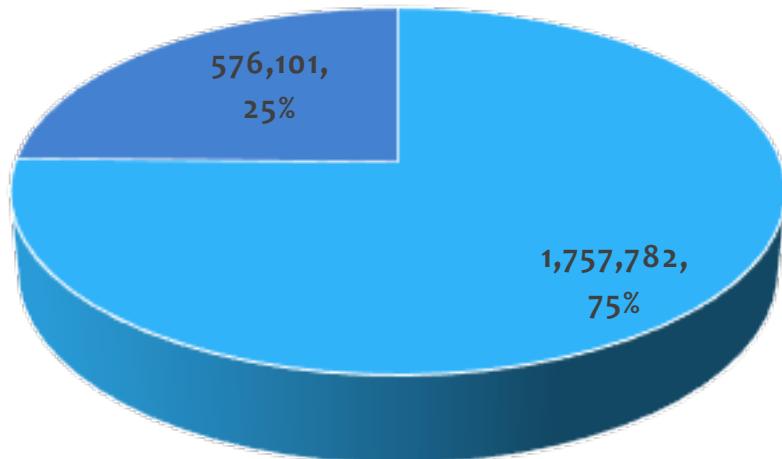
Public Expenditure

GOVERNMENT EXPENDITURE



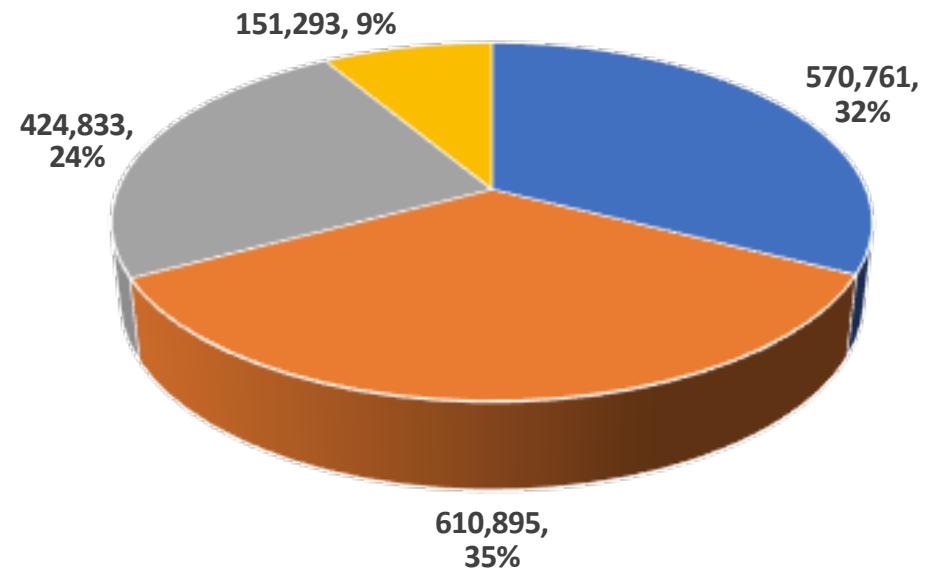
Public Expenditure - 2016

Government Expenditure Pattern



■ Recurrent Expenditure ■ Capital expenditure

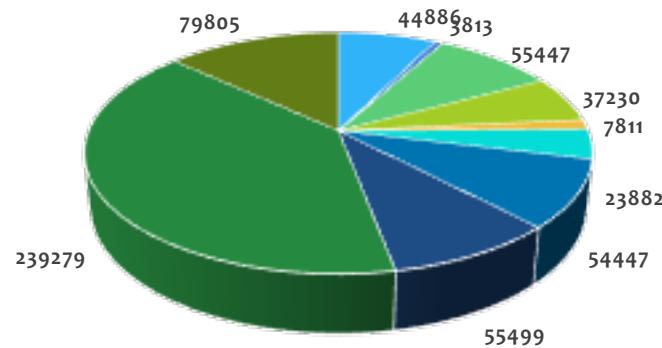
Recurrent Expenditure



■ Subsidies and Transfers ■ Personnel Emoluments ■ Other Goods and Services ■ Interest

Capital Expenditure

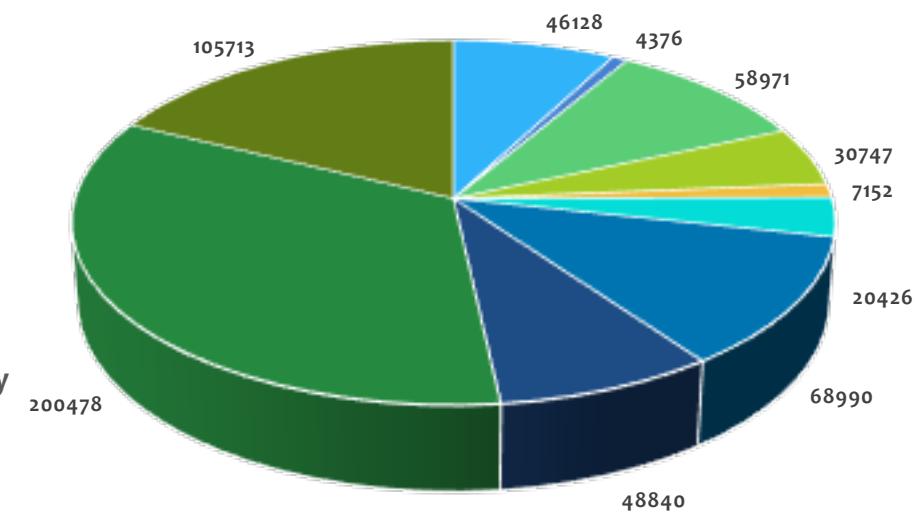
Capital Expenditure - 2015



- Civil Administration
- Education
- Housing
- Agriculture and Irrigation
- Transport and Communication

- Police and Public Security
- Health
- Community Services
- Energy and Water Supply
- Other

Capital Expenditure - 2016 (Provisional)



Procurement Expenditure in 2015-2016

	2015		2016			
	Value	Share	Value	Share		
	Rs. Bn.	% of Total Exp.	Rs. Bn.	% of Total Exp.		
Public Investment	408	71	3.7	461	77	3.9
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
Total	571	100	5.2	596	100	5.0

Source: Annual Report 2016, Ministry of Finance

Currently applicable guidelines

NPA 2006 guidelines

- * Sustainable procurement aspect not covered
- * Provision for life–cycle costing included (7.9.2)

Policy and Guideline 2017/2018

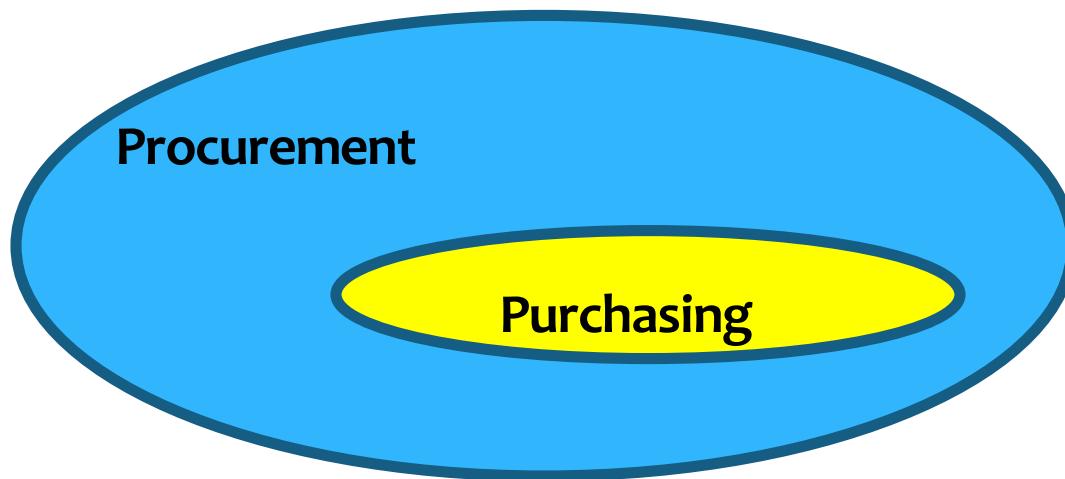
Draft Procurement Guideline by NPC:

- * *New Chapter for GPP is included*

Draft National GPP Policy by
Ministry of Environment and Mahaweli
Development

Purchasing vs Procurement

Procurement is defined as the acquisition of appropriate goods or services at the best possible total cost of ownership.



Sustainable Procurement (SP)

Process whereby **organisations** 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 organisation, but also to **society** and the **economy**, and minimising damage to the **environment**

Source: UK Sustainable Procurement Task Force (2006)

Basic Principles of Public Procurement

- ❖ Value for Money – economy
- ❖ Efficiency
- ❖ Fairness/Discrimination/equal treatment
- ❖ Transparency
- ❖ Environmental and Social Considerations

Selecting the most appropriate procurement method

- ❖ Procurement Strategy/Planning
- ❖ Thorough Need assessment/Avoid unnecessary purchases
- ❖ Green aspects
- ❖ Social Considerations
- ❖ Innovative solution through competitive dialogues
- ❖ Market analysis

Selection Criteria

- * Life-Cycle costing
- * Joint procurement – Combining/packaging
- * Framework agreements
- * Scoring system
- * Alternate bids
- * Rebate for higher performance



Introduction to Sustainable Public Procurement (SPP)



PURPOSE OF THE MODULE

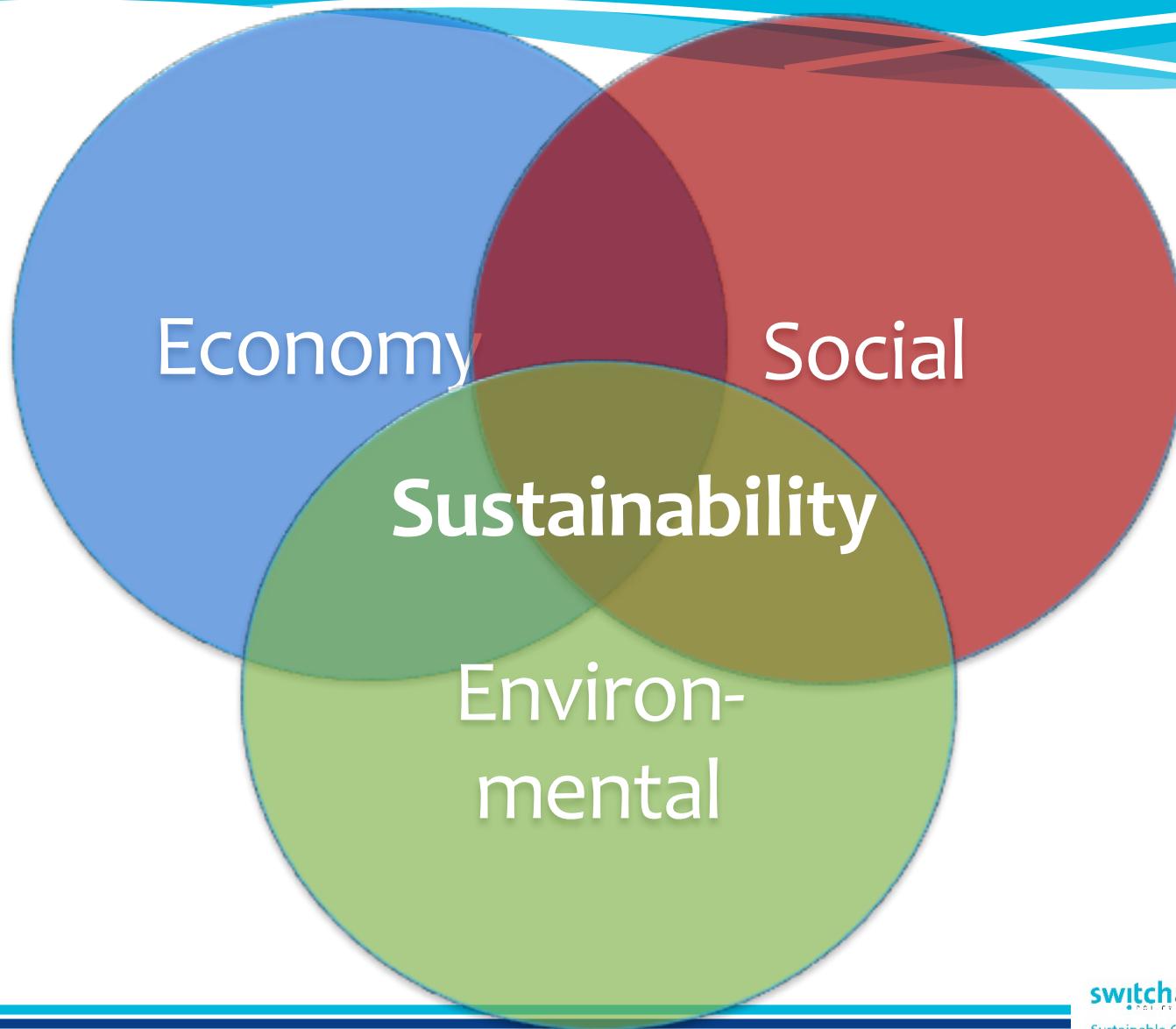
- * This module serves to provide information on SPP experience from selected Asian countries and to identify good organisational practices that can inspire development of the Sri Lankan organisational model for SPP

What is Sustainable Public Procurement?

*“A process by which public authorities seek to achieve the appropriate balance between the three pillars of sustainable development - **economic, social and environmental** - when procuring goods, services or works”*

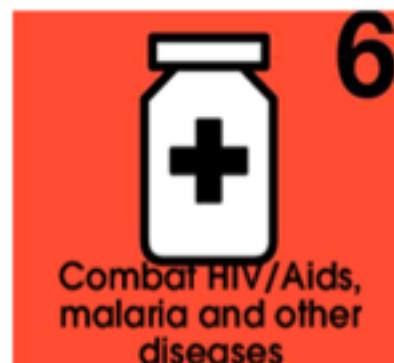


Sustainability – Generation 1



Sustainability 2 – The MDGs – Year 2000

- FN Millenium Declaration and
- The eight Millenium Development Goals - with 28 'targets'



Sustainability 3 – the SDGs - 2015

Rio +20 (2012), 'The Future We Want', the 17 SDGs and 169 targets



Conventional vs Sustainable Procurement

Conventional procurement criteria

- Price (Initial and O&M)
- Quality
- Delivery
- Performance
- Durability



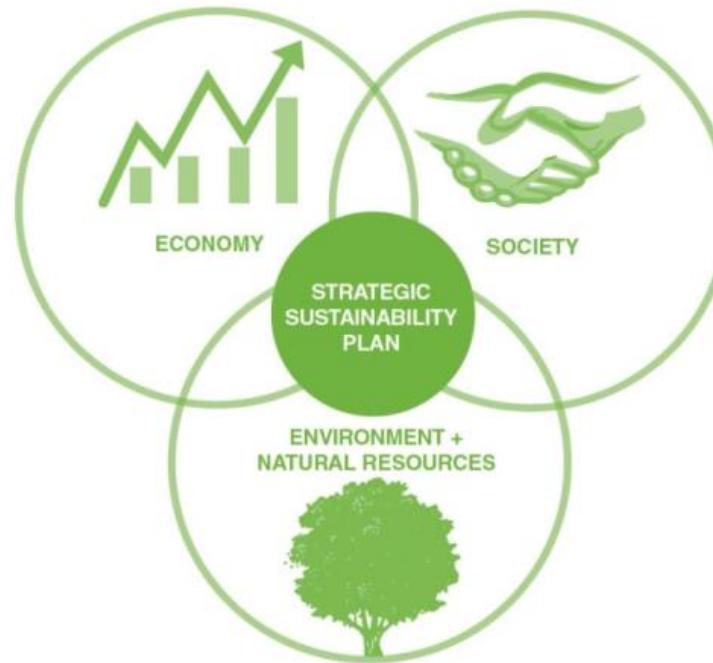
SPP criteria

- Same basis – but ***add*** Environmental & Social considerations

Sustainable Public Procurement

Economic impacts

- Cost efficiency
- Total Cost perspective
- Support development



Societal impacts

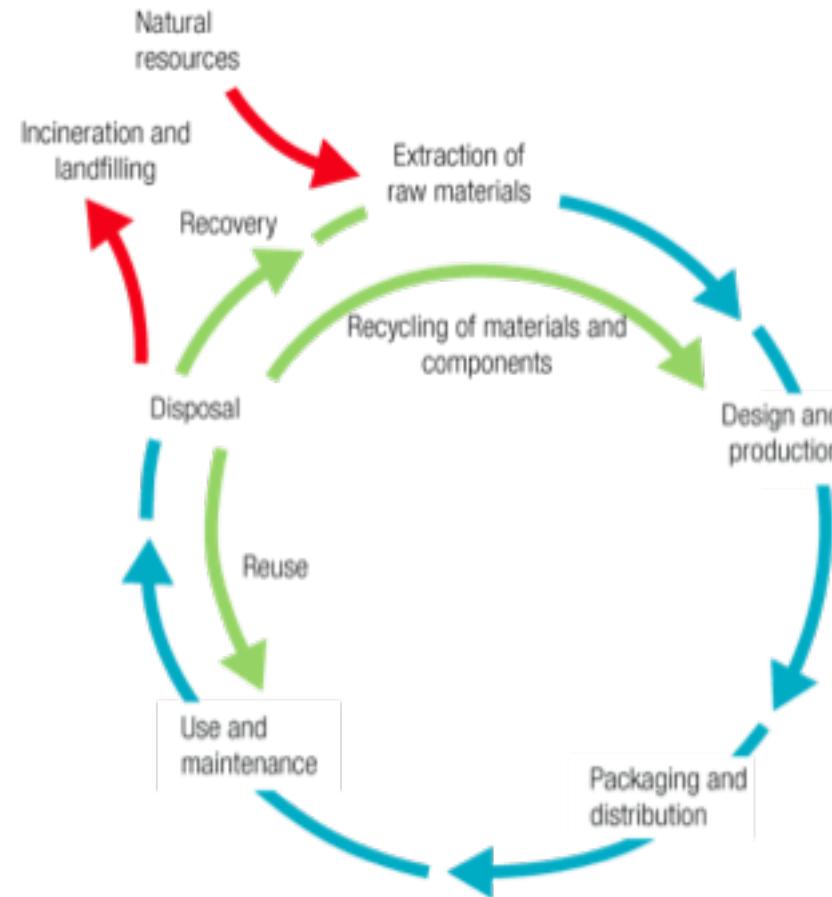
- Conditions of labor
- Supporting local companies and communities

Environmental impacts

- Reduce the environmental impact throughout the life-cycle – called “green procurement”
- Environmental impact could be emissions of green house gasses, use of scarce resources, chemicals etc.

Life-cycle Thinking

Consider aspects of the complete life cycle of the product or service



Advantages of Life-cycle Thinking

The life cycle approach reveals what stages of a product's life-cycle that causes the largest environmental burden (**Hot spots**)

- * **Automobiles** – The **use phase**
- * **Food** products – the **production phase**
- * **Washing machines** What do you think?
- * **Textiles** - What do you think?



Sri Lankan priorities for SPP

Which strategic goals and targets are most important in the Sri Lankan context?

Should SPP pursue these overall goals and targets or should a more narrow approach be applied?





International SPP Experience

Bjørn Bauer, Switch Asia NPSC NKE
Director, PlanMiljø Denmark



SPP Framework – Comparison

	Japan	Thailand	South Korea
GPP Law (start)	2001 (local gov. 1994)	2008	2005
Mandatory/ voluntary	Central government	Voluntary	Central government
Leadership	MoE	MoNRE	MoEP; MoF
Budget	200 T\$/year	No specific budget line	No specific budget line
Targets	None	Increase in GPP; # departments with GPP	None
Criteria setting basis	Ecolabels	Ecolabels	Ecolabels
Incentives – no support to high prices	None	Reward for good GPP performance	Annual bonus for good GPP performance
Expenditure on GPP	No data	21 M\$	13 M\$
Results - Agencies report back annually	70 % agencies implement GPP	170 government institutions implement GPP	870 umbrella organisations implement GPP
Results, CO2	412,000 t/y	25,000 t/y	543,000 t/y
Expend. Green prod	n/a	16 M\$	2.2 B\$

Japan – organisational structure



Product groups GPP criteria

	CHINA	JAPAN	KOREA	THAILAND
TOTAL NUMBER	44	21	169	17
PRODUCT CATEGORIES COMMON TO THE FOUR COUNTRIES' GREEN PUBLIC PROCUREMENT PROGRAMMES				
OFFICE EQUIPMENT	✓	✓	✓	✓
PAPER	✓	✓	✓	✓
IT EQUIPMENT	✓	✓	✓	✓
HOUSEHOLD APPLIANCES	✓	✓	✓	✓
VEHICLES	✓	✓	✓	✓
FURNITURE	✓	✓	✓	✓
LIGHTING	✓	✓	✓	✓

	CHINA	JAPAN	KOREA	THAILAND
CAFETERIA SERVICES		✓		
CLEANING SERVICES				✓
CONFERENCE SERVICES				✓
FIRE EXTINGUISHERS		✓		
HOTELS			✓	✓
PASSENGER TRANSPORTATION		✓		
RECYCLED PAPER			✓	
RECYCLED PLASTIC PRODUCTS			✓	
RECYCLED FIBER			✓	
SOFTWARE	✓			
UNIFORMS		✓		
WINDOWS	✓			

Japan

21 product groups

Totally 65 specific
product groups/
types

1. Paper	12. Vehicles, etc.
2. Stationery	12-1 Vehicles
3. Office Furniture, etc.	12-2 ITS Adaptable Car Accessories
4. Imaging Equipment, etc.	12-3 Tires
4-1 Copiers, etc.	12-4 Engine Oil
4-2 Printers, etc.	13. Fire Extinguishers
4-3 Fax Machines	14. Uniforms and Work Clothes
4-4 Scanners	15. Interior Fixtures and Bedding
4-5 Projectors	15-1 Curtains, etc.
4-6 Cartridges	15-2 Carpets
5. Computers, etc.	15-3 Blankets, etc.
5-1 Computers	15-4 Beds
5-2 Magnetic Disc Drive Units	16. Work Gloves
5-3 Displays	17. Other Fiber Products
5-4 Recording Medias	17-1 Tents and Sheets
6. Office equipment, etc.	17-2 Safety Nets
6-1 Paper Shredders	17-3 Flags, Advertisement Flags, and Banners, etc.
6-2 Digital Duplicators	17-4 Mops
6-3 Clocks	18. Facilities
6-4 Electronic Table Calculators	19. Stockpiles for Disaster
6-5 Batteries	19-1 Stockpiles for Disaster (Potable Water)
7. Mobile Telephones, etc.	19-2 Stockpiles for Disaster (Food)
8. Home Electronic Appliances	19-3 Stockpiles for Disaster (Household Items and Materials, etc.)
8-1 Electric Refrigerators, etc.	20. Public Works Projects
8-2 Television Receivers	21. Services
8-3 Electric Toilet Seats	21-1 Energy Conservation Diagnosis
8-4 Microwave Ovens	21-2 Printing
9. Air Conditioners, etc.	21-3 Cafeteria
9-1 Air Conditioners	21-4 Recapped Automobile Tires
9-2 Gas Heat Pump Air Conditioners	21-5 Automobile Maintenance
9-3 Space Heaters	21-6 Management of Government Office Buildings, etc.
10. Water Heaters, etc.	21-7 Transportation and Delivery
10-1 Electric Hot Water Supply Systems	21-8 Passenger Transportation
10-2 Gas Water Heaters	21-9 Illumination Services
10-3 Oil Water Heaters	21-10 Retail Businesses
10-4 Gas Cooking Appliances	21-11 Laundry and Dry Cleaning
11. Lighting	21-12 Installation of Vending Machines
11-1 Lighting Equipment	21-13 Moving Transportation
11-2 Lamps	21-14 Meeting Operation

SPP comparison - Types of criteria

	Consideration of Environmental aspects for green public procurement criteria	Consideration of social aspects for green public procurement criteria
CHINA	✓	✓
JAPAN	✓	
KOREA	✓	
THAILAND	✓	✓

SPP comparison – Capacity building

Country	Provision of training for procurement staff by the government	Government agency in charge of training for staff	NGOs or other organization providing staff training
CHINA	✓	Ministry of Finance (MOF)	
JAPAN	✓	Ministry of Environment (MOE)	Green Purchasing Network (GPN)
REPUBLIC OF KOREA	✓	Korea Environmental Industry and Technology Institute (KEITI) affiliated with Ministry of Environment	
THAILAND	✓	Pollution Control Department (PCD) within Ministry of Natural Resources and Environment (MNRE)	

Success factors for SPP

- * Strong central government support
- * Strategy – the steps forward
- * Value for money – not the cheapest
- * Ecolabelling schemes
- * Guidelines and procedures – recognising national conditions
- * Structure and capacity
- * Monitoring systems
- * Communication



CASE – CONSTRUCTION, EGEDAL, DENMARK

- * Egedal Municipality is a member of the Danish Partnership for Green Public Procurement
- * 700 flats in Egedal, 2016
- * Requirement: 70 % less energy
- * No PVC, no impregnated wood

- * Results
 - *2 MKwH/year*
 - *25 % water/year*
 - *58 tons PVC*
 - *200 tons impregnated wood*
 - *+ 50 \$/SQM ! – <2 years return!!*



Challenges encountered

- * HIGHER COSTS, NO *TOTAL COST OF OWNERSHIP* VIEW
- * LACK OF LEADERSHIP AND GOALS/TARGETS/STRATEGY
- * LACK OF STAFF AWARENESS AND CAPACITY
- * DECENTRALISED AND FRAGMENTED PUBLIC PROCUREMENT
- * LACK OF SUSTAINABLE PRODUCTS IN THE MARKETPLACE
- * COMPLEX CRITERIA SETTING PROCESS
- * VOLUNTARY SPP MODELS – WEAK IMPLEMENTATION
- * NO ADEQUATE MONITORING AND EVALUATION





The Effective SPP model International experience

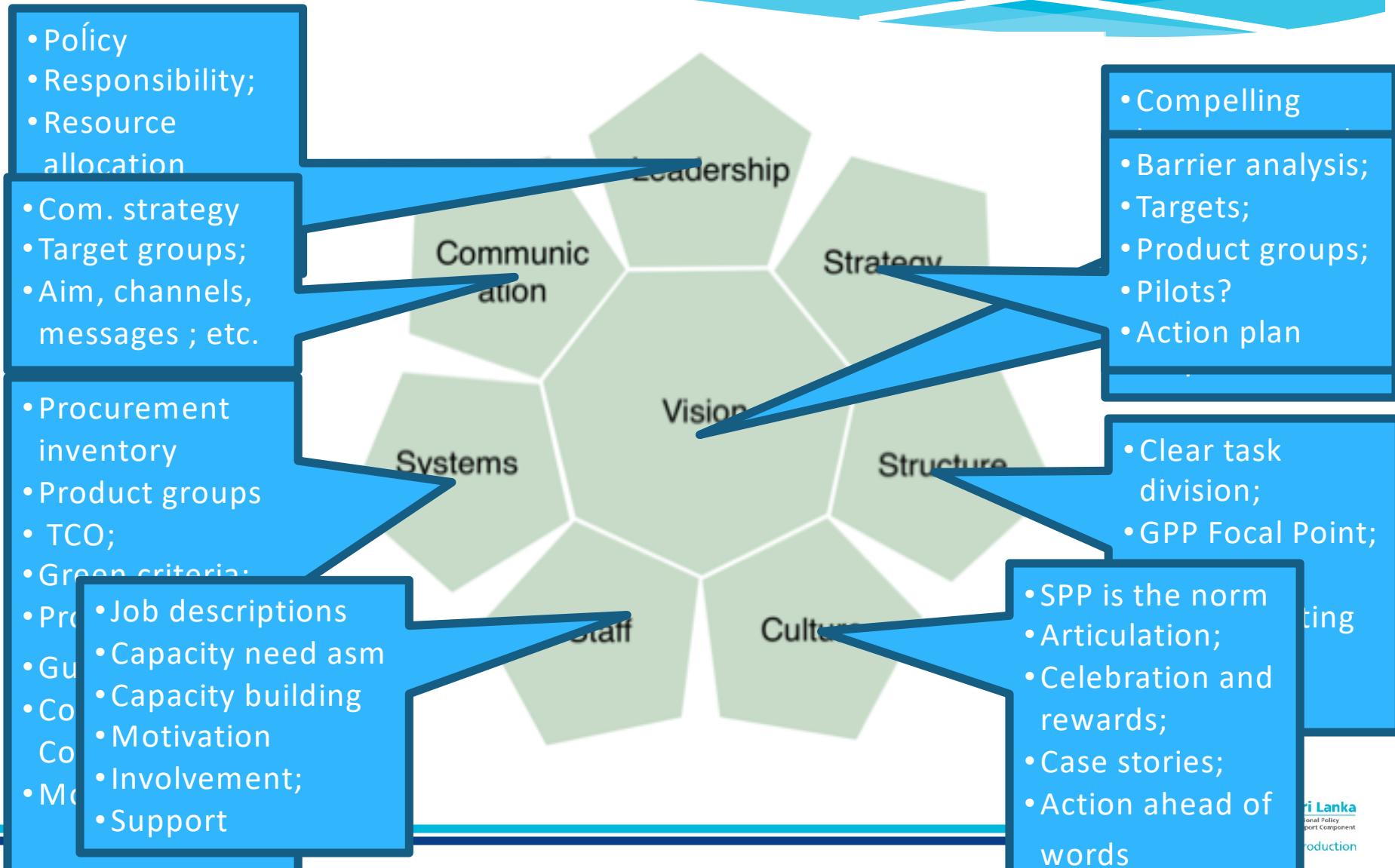


SPP – An organisational challenge

- * Incorporating **sustainability criteria into procurement** is complex and requires a **broad and multi-faceted effort**
- **Eight organisational elements** decide the level to which sustainability aspects are included, or mainstreamed



SPP – An organisational challenge





Introducing SPP in Sri Lanka

A Draft SPP Strategy



PURPOSE OF THE MODULE

- * This module presents a draft strategy for introduction and implementation of SPP in Sri Lanka.
- * The strategy has been discussed with key stakeholders in November 2017.

Typical Strategy Principles and Steps

- * FORMULATE POLICY WITH LEGISLATIVE & INSTITUTIONAL FRAMEWORK
- * AMEND TENDERING & CONTRACT AWARD PROCEDURES
- * IDENTIFY PRODUCTS & SERVICES AND ESTABLISH CRITERIA
- * MAINSTREAM SPP – LEADERSHIP, STRUCTURE, CAPACITY BUILD
- * COMMUNICATION, COMMUNICATION, COMMUNICATION
- * MONITORING – SIMPLE, EXISTING DATA AND STRUCTURE?
- * BUDGET LINE FOR SPP IN STATE BUDGET?



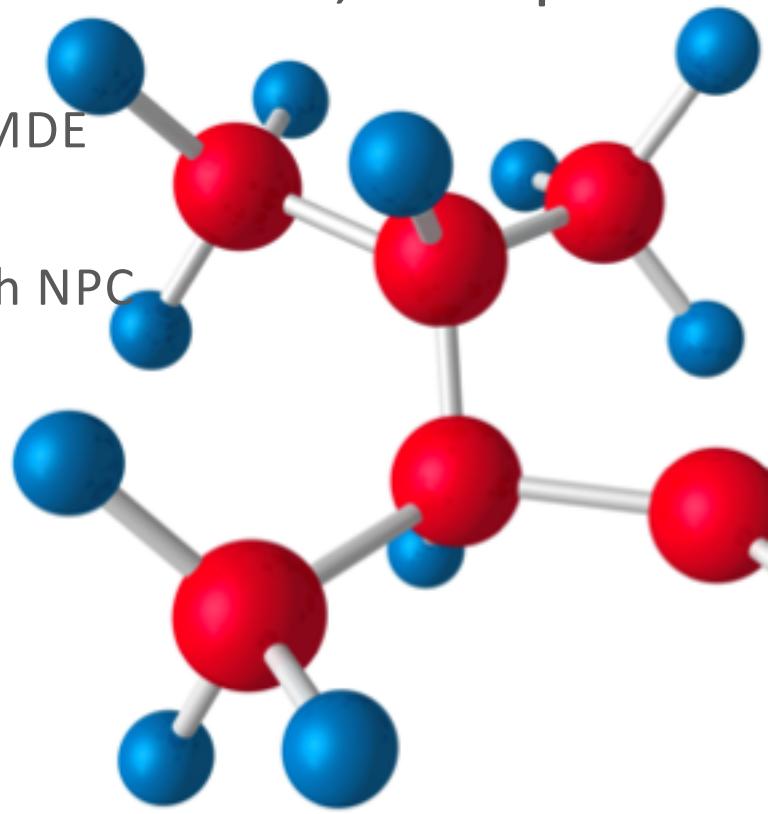
Suggested Sri Lankan SPP Policy targets

- A. Clarified scope, structure and responsibilities, 2018
- B. Clear SPP guidelines with stepwise how-to-do, 2018
- C. System for SPP criteria and five product criteria, 2018
- D. Capacity created in key institutions, 2019
- E. Pilot SPP exercises, 2019
- F. Monitoring system for SPP, 2020
- G. New Action plan for SPP, 2020



A: Clarified scope and structure, 2018

- * SPP to be preferred (as opposed to GPP)
- * Identify pilot institutions with SPP interest
- * Establish effective and transparent structure, example:
 - Policy: MOMDE with MOF
 - Leadership in practice + Help Desk: MOMDE
 - Budgetal implications: MOF
 - General awareness on SPP: MOMDE with NPC
 - Clear procedures for SPP: NPC
 - Criteria setting: MOMDE with SLSI
 - Implementation: NPC
 - Monitoring: MOMDE



B: SPP Guidelines, 2018

- * Form working group with key stakeholders
- * Investigate international guidelines
- * Identify relevant 'Entry points' for SPP
- * Prepare practical and operational SPP Guideline
- * Test SPP Guideline in practice
- * Revise and amend



Input to Guideline - Defining the need

- * Defining the subject-matter of a contract
- * 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, if relevant.
- * Specifications / Technical standards/ labels can relate to any stage of the life-cycle, e.g. raw material extraction, processing, packaging, delivery, use phase or disposal.
- * Alternate bids can assist in finding the most economically advantageous bid which also delivers high environmental performance.

Input to Guideline - Selecting bidders

- * It is possible to **exclude** companies that have **breached environmental law** or have other serious defects in their environmental performance, although they must also be given the opportunity to 'self-clean' and **cannot be excluded for more than three years** on this basis.
- * The past experience of a company and the professional qualifications of its personnel can be assessed with a view to environmental considerations.

Input to Guideline - Awarding a contract

- ❖ 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;
- ❖ are expressly 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 your evaluation may indicate that the greener option is also the cheaper option over the full life-cycle.
- ❖ Labels and other forms of third-party evidence can help you to assess how well a contract performs against your chosen award criteria,

Input to Guideline – Administering contracts

- * Administering the contract
- * Compliance monitoring the effectiveness by a third party
- * Collection of procurement Data
- * Use of Technology

C1 – Criteria system, pilot criteria, 2018

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



C2 – Product selection, 2018

- * Select five product groups with significant PP volume - selection parameters:
 - Product areas where SPP is easy to implement or with 'quick wins'
 - Productive sectors of strategic importance
 - Product areas with significant environmental or societal potential gains
- * It could be (draft proposal):
 - * *Liquid milk (growing consumption, domestic production, national interest)*
 - * *Lighting (economic gains, easy solution, easy control)*
 - * *Chicken (growing consumption, national production, public attention)*
 - * *Paint (local production, substantial consumption, lead free alternative)*
 - * *Air-conditioners (huge energy consumption, easy criteria, quick wins)*

C3 – Criteria, five products, 2018

Draft, initial criteria for the five product groups can be:

Liquid milk

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

Lighting

- * *Minimum A+ for all light sources*
- * *All procurement off lighting shall be based on calculation of Total Cost of Ownership covering the expected lifetime of the most durable lighting equipment offered*

C4 – Criteria, five products, 2018

Chicken

- * *Use of antibiotics below the recommended level*

Paint

- * *Year 1: Specify acceptable price premium for lead free paint*
- * *From year 2: Only paint with no content of lead can be procured*

Air-conditioners

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

	Paint (M)	Textile (apparel) (L)	Air-Conditioners (L)
MINIMUM PERFORMANCE REQUIREMENTS		- Durability: Minimum number of washes.	Purchased appliances must have a minimum energy efficiency ratio (EER) of 5.
HAZARDOUS SUBSTANCES	<p>No heavy metals in the product. Sum of mercury, lead, cadmium and hexavalent chromium under 0.1% (1,000 ppm).</p> <p>Maximum levels of VOC:</p> <ul style="list-style-type: none"> Emulsion paint: <50g/l Other water-based varnish: <100g/l Solvent-based paint and varnish: <300g/l <p>Other requirements:</p> <ul style="list-style-type: none"> Aromatic hydrocarbons: <0.1% of weight Formaldehyde: 10 mg/kg. No Halogenated Hydrocarbons may be used in the product. <p>Packaging material: No lead.</p>	<p>Restrictions on the types and amounts used in the product of:</p> <ul style="list-style-type: none"> Pesticides: In cotton or other natural cellulosic fibre Dyes Acrylamines (carcinogens) Flame retardants Pentachlorophenol: In cotton or other natural cellulosic fibre Phthalate softeners: In direct contact with skin Formaldehyde: Both in direct contact with skin and other products Heavy metals 	<p>Maximum levels according to the EU RoHS Directive and other RoHS laws worldwide:</p> <ul style="list-style-type: none"> Lead (Pb): <1000 ppm Mercury (Hg): <100 ppm Cadmium (Cd): <100 ppm Hexavalent chromium (Cr VI): <1000 ppm Polybrominated Biphenyls (PBB): <1000 ppm Polybrominated Diphenyl Ethers (PBDE): <1000 ppm
OTHER MATERIAL REQUIREMENTS		<p>Organically produced textile fibres: Indication on proportion of natural fibres deriving from organic production.</p> <p>Recycled fibres: Indication on the proportion of the product made of recycled cuttings from textile and clothing manufacturers or from post-consumer waste (textile or otherwise).</p>	<p>Plastic: Casing /components must not contain parts made from substances classified as carcinogenic, mutagenic or reprotoxic. These parts must also not be made from persistent, bio accumulative or toxic (PBT) substances.</p> <p>Packaging: At least 50% post-consumer recycled material.</p>

D: Capacity building, 2019

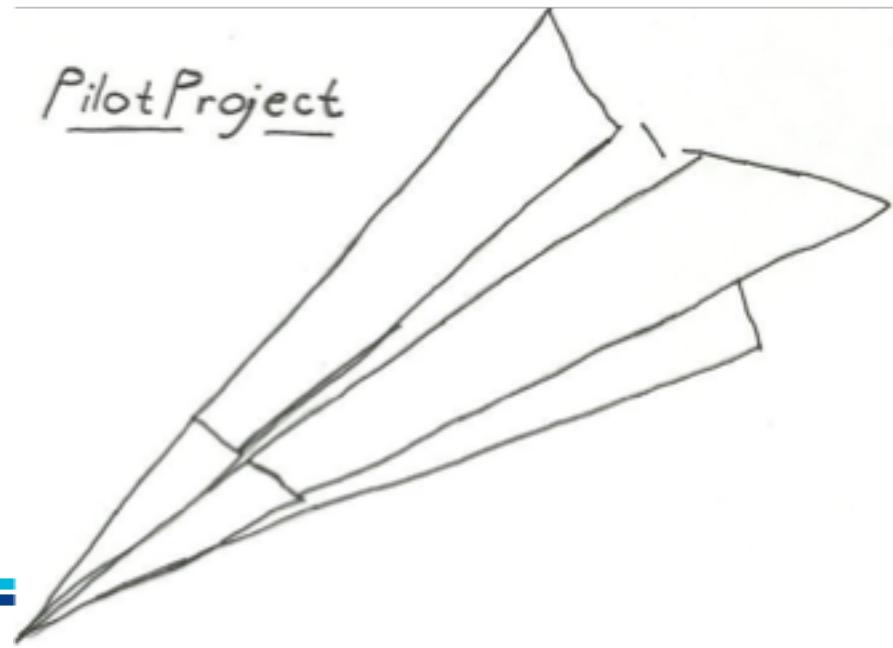
- * Capacity needs assessment in selected institutions
 - Which capacity is needed?
 - Where, which institutions?
- * Decide on methods, timing
- * Ensure funding
- * Prepare capacity building, curricula, materials etc.
- * Carry out capacity building
- * Revise curricula, materials etc.
- * *(Draft capacity needs assessment provided in the present project)*



E: Pilot SPP exercises, 2019

- * Identify pilot institutions
- * Agree on procurement area
- * Support pilot SPP during the complete process
- * Evaluate and feed back to capacity building

Pilot Project



F: Monitoring system, 2020

- * Define baseline – what is procured by public sector
- * Identify existing data collection flows within procurement
- * Decide on monitoring responsibilities
- * Decide what to monitor (*draft proposal*):
 - ✓ Number of involved/active institutions
 - ✓ Number of product groups with SPP criteria
 - ✓ Number of contracts with SPP requirements
 - Expenditure on SPP-products
 - Environmental and social benefits
 - Cost savings
- * Carry out pilot monitoring
- * Establish full monitoring model



G: Prepare new SPP Action Plan, 2020

- * Form working group
- * Collect case stories and good examples
- * Evaluate processes and results
- * Prepare next SPP Action Plan



Rounding off, conclusions of the day



Conclusions of the day

- Implementation of SPP takes time and is a challenging task
- The strategy should cover the full organisational model
- Implement gradually – test and learn
- Accept the *good alternative* – do not necessarily go for the best (which may be very difficult to achieve)

Rounding off

Questions,
clarification,
reflection,
comments and
suggestions

Rounding off

Thank you for participating