

# ACTION PLANS FOR SUSTAINABLE PROCUREMENT ACROSS THE PUBLIC SECTOR WITH IMPACT ON SUPPLY CHAIN

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## ABSTRACT

*Public procurement can influence trends in production and consumption, a considerable demand for environmental goods by public authorities to create or expand markets for products and services environmentally friendly. In this way, companies will be encouraged to develop environmental technology designed to prevent or reduce the effects on environment at any stage of the life cycle of products or activities.*

*Green Public Procurement will influence the whole supply chain, the use of raw materials and production methods to the types of packaging used and that certain conditions of reception of waste.*

**KEYWORDS:** *Sustainable Consumption and Production, Supply Chain, Action plan, Sustainable Public Procurement, Green Public Procurement*

Sustainable development has developed as a concept through several decades of active international scientific debate and has acquired distinct political connotations in the context of globalization.

Sustainable development has become a political objective of the European Union since 1997, through its inclusion in the Treaty of Maastricht. In 2001, at Goteborg, the European Council adopted the Sustainable Development Strategy of the European Union; an external dimension was added to it at the Barcelona Council in 2002.

The European Commission commenced the review process of the Strategy by publishing, in February 2005, a critical evaluation of the progress achieved since 2001 that also pointed to a series of directions for action to be further pursued. The document revealed some unsustainable tendencies affecting negatively the environment that could impact the future development of the EU: climate change, threats to public health, poverty and social exclusion, depletion of natural resources and erosion of biodiversity. Having identified those issues, in June 2005, the heads of state and government of the EU Member States adopted a Declaration on the guidelines for sustainable development, including the revised Lisbon Agenda for Growth and Jobs as an essential component of the overarching sustainable development objective. Following wide-ranging consultations, the European Commission presented, in December 2005, a proposal to renew the 2001 Goteborg Strategy.

As a result of that process, the EU Council adopted, on 9 June 2006, the renewed Sustainable Development Strategy for the enlarged EU space. The document reflects a cohesive and coherent strategic vision with the general objective to develop further actions enabling the EU to achieve continuous improvement of the quality of life for the present and future generations by creating sustainable communities that are capable to manage and use resources efficiently and to realize the potential of the economy for social and

ecological innovation in order to provide prosperity, a better environment and social cohesion.

The EU Sustainable Development Strategy, which provides the foundation for the National Strategy of Romania concentrates on 7 key challenges, one of them called „Sustainable Consumption and Production”. Overall objective is to promote sustainable consumption and production patterns.

A first step in resolving situations that characterize this chapter requires the evaluation of the production and consumption pattern that has defined recent developments in the Romanian economy with a view to identify solutions to reduce the consumption of material resources per unit of gross value added and to disconnect the dynamic of the gross domestic product (GDP) from that of the aggregated consumption of material and energy resources and its negative impact on the environment.

Public procurement is an important area of the European economy. In the EU, spending on public procurement amounted to about 16 % of EU’s Gross National Product on purchasing a large variety of products. This sum equals the GDP of several smaller EU Member States. Therefore, the purchasing power of public institutions can have significant impacts on the market. By taking into account environmental criteria in its procurement procedures, contracting authorities promote modes of production that are more environmentally friendly and stimulate the supply of ‘green’ goods and services.

For a long time, public procurement had to be economical and efficient only. Due to the growing acceptance of Sustainable Development as an overarching guiding model, environmental and social aspects have become increasingly important, also for public procurement. The rationale behind Sustainable Public Procurement is not only that governments can use their purchasing power as an economic incentive for Sustainable Development in general, and for Sustainable Consumption and Production in particular, but also that the option of Sustainable Public Procurement puts the governments to the test to “lead by example” in achieving Sustainable Development.

Both Sustainable Public Procurement and Sustainable Consumption and Production are increasingly taken into account in the EU policy and legal framework.

Regarding the legal framework, public procurement in the EU is based on two EU Directives on public procurement were adopted in order to clarify, simplify and modernize existing legislation. Directive 2004/18 focuses on contracting authorities and “clarifies how the contracting authorities may contribute to the protection of the environment and the promotion of SD, whilst ensuring the possibility of obtaining the best value for money for their contracts”, while Directive 2004/17 is oriented towards special sectors of contracting authorities. These rules make sure that the procurement activities of the public sector are based on transparent procedures that warrant fair conditions of competition for the suppliers in line with the rules of the European Single Market.

The public sector in Romania is currently limited experience with regard to green procurement. The public has taken environmentally together with Romania joining the European Union.

In Romania, the first concrete steps were made in 2006, the adoption of Government Emergency Ordinance no. 34/2006 regarding the award of public procurement contracts, public works concession contracts and services concession contracts.

Under existing legislation can be introduced environmental requirements in the following sections of the tender documentation:

- The contract (Contract name),
- Qualification and selection criteria,
- Technical specifications of the specification,

- Criteria for evaluation (where award criterion is the most advantageous tender from the economic point of view),
- Performance of contract terms.

The introduction of environmental characteristics is made by taking into account the following principles:

- 1) All of the environment is explicitly mentioned in the tender documentation, technical specifications of the specification;
- 2) Formulating criteria respect the general principles of equal treatment, mutual recognition, transparency, proportionality and efficient utilization of public funds;
- 3) Criteria related to the contract;
- 4) The criteria must be quantified objectively;
- 5) Any form of proof of compliance is acceptable.

A system of green public procurement (GPP) will be phased in with an aim to come close to fulfilling, by 2013, the EU objective to reach the average level attained by the best performing Member States in 2006. For this purpose the following specific measures will be taken:

- ✿ The development of markets for ecological products and services leading to better environmental performance resulting from the use of adequate technologies;
- ✿ The upgrading of the system used by public authorities and institutions for the procurement of products, services and contract work that should include, wherever possible, ecological requirements in tendering documents;
- ✿ Consideration of the possibility of working out, in collaboration with the business associations, a set of voluntarily agreed rules and objectives aimed at introducing environmental criteria in the procurement activities of private sector operators;
- ✿ Speeding up the procedures to encourage the voluntary participation of organizations and companies in the Community eco-management and audit system.

First of all, what is the GPP concept? European Commission defined GPP as "the processes by which the contracting authorities shall take into account environmental factors when buying products, services or works, in order to reduce the impact on human health and the environment."

Public procurement can influence trends in production and consumption, a considerable demand for environmental goods by public authorities to create or expand markets for products and services environmentally friendly. In this way, companies will be encouraged to develop environmental technology designed to prevent or reduce the effects on environment at any stage of the life cycle of products or activities.

Since the climate of goods is determined based on the life cycle, GPP will influence the whole supply chain, the use of raw materials and production methods to the types of packaging used and that certain conditions of reception of waste. These criteria may be considered also for private procurement practices. Member States and Community institutions are encouraged to strengthen the link between public and private sector regarding green procurement and will also stimulate the use of environmental standards.

These actions are to be found and those on the introduction of environmental issues in public management. The need to adopt a sustainable manner, environmental, to make public derives from the reality that communities across the globe are faced with dramatic consequences of climate change, overexploitation of natural resources and threats

to biodiversity. Our habit of consuming the unsustainable without considering long term effects is the key problem from which all other problems mentioned above. Green procurement - spending public money responsibly for products, services and works that contribute to sustainable development - must therefore be a priority.

Contracting authorities have not really taken into account the environmental value of products, services and works. However, political and global economic context has changed with the advent of the concept of sustainable development - development that meets present needs without compromising the ability of future generations to meet their own needs - the need to consider environmental issues in all policies (alongside economic and social).

Each product or service purchased is the environmental impact throughout its life cycle, from extraction of raw materials to manufacture and use and disposal and / or recycling it. For example, the carbon footprint of a cola's supply chain would include the following areas:

- ✚ Growing and processing raw materials like aluminum and sugar
- ✚ Manufacturing, including producing and packaging the cola
- ✚ Distribution and retail, covering transport, chilled storage and retail
- ✚ Use, including refrigeration before it's consumed
- ✚ Disposal, covering can collection and recycling.

GPP can help mitigate these impacts, the benefits are felt both locally and globally.

Green procurement strategy translates into careful about what they are buying a government: the purchase of goods, services and works with high performance in terms of environmental protection and consideration of environmental impacts of public sector procurement. Green procurement also means buying based on needs and avoid wastage.

National Action Plan for GPP for the period 2009 - 2013 includes a series of measures, presented as:

- I. Analysis of the existing procurement system in Romania
  - \* Consideration of the defining aspects of the current procurement system for identifying favorable characteristics of sustainable development and the responsibilities arising there from. Determination of key functions and relations of this system;
  - \* Identifying sectors / categories of expenses that may arise to obtain maximum reduction in environmental impact;
  - \* Identify the rules and systems currently operating. What are the opportunities and barriers resulting from this activity? How could they be changed to successfully implement GPP?;
  - \* To what extent guidelines and current practices in procurement stimulate GPP? Identification of contracting authorities that have successfully implemented best practices. To what extent these practices can be multiplied and / or developed for a large number of authorities;
  - \* Identification of potential obstacles that hinder the implementation of green procurement policies;
  - \* Analysis of potential suppliers / product offerings, services and / or environmental work.
- II. Identify products / services / work for which the GPP in other EU countries, the products / services / works with the best chance of being adopted rapidly by Romania.

- III. Establish product / service / work priorities for green procurement policy based on priorities identified by other member states.
- IV. Identification of legislative regulations and public policies that promote GPP in Romania A study of European legislation and policies that act as major stimuli of promoting GPP in Member States;
- V. Setting targets for certain categories of products, services and works

In setting targets will be achieved in the field of GPP, was taken into account that the revised European Strategy for Sustainable Development requires that by 2010 to reach the EU average level of GPP equal to that achieved in the present the most advanced Member States in the field.

- VI. Establish criteria to identify green procurement

The definition of organic products, are major criteria for an organic product differ from one normal. These criteria are essential for the government when it wants to buy products, services and environmental work.

- VII. Providing high-level government support

1. Develop a document containing essential information about the major institutions and other decision makers whose agreement is necessary in the implementation of GPP;

2. Organization of a "campaign" to promote the national government level to plan and implement GPP effective green public procurement policy

- VIII. Awareness contracting authorities on implementation of the concept of GPP

1) Identification of essential information for acquiring products, services and environmental works;

2) Conduct a program of awareness through courses, seminars, conferences and web sites;

3) Identify potential suppliers of GPP training, the target audience and the number of training required.

4) Develop Guide to green procurement.

- IX. Involvement of key bidders (manufacturers, distributors) in supporting and promoting green public procurement policy

a. Involvement of tenders and their distribution networks for priority products to alert them to the initiative on GPP, standards are established and information that will be so provide contracting authorities;

b. Organizing a program for achieving consensus on the criteria proposed by conducting product seminars bringing together leading players in the market for products, services or works concerned.

- X. Development of websites with a database of institutions of central and local government carrying out green procurement.

- XI. Monitoring of GPP

National legislation (Government Emergency Ordinance no. 34/2006) provides the legal framework for the development of electronic public procurement. This includes the requirement for contracting authorities from transmission ads (the intention to tender and award) for publication in ESPP - Electronic Procurement System. SEAP is a good opportunity in GPP, because it allows them to easily monitor. On the website [www.elicitatie.ro](http://www.elicitatie.ro) will introduce environmental criteria of categories of products, services and works which are set green procurement targets.

- XII. Control of GPP

Establish a control system for green procurement policy which would lead to better achieve the targets approved by the Plan of Action.

The benefits of acquiring goods, services or works can be mentioned the benefits of green environmental protection, the fact that environmental objectives will be achieved through financial power of public authorities. The public sector is thus a model, an example in the communities where we live among private consumers, which leads to change through their awareness of the low environmental impact of organic products and by encouraging manufacturers / suppliers to invest in products, services and environmental work.

RELIEF study, the largest research project on GPP in Europe, carried out between 2001 - 2003 in the European Research Program for Environment and Sustainable Development, has calculated some impressive benefits that could be achieved if the acquisitions green public would become a general practice:

1. Electricity: emissions of greenhouse gases

If all public authorities buy electricity comes from renewable sources would save 61,350,363 tons of CO<sub>2</sub> eq (equivalent) each year. This figure is equal to 18% of EU commitments under the Kyoto Protocol to reduce emissions by 340 million tones CO<sub>2</sub> eq.

2. Food and beverage certificate in organic farming in accordance with legislation in force;

If all public authorities moved to purchase food and drink products from conventional agriculture to the organic farming system, would save the use of 41,560 tons of phosphates (PO<sub>4</sub>-equivalent). This figure is equal to the amount of phosphorus used in each year about 3.5 million Europeans.

The use of synthetic chemicals as fertilizers, soil enhancers, pesticides and advanced degree specific chemicalization conventional agriculture causes pollution of groundwater, depletion of natural fertility of the soil, rapidly advancing desertification, landslips and eutrophication.

3. Computers

Purchase extensive computer more efficient in terms of energy - that meet higher standards than EnergyStar criteria - electricity bills and reduce emissions of greenhouse gases in Europe by up to 8 million tones of CO<sub>2</sub> eq. (This figure applies to the markets not only contracting authorities).

4. Innovation and Research.

The practice of green procurement by public sector increased competition leading to falling prices of environmental technology. GPP provides incentives to industry and sector research and development in developing environmental technologies and promote them on the market.

5. Investments:

There are mistaken that the products, services and environmental work are more expensive than non-organic. This view has, however, to the entire product life cycle. Thus, a product cost analysis should be taken into account:

- a. purchase and all associated costs (delivery, installation, commissioning, etc.)
- b. operating costs, including energy, spares, and maintenance
- c. the frequency of operation and maintenance, where appropriate;
- d. end-of-life costs, such as decommissioning and removal

Green public procurement can lead to saving money and resources.

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