

Government Policy for Ecological Procurement

The State as an informed and ecologically minded buyer

March 2009



Government Policy for Ecological Procurement

The State as an informed and ecologically minded buyer

Approved by the Government of Iceland

13 March 2009

The State procurement policy (excerpt):'

Those who take care of procurement for the state shall carry out their work on the basis that the best possible result should be achieved when the costs, time and benefits are taken into account. The lowest price does not necessarily ensure the best value.'When engaged in procuring, environmental views as well as cost and benefit should be taken into account. If goods and services are otherwise comparable, the option which is less damaging to the environment should be selected. It must be kept in mind that a product which costs more when procured can result in direct savings in the longer run. An example is energy saving light bulbs that last longer and use less electricity. When products are procured, it should be checked if the products are marked with a recognised eco-logo, such as the logo of the European Union or the Nordic eco-logo, the Swan.'

Foreword

The Government of Iceland's policy on ecological procurement, which has now been adopted, prescribes how to integrate environmental views with good procurement principles for government procurement.

In recent years people's awareness of the importance of environmental protection has steadily increased. However environmental protection does not happen in a vacuum; rather, it is integrated in all of our activities and acts. In recent years the countries of the European Economic Area (EEA) have been engaged in strengthening actions that have sustainable development as an aim. One part of this strengthening effort is to increase the importance of ecological public procurement, i.e. that increasingly greater consideration will be given to the environment when procurements are made for the government. This policy lays the foundation for this action. Instructions have been issued by the European Council that action plans be prepared concerning public procurement. Such plans have now been adopted by the governments of various states within the EEA and other such plans are being drafted. An ecological procurement state policy is at the same time the Icelandic action plan on ecological government procurement.

There is nothing new about the government having as a goal the taking into consideration of environmental views for procurements. The government procurement policy which was adopted in 2002 lays down that during the procurement process consideration should be given to environmental aspects as well as to cost and quality. The state policy for ecological procurement elaborates further on this subject, so that work can be done in a systematic fashion towards this goal. The foundation for the state procurement policy is based on the view that efforts should always be geared towards making the most advantageous purchase (called *best value for money*) by making efforts to optimise the benefits gained by the purchase and at the same time to minimise the costs. By applying this ecological procurement policy the goal is to provide guidance with respect to how environmental aspects also need to enter this equation so that they will also be taken into account when comparing the options. This method requires that those who carry out procurement for the state actively obtain professional know-how on environmental issues that is on a par with know-how regarding procurement matters in order for the policy to succeed. A steering committee concerning ecological procurement has been working for some time on strategic planning regarding ecological public procurement in Iceland. In its work the committee has placed great emphasis on the collaboration of state and local communities, and representatives from the Ministry for the Environment, The State Trading Centre, the City of Reykjavik and Hafnarfjörður Town Council make up the steering committee. This policy is built on the preparatory work of the steering committee, which uses as a guideline best international practices when formulating a policy concerning ecological public procurement and an action plan concerning its implementation.

In purchasing goods, services and work, the Icelandic state spends over ISK 100 billion a year, which equals roughly a quarter of the state's outlays every year. If environmental views are going to be systematically used for guidance for this procurement the state may be able to effect a lot in environmental affairs. By applying explicit requirements concerning environmental points of view, the state conduces to make the market offering new and better options in order to meet its requirements regarding a diminished stress on the environment. Given that people's awareness that the environment needs to be protected is growing all over the world by the year, this policy may result in an improvement in the competitive position of Icelandic businesses worldwide if the market reacts positively to the demands of the state concerning environmentally friendly options. The interests of the state and of the private market and thereby the whole of society therefore doubtlessly concur when more account must be taken of the environment under public procurement.

Reykjavík, 13 March 2009

Finance Minister,

Minister for the Environment,

Table of contents

Foreword.....	iv
Table of contents	v
1. The Main Principles of the Government Policy for Ecological Procurement	1
Goals.....	1
Policy	1
Implementation	1
Monitoring	2
2. Definition and Assumptions	3
Ecological procurement	3
The benefits of ecological procurement.....	4
The introduction of ecological procurement.....	5
3. Implementation	6
1. A steering group for ecological public procurement.....	6
2. Working group for ecological government procurement	8
3. Action plan for ecological public procurement 2009 to 2012	8
4. Quantifiable Goals	9
Appendix 1 The introduction of ecological procurement – progress framework	10

1. The Main Principles of the Government Policy for Ecological Procurement

Goals

The objective of the Government Policy for Ecological Procurement is twofold. Firstly it is to reduce the environmental impact of public procurement, and secondly to improve the competitiveness of Icelandic businesses that need to be able to offer more environmentally friendly solutions in order to meet the requirements of the state and thereby become more competitive, even internationally, in the view of ever-growing demands for environmentally friendly options.

Policy

The cornerstone of the state's procurement policy is what is known as the concept of *best value for money*. This means that work should at all times be geared towards getting the best possible results taking into consideration total costs and benefits. When evaluating best value for money environmental views should be taken into account as well as cost and benefit. If goods and services are otherwise comparable, the option that is less damaging to the environment should be selected.

In order to contribute towards this being done in as professional and efficient a manner as possible, the following principles from the state's procurement policy should be kept in mind, as well as how ecological viewpoints are integrated with those values.

- **Accountability and transparency:** Transparency will be emphasised in relation to the market concerning the requirements the state lays down with respect to environmental matters regarding procurement. Explaining the altered needs of the state regarding this principle will be emphasised.
- **Simplicity and effectiveness:** Joint procedures and tools should be developed that make ecological purchases simple, professional and accessible. Uniform procurement processes such as framework agreements increase effectiveness because when they are tendered environmental considerations will also be considered.
- **Education and specialisation:** The employees of state bodies should receive information, instruction and technical advice concerning ecological purchases. Systematic work should be done regarding assistance to state bodies during the implementation of ecological procurement. The State Trading Centre organises courses and lectures in the field of procurement and will be involved in education in this field.
- **Building up a competitive market:** State organisations should provide clear signals to the market that these organisations are going to take account of environmental views as well as costs and quality in the procurement. Only in this way will the market be able to react to them and improve supply to meet the new requirements. Good relations with the participants in the market and transparent procedures contribute to effective competition, an increased selection of goods and innovation, all of which help meet increased expectations and requirements for environmental aims.

Implementation

- The state seeks collaboration with local communities with respect to forming a steering group concerning public procurement. The steering committee has the role of working towards mutual projects that support ecological public procurement in Iceland. Procedures and tools should be developed that make ecological purchases simple, professional and accessible. The steering group has representatives from the Ministry for the Environment, the Finance Ministry and from the local communities.
- A working group on ecological procurement for the state is to be established which will work towards projects and consulting under the implementation of ecological procurement for state organisations. It is emphasised that state organisations should receive education and assistance to introduce ecological purchases in a professional and efficient manner. The

Stefna um vistvæn innkaup ríkisins

steering group is made up of representatives from the Finance Ministry and the Ministry for the Environment.

- The steering group and the working group work systematically according to an action plan for ecological public procurement for 2009-2012 towards developing and implementing ecological public procurement in Iceland.

Monitoring

The government policy on ecological procurement comes under the state procurement policy, and therefore the Finance Ministry is mainly responsible for the follow-up of this policy. A working group on government ecological procurement is responsible for following up on how the goals of the policy will be achieved. A steering group on government ecological procurement develops a standard on public procurement, and the group also regularly reviews the action plan and revises it as needed.

2. Definition and Assumptions

Ecological procurement

Ecological procurement is well suited to good procurement practices as prescribed in the government procurement policy and will become an integral part of that policy when its implementation has been completed. It will be defined in the following manner in this policy:

Ecological procurement: To select the product or service that is less damaging to the society or to human health and which carries the same or lower lifetime cost as other products and services which meet the same needs.

Ecological procurement therefore involves the following:

- **To select products or services that are less damaging to the environment and/or human health.** When purchasing or procuring, the options being offered must be compared with a view to the strain they place on the environment, in addition to those factors which it is common to take into consideration in the procurement process, i.e. total cost and benefits.
- **To select products or services that have the same or lower lifetime costs.** When evaluating options in ecological procurement, the reference point is the lifetime cost of the product or the service, i.e. the purchase price in addition to operating cost, maintenance and disposal. The purchase price alone and by itself frequently only tells half the story of the total cost of procurement.
- **To select a product or service that meets needs.** During the process of ecological procurement it is emphasised that needs must be well defined and the option must be selected which meets them in the most efficient manner. That way there is less possibility that purchases will be made for the purpose of satisfying needs that are not present with the accompanying unnecessary strain on the environment and the increase in costs. That way ecological procurement provides good support for the regular good procurement practices that are built on the idea of 'best value for money'. A clear needs analysis may encourage new and frequently more efficient solutions.

What is eco-labelling and environmental certification?

An eco-labelled product or service meets certain environmental requirements, which may include the whole life cycle of the product, such as the selection of raw materials, design, manufacturing, transport, use and disposal. A reliable eco-label is based on the auditing of an independent person. *Examples of reliable eco-labels are the Nordic eco-label – the Swan, and the European Union eco-label – the Flower, Bra miljööval, Tún, and Blái engillinn.*

A firm or any type of activity that has a certified environmental quality control system meets certain requirements concerning systemic control of environmental factors in its operations and continuous improvements in its performance in environmental matters in accordance with an environmental policy. An environmental control system that is constructed according to particular standards can obtain the certification of an independent party. *Examples of such standards are the ISO 14001 and EMAS.* Environmental certification is the certification of an independent party to the effect that the requirements for certain environmental control systems have been met.



The benefits of ecological procurement

Ecological procurement embodies various benefits for the buyers, suppliers and the whole of society. As an example the following can be mentioned:

- Ecological procurement reduces environmental impact. It is part of ecological procurement that the environmental impact of procurement is lessened when such impact is used as a reference point for procurement in addition to costs and benefits.
- **Ecological procurement can reduce costs and increase quality.** When pursuing ecological procurement, the emphasis is placed on efficiency in any purchase that integrates perfectly with the concept of good procuring methods, that is, to get 'best value for money'.
- Ecological procurement by the government will increase the supply of ecological products and services that benefit society as a whole and encourage innovation. With increasing requirements for environmental factors to be taken into account in the procurement process, it becomes inevitable that the supply of products that meet these requirements will increase. Increased requirements likewise motivate businesses to become more innovative and competitive regarding ways of reducing stress on the environment and health.

Example of environmental requirements for tenders:

- Requirements concerning the properties of a product, e.g. the chemical content, useful life, energy consumption, noise level, information to users and maintenance needs.
- Requirements concerning the performance of services including energy consumption, training of personnel, transport and information to users.
- Distributors should take back products that have been taken out of use or packaging material of new product
- A product or service should be marked with reliable eco-labels, such as the Nordic Swan or the EU-Flower, or it should meet comparable requirements that relate to the properties of the product.
- The seller of a service causing substantial environmental strain should have an environmental management system that meets the requirements of ISO 14001 or comparable requirements that concern the properties of the service referred to.

The introduction of ecological procurement

Clear processes for procurement, defined responsibility of purchasing entities and their knowledge of environmental issues are the preconditions for the introduction of ecological procurement.

It is desirable to introduce ecological procurement step by step for each single organisation. The principal actions that need to be undertaken are the education of employees and the dissemination of information to them, the creation of a common vision, the formulation of clear and transparent procurement processes, the maintenance of active communication with suppliers and the pursuit of the follow-up diligently. Table 1 shows the principal actions that are important for laying the foundation for ecological procurement by organisations (1 stage). When that is done the introduction process will be continued step by step. Where ecological procurement processes conform fully with the requirements for common good purchasing methods, they will become integrated into all purchasing processes after introduction has been completed

Table 1 The principal actions that are important for laying the foundation for effective ecological public procurement. This is referred to as stage 1 of the introduction of ecological procurement

1. STAGE: Laying the foundation for ecological procurement	
KEY AREA	PRINCIPAL ACTIONS
PEOPLE To build up skills, education and information	Key personnel in procurement have received education concerning ecological procurement. Ecological procurement is a part of the basic training of new employees.
VISION To show the example, strategic formulation and interaction	An agreement concerning clear basic goals for ecological procurement. Procurement guidelines, including ecological procurement by the organisation approved by the head of the organisation. Employees and key suppliers have been well informed of goals and procurement rules.
*PROCUREMENT PROCESS To remove hurdles and to improve access, tools and integration	Analysis of procurement and the main factors causing environmental impact has already been made. Procedures for a government body's procurement have been well defined. Environmental factors are taken into account early in the procurement process of most contracts. Environmental factors are taken into account when evaluating "best value for money"
SUPPLIERS To seize the opportunities, the activation of suppliers	Analysis of key suppliers based on cost and the environmental impact has already been made. Collaboration with key suppliers in the drawing up of procurement rules for the organisation.
MONITORING Continuous improvements, measuring and re-assessment	The most important environmental factors in procurement have been defined. Simple standards covering all factors in stage 1 have been achieved.

3. Implementation

When this policy is introduced, the following elements will be emphasised during the years 2009 to 2012.

1. A steering group for ecological public procurement

A **steering group for ecological public procurement** will be formed that has the role of working towards projects that support ecological procurement. Emphasis is placed on integrating environmental requirements with common procedures and on creating tools that make ecological purchases simple, professional and accessible. The steering group has representatives from the Ministry for the Environment, the Finance Ministry and from the local communities. The Ministry for the Environment holds the chair in the steering committee.

The steering group works towards the creation of educational material and tools. Among the work that it plans to do is the opening up of a website for ecological procurement, where information and tools for ecological procurement will be made accessible. The plan also calls for the translation and localisation of Common European Environmental Requirements for various product categories that will be used for reference for purchasing. Increased accessibility for procurement officials of environmental information is a key factor. Such information will be inserted into the electronic government procurement system when it is taken into use. The steering group will also develop a standard for ecological public procurement.

It is assumed that the steering committee will be active in international co-operation in the field of ecological procurement and that it will share the methods that have proven good in other places.

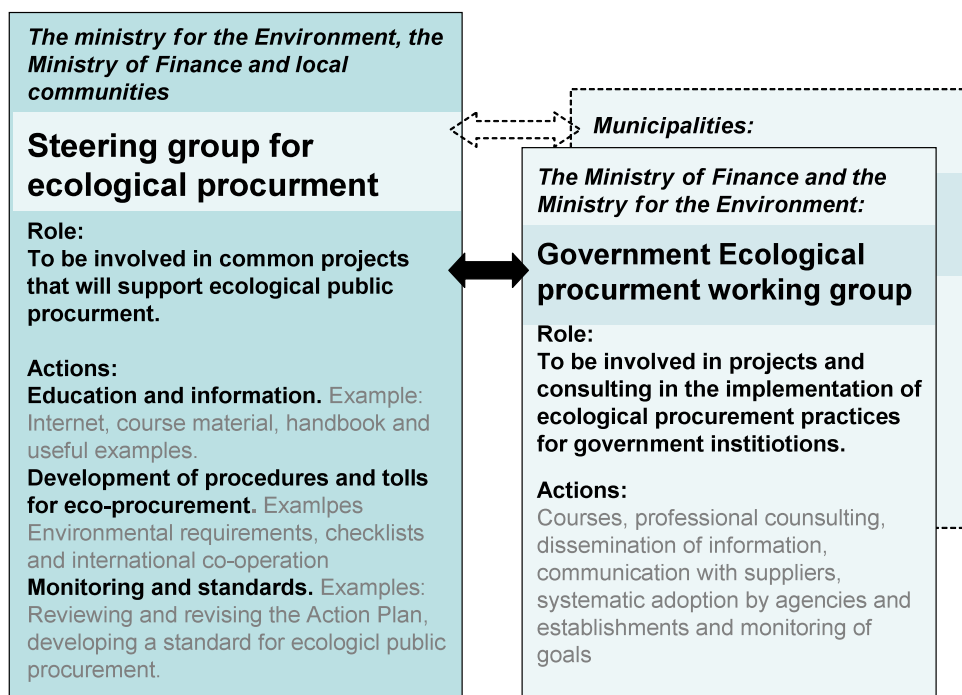


Fig. 1. Summary of the connection and division of responsibilities between the steering committee and the working group. Please note that this policy does not cover the introduction of ecological procurement by local

Government Policy for Ecological Procurement

communities, but the emphasis is placed on collaboration between the state and the local communities through the steering committee.

2. Working group for ecological government procurement

A **working group on ecological procurement for the state** will be established which will work towards projects and consulting under the implementation of ecological procurement for state organisations. Education and assisting state organisations to introduce ecological purchases in a professional and efficient manner. The working group works in close collaboration with the steering committee, and it is assumed that at least one representative has a seat on the working group and on the steering committee in order to strengthen the link between the groups. The working group is made up of representatives from the Finance Ministry and the Ministry for the Environment. The Ministry for the Environment holds the chair in the working group.

Ecological procurement is not a new concept for government agencies. Several years ago a pamphlet on ecological procurement was issued, and promotions for ecological procurement have been held for procurement staff, suppliers, etc. Some state agencies have begun a trial and error process, and this has created positive examples of the benefits of ecological procurement.

It is planned that the working group will systematically work towards introducing ecological government procurement. It is expected that this introduction process will start in a number of key organisations. Experience and methods will then be transferred to other organisations. During the introduction emphasis will be placed on education, a clear vision, integration, the activation of suppliers and follow-up. That way a good foundation will be laid for effective ecological procurement, which will then continue step by step according to a progress framework (see Appendix 1).

3. Action plan for ecological public procurement 2009 to 2012

An action plan for ecological public procurement for 2009 to 2012 which is based on a policy of ecological government procurement. Therein it is stated how the plan calls for developing and introducing ecological government procurement in Iceland. The plan will be reviewed annually and updated as needed by the steering committee.

4. Quantifiable Goals

There are few standards for ecological government procurement, and one of the jobs of the steering committee is to develop such standards. There are more quantifiable goals that will possibly be added and be linked with the action plan on ecological government procurement, and these will be revised annually. The policy on ecological government procurement provides nevertheless four quantifiable goals, which may be set for success and points of emphasis for the next four years.

Quantifiable goals for 2009 to 2012 are the following:

1. Before the end of 2009 clear standards for the economic and environmental benefits of ecological government procurement should be developed. Responsible party: a steering committee for ecological public procurement/Ministry for the Environment.
2. The ratio of public tenders with environmental requirements¹ should be as follows:
2010: at least 30% of tenders should contain environmental requirements
2011: at least 60% of tenders should contain environmental requirements
2012: at least 80% of tenders should contain environmental requirements
Responsible party: working group for ecological government procurement/Ministry of Finance.
3. Prior to 1 March 2011 at least three key organisations of the state should complete stage 1 of introducing ecological procurement, i.e. laying the foundation (see Section 2). Responsible party: working group for ecological government procurement/Ministry of Finance.
4. Before the end of 2012 all central government bodies (A-Part) should have completed stage 1 of introducing ecological procurement, i.e. laying the foundation (see Section 2). Responsible party: working group for ecological government procurement / Ministry of Finance.

¹ Environmental requirements are demands and criteria concerning environmental factors that are related to the product or service which is being tendered for and which are set forth in the tender documents.

Appendix 1 The introduction of ecological procurement – progress framework

Herein are shown the principal steps in the introduction of ecological procurement. The progress framework has defined actions in five key areas within each government organisation: people, vision, procurement process, suppliers and follow-up. In order to establish ecological procurement, the most effective approach is to work in all these areas simultaneously. Each central government organisation starts out by laying the foundation, and then work continues step by step according to what is most suitable in each case. The progress framework is in the main built upon the methodology for ecological procurement in the UK.²

Introduction of ecological procurement		1 Stage	2 Stage	3 Stage	4 Stage	5 Stage
		Laying the foundation	Integrating	Applying	Strengthening	Leading
KEY AREA	PEOPLE To build up skills, education and information	Key personnel in procurement has received education concerning ecological procurement. Ecological procurement is a part of the basic training of new employees.	All procurement employees have received basic training in ecological procurement. Key personnel in procurement has received advanced training in the principles of ecological procurement.	A systematic continuous education in innovations in ecological procurement. Performance assessments should take account of factors that are connected with ecological procurement. Introduction of a simple incentive system.	Ecological factors integrated into evaluation of bids and competence requirements for tenderers. Ecological procurement is part of recruit training programme.	.Performance numbers are issued and used to attract procurement professionals. Performance based internal as well as external bonuses. Emphasis placed on results towards saving. Sophisticated methods shared with other organisations.
	VISION: To show an example, strategic formulation and interaction	An agreement concerning clear basic goals for ecological procurement by the government organisation. Procurement guidelines, including ecological procurement by the organisation approved by the head of the organisation. Employees and key suppliers have been well informed of goals and procurement rule.	Procurement rules concerning ecological procurement revised and strengthened in particular regarding co-operation with suppliers. Making sure that rules comply with the wider government policy concerning sustainable development. Rules are disseminated to the employees, suppliers and the key stakeholders.	A procurement plan made which is a widening of rules for ecological procurement so that it covers factors such as risk assessment, the introduction of procedures, marketing, supplier collaboration, measuring and auditing. The procurement plan is followed-up by the governing body of the organisation.	Review and improvements of the ecological procurement plan, particularly with regard to technical innovations and innovation opportunities. The connection of ecological procurement plan to environmental control system and the individual government body's general policy.	The procurement plan is reviewed on a regular basis and is directly linked to the body's environmental control system. An ecological state procurement policy which has been approved by the government is at the same time well promoted. A detailed analysis of future needs and new policy modulated from these.
	*PROCUREMENT PROCESS To remove hurdles and to improve access, tools and integration	Analysis of procurement and the main factors causing environmental impact has already been made. Procedures for a government body's procurement has been well defined. Key contracts include environmental requirements. Contracts evaluated according to best value for money but not only the lowest price.	A detailed analysis of procurement made and the main environmentally detrimental factors are evaluated and used for prioritizing. Environmental factors are taken into account early in the procurement process of most contracts. Life time cost is evaluated and taken into account for procurement.	All agreements are revised in order to evaluate risks due to environmental factors and actions for counter action are then formulated. Active risk management during the whole procurement procedure. Clear goal setting involving the key suppliers with respect to environmental factors.	A detailed risk assessment for environmental factors part of the largest key contracts. Ecological aspects are present in project and contract negotiation management. Life time cost becomes part of cost assessment.	Life time cost has been analysed for most products categories. Common standards regarding ecological procurement for buyers and sellers. Performance linked prizes or penalties. Hurdles for ecological procurement have been overcome. Best practice is shared with other government organisations.
	SUPPLIER To seize the opportunity, the activation of suppliers,	Analysis of key suppliers based on cost and the environmental impact has already been made. Collaboration with key suppliers in the drawing up of procurement rules for the organisation.	Detailed analysis of procurement from the suppliers. Work according to collaboration plan with the suppliers where the superior is a participant.	Clear goals in collaboration with suppliers present which will increase the weight of environmental factors. Interactive, motivating relations between buyers and sellers based on economic stimuli. Pro-active resource management for key procurement items.	Key suppliers selected with respect to close collaboration. Evaluation of environmental factors and actions for improved resource management. The results are measured and recorded. The management participates in a collaborative effort with suppliers.	The selection of suppliers is acknowledged as a basic factor in ecological procurement plan. Continued participation by management in a collaborative effort with the suppliers. 'Best practice' is shared with other government organisations. Suppliers find that they must work towards constant reform in environmental work in order to keep the business.
	EFFIREYLGNI:	Þýðingarmestu umhverfisþættirnir í	Nákvæm úttekt á umhverfisáhrifum	Mælikvarðar vistvænna innkaupa	Lykiltölur innleiddar með skorkorti	Lykiltölur nýttar til að framfylgja

² HM Government. 2007. UK Government Sustainable Procurement Action Plan – incorporating the Government response to the report of the Sustainable Procurement Task Force.