

What is Sustainable Public Procurement?

How can SPP make a difference?

How can SPP stimulate market development?

SPP on the Post-2015 Development Agenda

How countries are preparing themselves?

What are the major barriers to SPP implementation?

Is there a potential for Lebanon?

The way forward

How can Sustainable Public Procurement pave the way to Sustainable Development

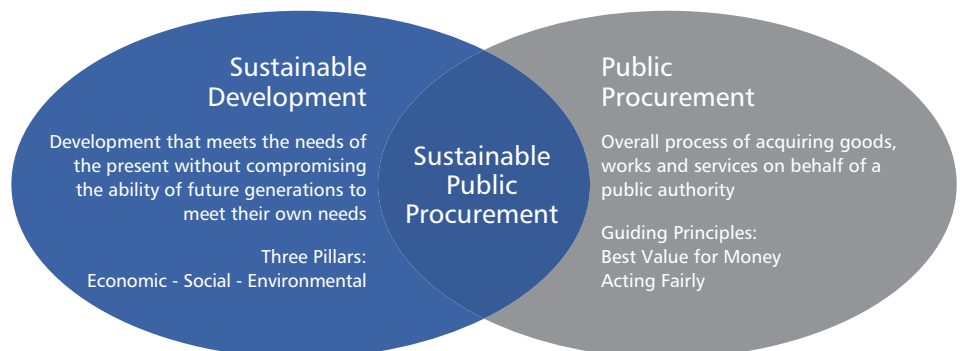
“The SPP initiative offers governments the opportunity to lead by example by harnessing their purchasing power to drive markets towards a greener, more innovative and more sustainable path.”

UNEP Executive Director, Achim Steiner

This policy brief is the second of a series published by the Institut des Finances Basil Fuleihan on public procurement. It proposes policy advice for the design and implementation of Sustainable Public Procurement (SPP) policies in Lebanon. It builds on the need to encourage sustainable production and consumption behaviors by Government, while at the same time achieving value for taxpayers' money.

What is Sustainable Public Procurement?

Figure 1: Sustainable Development and Public Procurement



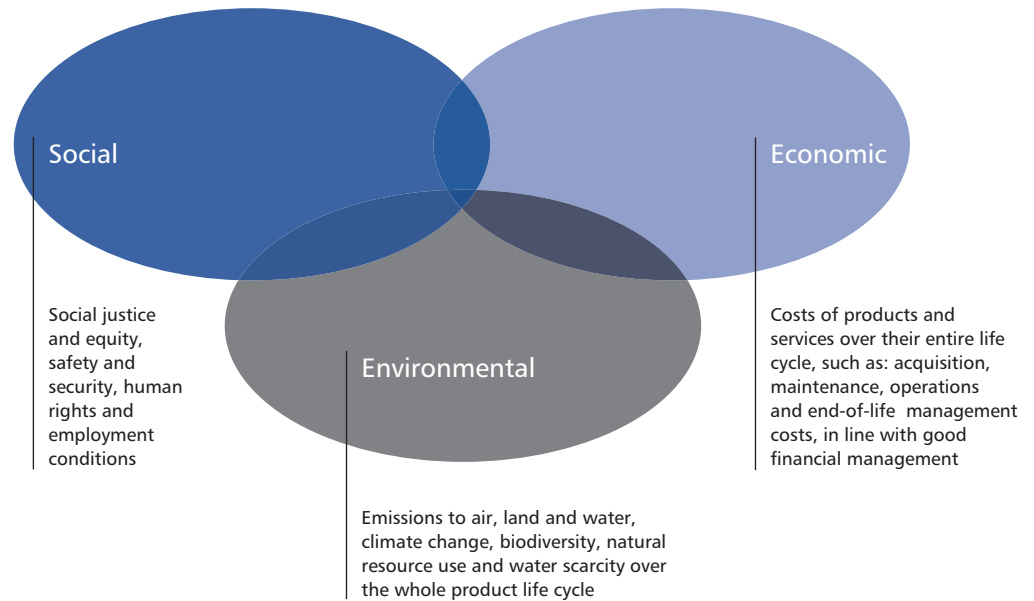
Good procurement is sustainable public procurement. Considering more than the green or environmental dimension¹, sustainable public procurement can make a significant contribution to sustainable development by ensuring that suppliers, contractors and goods and services purchased by public entities, achieve economic, social as well as environmental benefits (Figure 2).

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¹Green procurement is defined as the purchase of products and services which have less impact on the environment and human health compared with competing products or services serving the same purpose.

Instead of considering the price as the dominant awarding rule, “Value for Money” in public procurement allows to integrate criteria such as the Life Cycle Costing (LCC), ecolabels and the use of efficient resources during consumption and production. It also integrates social concerns for workers and employees.

Figure 2: Sustainable Procurement Pillars

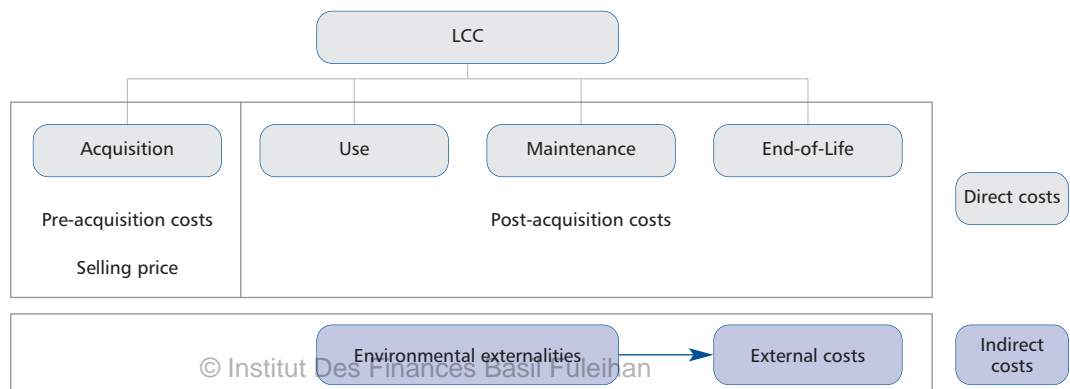


As shown in Figure 3, life cycle costing accounts for direct costs including:

- Acquisition or purchasing costs and all associated costs such as delivery, installation, commissioning and insurance.
- Use or operating costs, including energy and water use and maintenance costs.
- End-of-life costs such as elimination, recycling or disposal.

It also includes indirect costs such as environmental externalities linked to the products, services or works during their life-cycle, provided their monetary value is quantified.

Figure 3: Life Cycle Costing in Public Procurement²



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²Studiofieschi & Sochi and Socola Superiore Sant' Anna, Webinar on Life Cycle Costing (LCC) in public procurement. and is copyrighted work.

How can SPP make a difference?

Every purchase, whether by private or public buyers is an opportunity to drive markets towards innovation. Small scale actions, such as buying recycled paper, IT products, green technologies, retrofitting of public buildings with high energy efficiency standards, or procuring clean transport services can help achieve environmental, social and economic policy objectives.

Governments are powerful change makers because they are the largest buyers in an economy. Data shows that public procurement accounts for 17% of the national GDP in the EU27³, and 1/3 of public expenditures across OECD countries (equivalent to over US \$4,733 billion annually)⁴. In Arab countries, it can reach 15 to 20% of GDP⁵.

Globally, SPP is increasingly considered as a powerful policy instrument for achieving sustainable development objectives, through a process that is quicker than regulations and legislations and more popular than fiscal measures. CO₂ emissions can be reduced faster, work conditions improved, local development spurred and poverty decreased.

How can SPP stimulate market development?

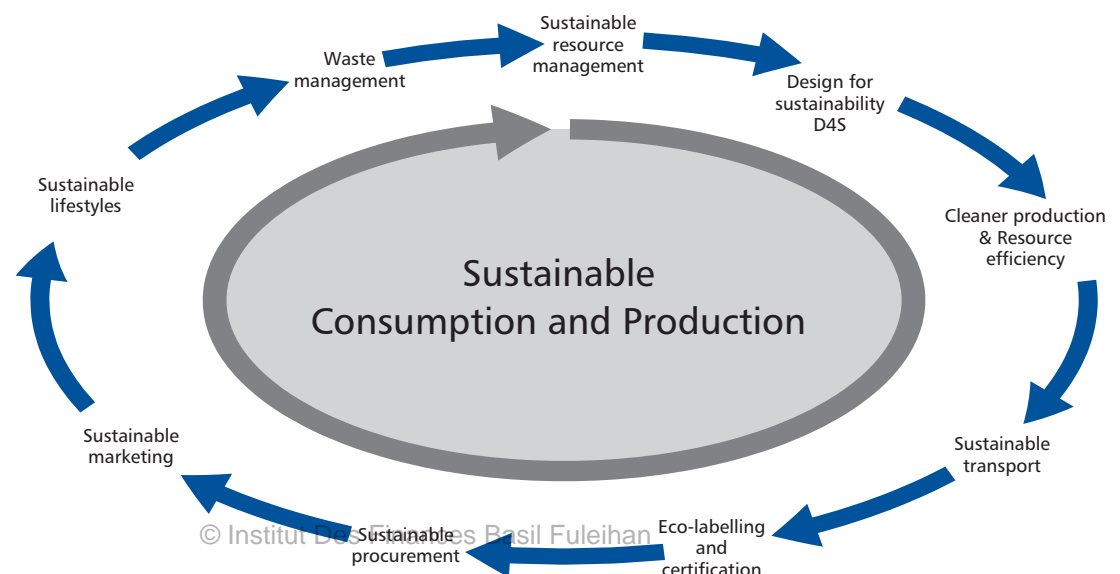
Sustainable public procurement strategies are effective levers for influencing markets. Encouraging sustainable dialogue between public authorities and the market is instrumental in:

- Driving markets towards innovative and sustainable processes and solutions like recycling, use of renewable resources, use of energy saving expertise, flexible working hours for employees.
- Creating markets for new or improved technology products and services which meet environmental considerations.
- Encouraging the emergence of new business models based on finding alternatives to current ways of doing business while meeting government agencies' needs differently.

SPP on the Post-2015 Development Agenda

By moving towards the Post-2015 Sustainable Development Goals (SDGs), governments and the business sector, civil society and international organizations are engaged towards achieving Sustainable Consumption and Production (SCP) patterns. The 10 Year-Framework Programme (10YFP), launched in 2014 at the Rio+20 Conference, harnesses the power of international cooperation to accelerate the shift towards SCP.

Figure 4: Key Drivers of Sustainable Consumption and Production



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³European Union (2010).

⁴UNEP, Sustainable Public Procurement Initiative Harnesses Power of Public Spending to Fast-track Green Economy Transition, 20 June 2012.

⁵World Bank (2012).

Sustainable public procurement is one of the six pillars of SCP⁶, and the first to be launched under the 10YFP. It builds upon the achievements of the Marrakech Task Force (2005-2011), and the Sustainable Public Procurement Initiative (SPPI) (2012-2013) that facilitated global consensus, fostered information exchange, and provided practical tools for capacity building.

The Marrakech Task Force Approach to SPP

The strive for sustainable public procurement started back with the “Marrakech Process” in 2003 following the Johannesburg World Summit in 2002. This global effort aimed at supporting the promotion of more SCP patterns. A Task Force on SPP was established as voluntary partnership led by the Government of Switzerland from 2005 to 2011, aiming at implementing SPP in developed and developing countries. With the support of the United Nations Environment Program (UNEP), the project assessed the status of SPP, the legal framework, and studied the market readiness in 7 pilot countries*. It consequently worked on raising awareness among various stakeholders (policy and decision makers) and building capacities of practitioners towards SPP. Recommendations at both the policy and implementation levels aimed at setting measurable objectives, enhancing policy effectiveness, and developing an appropriate monitoring system.

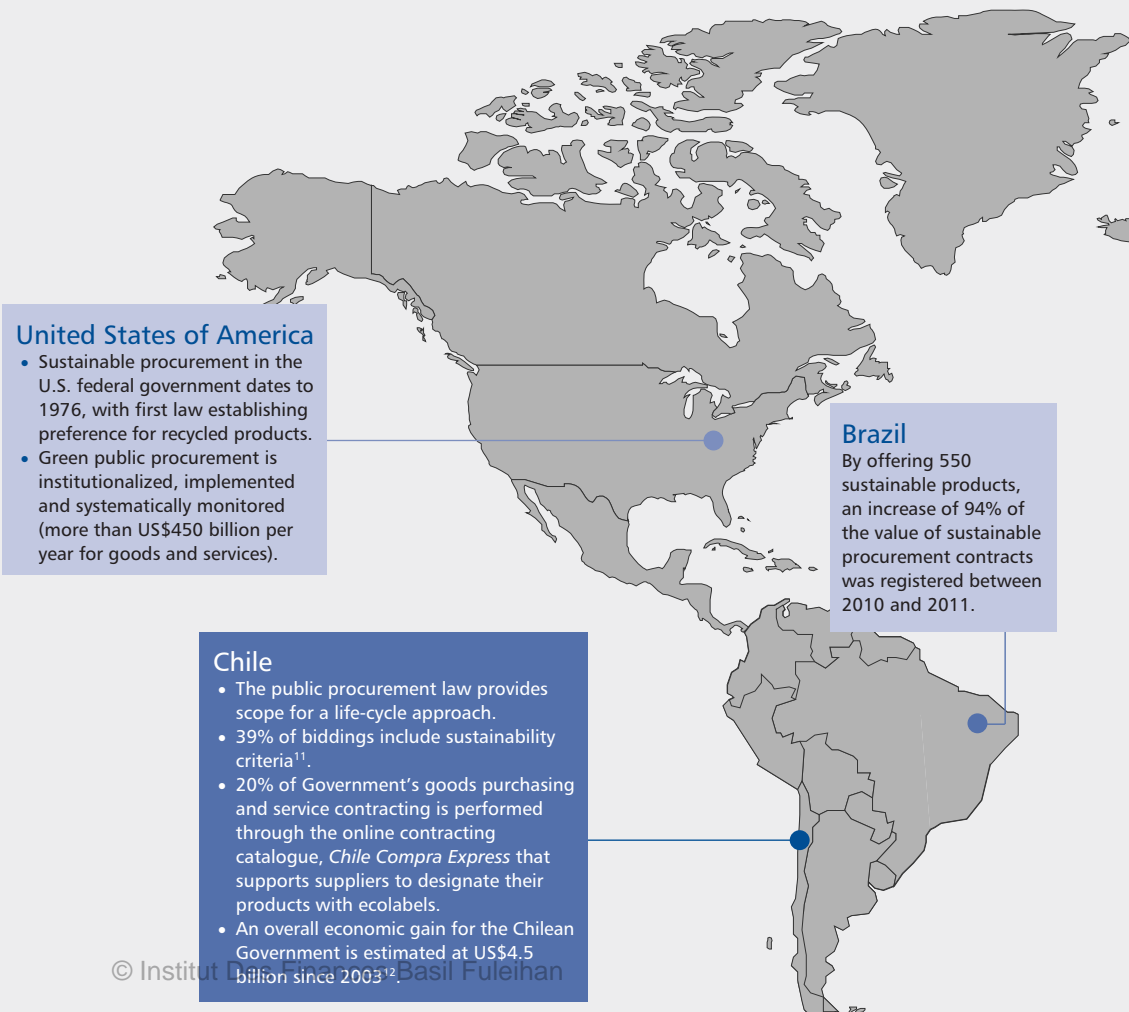
*7 pilot countries: Colombia, Chile, Costa Rica, Lebanon, Mauritius, Tunisia and Uruguay

How countries are preparing themselves?

The impact of SPP implementation diverges depending on a country’s legal and institutional frameworks, the market readiness, and the resistance to change in the procurement system.

Figure 5: Summary of Interesting Country Experiences and Facts

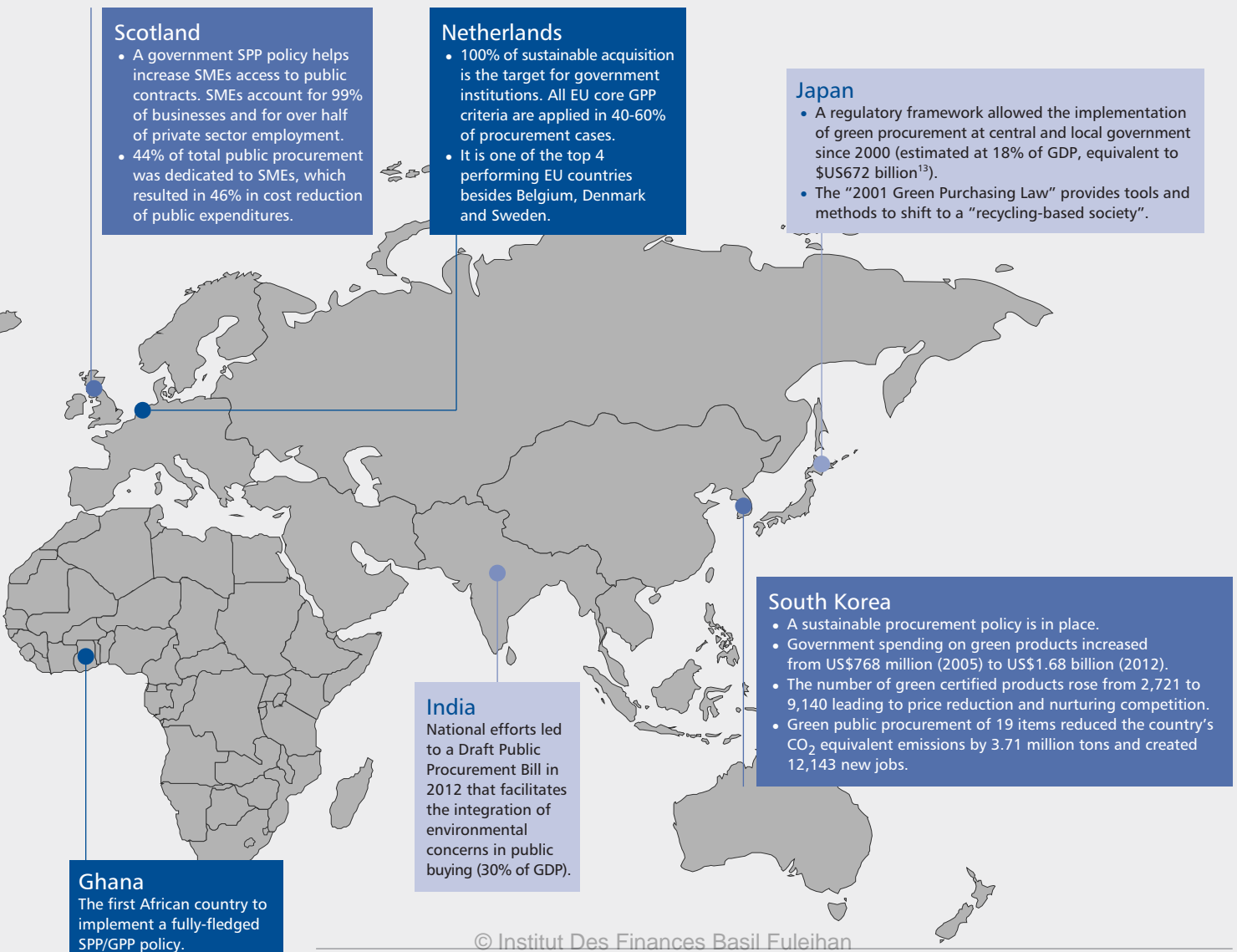
“As long as the law is “open” then you can include SPP/GPP, and it might get implemented faster”
 Pablo Prüssing Fuchslocher,
 Dirección ChileCompra



This document is part of the six pillars of sustainable consumption and production and is copyrighted work. The six pillars of sustainable consumption and production are: sustainable public procurement, consumer information, sustainable tourism, sustainable buildings and construction, sustainable lifestyle and education, and sustainable food systems.
¹¹Dirección ChileCompra, 2015.
¹²Dirección ChileCompra, 2015.

The European Union issued two directives to regulate public procurement in 2004⁷, and a new Directive in 2014⁸. The Commission is also working towards the inclusion of social criteria into public procurement of Member States. In addition, SWITCH-Asia and SWITCH-Med⁹ are two EU-supported initiatives to help the shift towards SCP by changing the way goods and services are produced and consumed. Public authorities in Europe also foster the exchange of good practices, in the framework of the Procura+ Sustainable Procurement Campaign¹⁰.

In the Arab region, a road map towards the active implementation of the 10YFP has been approved by the Council of Arab Ministers Responsible for the Environment in November 2013, highlighting key priority areas for the region in sectors like energy and water, waste management, rural development and poverty eradication, education and sustainable lifestyles and tourism. The integration of SCP into national development plans in the region is ongoing in Egypt, Jordan, Kuwait, Lebanon, Palestine, Tunisia, and the United Arab Emirates (Dubai), but without any focus on sustainable public procurement.



⁷Directive 2004/18 focuses on contracting authorities ("Classical Directive"); and Directive 2004/17 which is oriented towards entities operating in the water, energy, transport and postal services sectors ("Utilities Directive").

⁸Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.

⁹www.switchmed.eu/en/about

¹⁰www.procuraplus.org

¹³National figures in Japan, 2005.

What are the major barriers to SPP implementation?

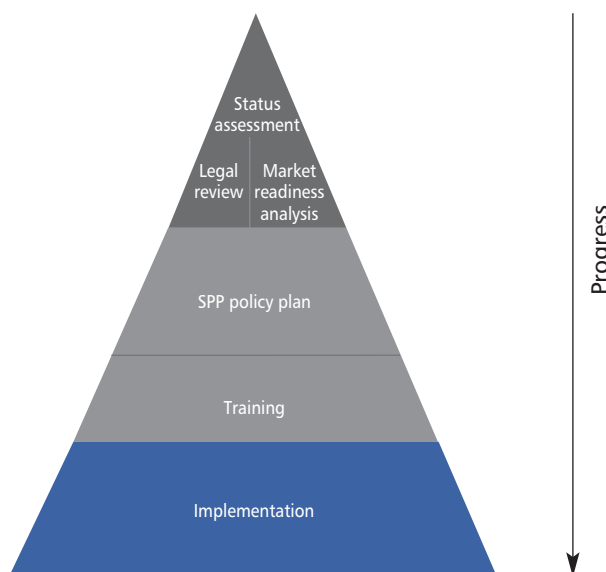
- The absence of leadership that sets the national commitment to sustainable public procurement and helps reduce resistance to change.
- The lack of explicit procurement planning and guidelines that help public authorities stay up-to-date with latest technology and services developments.
- The absence of a specialized procurement function within government agencies, and the capacity gap associated to it.
- Unsatisfied needs for training and technical assistance to integrate sustainable criteria into the procurement process.
- Market readiness and industrial capacities which may limit the local production and consumption of sustainable products, in addition to absence of ecolabels.
- The higher cost of green and sustainable products on the short term which usually discourages public entities from engaging in SPP and LCC.
- Corruption in public procurement.
- Weak monitoring and evaluation techniques at public authorities to verify the adequate implementation of SPP processes.

Is there a potential for Lebanon?

In Lebanon, public procurement in central Government accounts for 4% of the GDP¹⁴, equivalent to US\$1.828 billion¹⁵.

The Ministry of Finance, represented by the Institut des Finances Basil Fuleihan, joined in 2010 the Marrakech Task Force on Sustainable Public Procurement¹⁶. A status assessment, a review of the legal framework and a market readiness analysis were conducted in order to identify Lebanon’s potential for SPP. An action plan was drafted. The efforts were supervised and guided by a Steering Committee, composed of representatives of key public entities, the private sector, and international organizations¹⁷.

Figure 6: The Marrakech Approach to SPP



¹⁴This figure is however an understatement as it does not include procurement made at the local government level (i.e municipalities) nor by autonomous public agencies. Source: Institut des Finances Basil Fuleihan, Professionalizing Public Procurement in Lebanon: Diagnostic Review and A Vision Forward (2014).

¹⁵Based on GDP reported by World Bank to US\$45.73 billion in 2014. Source: <http://data.worldbank.org/country/lebanon>

¹⁶Implemented in 7 pilot countries: Colombia, Chile, Costa Rica, Lebanon, Mauritius, Tunisia and Uruguay.

¹⁷Steering Committee members: Institut des Finances Basil Fuleihan, Ministry of Finance, Ministry of Social Affairs, Ministry of Environment, UNDP Office in Beirut, Chamber of Commerce and Industry, Council for Development and Reconstruction, LIBNOR, OMSAR, Lebanese Center for Energy Conservation, Central Bank of Lebanon and Agence Universitaire de la Francophonie.

A room for legal framework improvement...

In Lebanon, public procurement operations are governed by a set of regulations found in various laws and decrees, mainly the Public Accounting Law (1963) and the Tender Regulations (1959), in addition to a number of special provisions¹⁸. The review of the legal framework¹⁹ highlighted the following:

- Lebanon has achieved considerable progress related to environment protection through the signature and ratification of international treaties and core environmental and socio-economic conventions. However, their clauses are seldom reflected in procurement practices.
- Although the current practices stipulate for a contract award on the basis of the lowest price, they open the way for criteria other than the price without specifying them.
- Existing environmental laws and regulations are not linked to public procurement. For instance, the Environmental Protection Framework Law no. 444, which includes fundamental principles on protecting the environment, can be easily reflected and adopted in new procurement regulations.
- Bidding documents contain limited provisions related to sustainability. When such exist, they relate mainly to workers' conditions.
- Terms of Reference (ToR) do not include preferential criteria that encourage environment friendly products such as limited emission of carbon dioxide, clean production, prohibition of hazardous chemicals, etc., as well as the protection of natural resources (i.e forests and water).
- Though the Lebanese State pledged to abide by the United Nations declarations and resolutions related to environment, labor and economy, this is not reflected in government purchases.

...the market is ready, subject to public demand

In Lebanon, public entities are important buyers of short-term office products (paper, printers and toners, detergents, and pesticides) that are not produced locally. Their spending represents 50% of the paper's market share. With the exception of detergents (60 - 70% are locally purchased), public purchases are considerable in each sector, which highlights the potential of government spending decisions on the rest of the market. For medium-term products like lighting and water taps/flushing systems, public purchases have a smaller presence (10% of market share). The Market Readiness Analysis determined the responsiveness of the Lebanese market to potential SPP tenders for those six products identified as among major government purchases (Figure 7).

Figure 7: Lebanese Government Spending Categories²⁰

Government expenditures	Amount in USD	%
Electric Establishments	551,509,622	4.73
Hospitalization Expenses-Private Sector	221,821,500	1.90
Exportations for the Construction and Public Works of Roads, Ports And Airports	135,036,496	1.16
Medical and Laboratory Supplies	120,542,468	1.03
Maintenance-Roads	119,505,640	1.03
Transportation and Locomotion	103,222,429	0.89
Construction of Roads	95,560,717	0.82
Expenses for Studies, Constructions and Supervision	95,454,545	0.82
Buildings Constructions	75,826,145	0.65
Technical Equipments	70,626,410	0.61
Administrative Supplies	62,460,650	0.54
Water Establishments	61,134,705	0.52
Rent and Common Services	58,194,816	0.50
Water, Electricity and Wireless and non Wireless Communication	51,353,934	0.44
Maintenance-Building	38,575,315	0.33
Expropriation for Water Networks	33,178,500	0.28
Printed Advertisements and Public Relations	30,900,464	0.27
Computer Equipment	23,795,952	0.20
Furniture and Office Equipment	9,377,571	0.08
Transportation Expenses	8,546,317	0.07
Delegations and Conferences	7,515,395	0.06
Maintenance-Computer Equipment	7,143,663	0.06
Pesticides	6,923,689	0.06
Cleaning	6,560,907	0.06

It was found that most government suppliers are traders and not manufacturers. Except for products such as detergents, awareness among suppliers is medium to high, and the majority expressed their readiness to offer sustainable products in case of sufficient public demand or government regulations imposing sustainable standards and criteria. For other products, such as pesticides, lighting, and water taps, suppliers' awareness and willingness are higher due to the existence of national initiatives and programs (Figure 8).

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²⁰Excluding personnel costs, interest payments, foreign debt repayment, and interest subsidy. Source: Lebanese Ministry of Finance Data (2010)

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Figure 8: Lebanese Market Status for Priority Products

Product	Supplier awareness	Compliance management systems	Sustainable products	National programs (public)	Willingness to offer sustainable products
Paper	Medium to high	ISO 9000 among some producers	Only through import	N/A - only NGOs and private sector	Yes, depending on transparency
IT (printers/toners)	Medium	Lacking	Only through import	N/A- only NGOs and international producers	Yes
Detergents	Low	Lacking	Basic forms	N/A	Low
Pesticides	High	Lacking	Only through import	Ministry of Agriculture	Yes
Lighting	High	Lacking	Only through import	Ministry of Energy and Water	Yes
Water taps/flushing systems	High	Lacking	Only through import	Ministry of Energy and Water	Yes

Evidence shows that there is a high potential in the local market to adapt to higher sustainability norms. A new procurement law or specific government circulars, as well as a new demand, would enforce sustainable guidelines and standards, especially for office paper and IT.

Changing buying and disposal habits of government entities would therefore produce a strong positive impact on the market.

The way forward

1. In addition to a crippling debt estimated at 132% of GDP²¹, a real GDP growth estimated at 2%²², and large dual deficit, Lebanon is faced with serious environmental and social challenges threatening future sustainable growth.
2. Evidence from international experience indicates that public procurement is a powerful policy instrument that can impact markets and drive growth while at the same time helping to meet the requirements of the Post-2015 Sustainable Development Agenda.
3. Shifting towards SPP implementation requires a clear policy framework that puts together the driving forces of public and private sectors, and supporting international organizations.
4. Although a multitude of national sustainability initiatives are in place, a strategic orientation towards SPP remains fundamental to ensure a long term commitment to Value for Money, while protecting the environment and respecting social considerations.
5. Key entry points to pave the way for SPP in Lebanon would include:
 - **Raise the awareness of policy makers** to recognize SPP as a main instrument to boost economic growth and sustainable development.
 - **Create a national task force** that brings together institutions and stakeholders involved with public procurement reform, in order to develop an SPP policy to be adopted by the Council of Ministers.
 - **Introduce SPP into the legislative framework:** In the draft procurement law, sustainable procurement is conditioned by a regulatory framework fixed by the Council of Ministers. A more plausible commitment would be to provide scope for life-cycle approach in the law itself.
 - **Streamline and unify public procurement procedures and documents** to ease SPP implementation.
 - **Support the creation of a portal and help desk** at the central procurement agency for public entities where recurrent information about the products' guidelines and specifications is made available to all practitioners.
 - **Invest in risk-free good practices in SPP found at several public institutions** that have already demonstrated positive financial, environmental and social impact, so that they lead by example and inspire other initiatives.
 - **Encourage communication and dialogue** between procuring entities, economic instances and suppliers to reduce resistance to change, and start the integration of identified priority products, which would impact positively the long-term modernization process.
 - **Develop national capacities** on sustainable policies and practices.
 - **Monitor and evaluate implementation** through the development of national impact indicators that measure the market responsiveness and performance of SPP practices.

The Government of Lebanon needs new policy instruments to address critical environmental, social and economic challenges. SPP is a powerful instrument that can drive innovation and cater for sustainability concerns, whether environmental or social, while allowing Lebanon to join a worldwide momentum towards a better future.

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²¹International Monetary Fund, Press Release No. 15/309, dated 30 June 2015.

²²World Bank, "Lebanon Economic Monitor: The Economy of New Drivers and Old Drags", Spring 2015.

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Further readings

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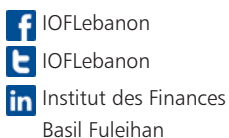
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This Publication

This publication analyses topics of relevance to Public Finance Management Reform and other subjects of interest to the work of the Institut des Finances Basil Fuleihan. This second issue proposes guiding principles and data that help policy-makers, government officials, the business community, academics, and citizens have a better understanding of the role of sustainable public procurement as key instrument to achieve development and encourage market growth.

Institut des Finances Basil Fuleihan

Established in 1996 to support public finance modernization as the training and documentation center of the Lebanese Ministry of Finance, the Institut des Finances Basil Fuleihan collaborates with public entities in Lebanon and the MENA region in five mission areas:

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- Development of partnerships
- Inspiring innovation and excellence in the public service
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