
Sustainable Procurement

Network meeting: March 2014

Problematic

Studies carried out by a number of organisations¹ show that a significant part of the environmental impacts of humanitarian work can be attributed to goods and services purchased. Furthermore, the majority of these impacts do not arise during the organisation's possession of the product but upstream (when the raw materials are extracted, during production or transport) or downstream (end-use by beneficiaries or end-of-life). Purchasing is therefore a key activity for organisations when it comes to improving their environmental footprint and influencing the practices of third parties, especially product suppliers and end users.

The implementation of a sustainable procurement strategy is all the more necessary for organisations as they can be called into question over the bad practices of their suppliers, affecting their image at the very least². However, humanitarian purchasers must find a balance with seemingly irreconcilable constraints: the priority given to operations, lack of time and means and suppliers' lack of awareness of environmental and social issues... In light of these considerations, how can humanitarian organisations move towards more sustainable procurement?

Experiences and feedback

- **ObsAR (Sustainable Procurement Observatory)**

ObsAR is an independent non-profit association aimed at sharing good practices for sustainable procurement. It groups together 140 organisations in both public and private sectors.

According to ObsAR, there are many different aspects to sustainable procurement: environmental, social, ensuring fair trade practices (for example the fight against tax havens), etc. It is impossible to achieve all of these objectives at once, and some may even prove contradictory. The environment has long been the main preoccupation but there is a move towards a more balanced approach.

Sustainable procurement goes beyond the impacts of goods and services purchased. It relies on the accurate identification of needs as well as consideration of the overall product

1 Notably the ICRC (life cycle analysis), MSF-Suisse (environmental footprint) and ACF (carbon footprint).

2 No legal responsibility exists as yet but could be established in France by a law on the responsibility of originators which is currently being discussed and was proposed following the Rana Plaza catastrophe of 24 April 2013.

and non-financial factors (choosing the “best interests” option rather than the cheapest) and a balanced relationship with the supplier (payment terms, support etc.).

The field of sustainable procurement is still undergoing development and standardisation. France became the leader after adopting the NFX 50-135 standard which serves as the basis for a working group for the definition of an international standard. Other international sources already exist including the OECD guidelines on subcontracting and the UNEP Procurement Programme. The EU Directive of March 2009 on the recycling of pollution can also be noted and can help to take this externality into account.

- **Action contre la Faim**

Action contre la Faim's guidelines on sustainable procurement are explained in our procurement policy and, to a lesser extent, in our environmental agenda. Posters with these two documents are displayed in the logistics departments of all ACF's missions. These guidelines are integrated into procurement procedures through the general conditions of purchase (included with purchase orders), procurement good practices (signed by suppliers) and a questionnaire on sustainable development which is completed by participants in tenders. This work has been undertaken due to concerns about ethics and coherence but also to satisfy donors' expectations; in regard to the issue of transparency, for example.

Tangible progress has been made (use of ESAT/EAs³, certified printers, organic and fair trade cotton t-shirts, etc.), but this is still only on the surface. There are many explanations for the obstacles encountered: a procedure based entirely on the supplier's guarantees or even on one illegible signature on a document, insufficient use of the information gathered and its exclusion from the selection process and the priority given to requirements in the field according to other criteria.

There is also a noticeable gap between the headquarters of an organisation and the field in terms of the awareness of purchasers and suppliers, which begs the question whether or not the issue of sustainable development can be translated in countries in the South and how. Generally speaking, there are no clear criteria for this and the rules must be adapted depending on the context. As an example, the age at which individuals are considered eligible for work varies significantly from country to country and even the international legislation can be vague.

The impact of the purchase itself must also be taken into account in addition to product and supplier performance. Local procurement can actually destabilise the market (stock shortage, inflation etc.) if it is too high or badly planned.

- **The International Committee of the Red Cross**

Sustainable procurement is integrated into the International Committee of the Red Cross' sustainable development policy. The focus is both on the conditions of manufacture (a

³ Work based integration enterprises

primarily social criterion) and the use of purchased products (a primarily environmental criterion).

In terms of manufacturing, the objective is to identify businesses that meet the ICRC's social standards in countries with low labour costs. For this, the ICRC visits the factories of pre-selected suppliers. This visit allows the Committee to evaluate the quality of the products as well as the production capacities. Factories are assessed according to different criteria (health and safety, working conditions, environment and child labour) and awarded A (good), B (could be improved) or C (unacceptable). At the end of these visits, the remaining suppliers are authorised to participate in the tender. This rigorous procedure is rewarded with long contracts even though volumes are generally low for the manufacturer. This approach is approved by donors.

Around sixty factories have been visited to date, which represents a small fraction still of the ICRC's suppliers. Targeted products included “kitchen sets” and the same approach will now be used for food products and IT systems. Visits are carried out by ICRC employees as the use of specialised companies has proved more costly and less reliable (risk of collusion). Two thirds of the factories visited were not approved. In some cases, the working conditions in pre-selected factories was far from satisfactory demonstrating the benefits of this approach in hindsight.

Small laboratories have been created for product quality testing to ensure that the products received do not pose a risk for end users and that the aid provided is sustainable. Tests are based on sampling methods. After a certain percentage of faulty goods, products are returned to the supplier. If the situation occurs a number of times, the supplier is removed.

The constraints of sustainability are also taken into account in product specifications. For example, steel is used instead of aluminium as there are fewer health risks associated with it and it requires less energy to produce despite being heavier. A life cycle analysis showed that the impacts of transporting materials were negligible in comparison with those associated with their production and use.

Outlook

- **Good practices and recommendations**

These experiences have led to the following recommendations:

- Sustainable procurement has three dimensions:
 - Taking into account the conditions in which a product has been manufactured: extraction of natural materials, working conditions, supply chain, etc.
 - Anticipation of the effects of procurement on the market: inflation, shortage, etc.
 - Taking into account the foreseeable impacts after procurement: energy consumption, production of waste, etc.

The more difficult it is to evaluate the impacts of production, the more important it is for the effects of purchasing a product and its impacts while in the possession of the purchaser to be systematically taken into account.

It is particularly important to take more account of the overall cost of possession from when the specifications are established.

- It is difficult to monitor all the products purchased. One solution is to identify the groups of products at risk so that these can undergo more rigorous controls⁴.
- Raising the awareness of different stakeholders (program managers, purchasers...) is crucial. Procurement and logistics personnel must be educated on this issue before joining the mission. Local purchasers must be encouraged to visit suppliers to identify any risks.
- There are no straightforward criteria for evaluating a supplier's performance. A pragmatic approach must be adopted and levels of expectation must be adapted according to the context. In particular, it is impossible to follow the same rules for procurement in the field that are applicable in the organisation's headquarters.
- A medium or long-term relationship is needed for the improvement of suppliers' environmental and social performance. Ideally, this should be built on a partnership approach enabling the purchaser to ensure that the product meets requirements and is of a better quality on one hand, and the supplier to gain skills and benefit from their efforts (by awarding certificates or publishing a *best suppliers list*) on the other.

- **Proposed actions**

The present organisations have reached a consensus on sharing information they have available on suppliers (audit results, life cycle analysis etc.) and training materials. The development of a training module for logistics and procurement personnel is proposed.

Information can be shared permanently thanks to the creation of an online tool allowing organisations to share their assessments of suppliers using the same method as the ICRC. Partnership with existing databases is envisaged (Ecovadis, Sedex etc.).

Certain groups of purchases (therapeutic foods, NFI/kitchen sets, water and sanitation etc.) are common to a number of organisations. They should therefore agree on the minimum requirements for environmental and social sustainability so that they can influence suppliers more effectively.

These proposals can be explored within the framework of the supply chain working group created by French organisations on 4 February 2014.

4 This approach has been adopted by Oxfam GB for example: the procurement of "at risk" products must be validated by the sustainability manager.