

One Stone Advisors Answer to Question on Notice for the Australian Senate Inquiry on the United Nations Sustainable Development Goals (SDGs)

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Public Hearing Friday 2nd November 2018, Excerpt—HANSARD, pp. 7–8

Senator MOORE: *You actually talked about the Ps—and there are a lot of Ps in the SDG agenda—about the issues around procurement. Senator Gallacher has done a lot of work on procurement in another committee. It's such a threshold issue. Could we get some more comment from you on notice about how you think the procurement area is particularly relevant?*

Ms Spencer-Cooke: *I'd be happy to do that.*

CHAIR: *An example of what Senator Moore is talking about is Defence, where spending around bases didn't appear to be as evident among the small to medium enterprises in the geographical location. It seemed to be centred around the tier 1 contractors' relationships with people in various parts of Australia.*

Ms Spencer-Cooke: *If there's any additional detail that you'd like me to address, please let me know.*

Senator MOORE: *There's not too much in your written submission. It's such a central issue in terms of government expenditure and all the things we are doing now with the modern slavery agenda. It's been highlighted by you as one of the key areas where there could be consideration and awareness. If you could give us some ideas about why you've identified it in that way, that would be good. It hasn't been so clearly identified in other submissions.*

Ms Spencer-Cooke: *I'm happy to do that.*

ANSWER

1. The relevance of procurement to the SDGs

With Federal Government spend totalling \$47 billion in 2016-2017, integrating Sustainable Public Procurement (SPP) into national procurement practices is a huge opportunity and an 'easy' SDG win for the Australian government.

Purchasing is an effective way to drive change

Purchasing power is an important lever for shifting the economy towards more responsible patterns of consumption and production. It is a market-based instrument that organisations can leverage to influence behaviour and send a signal along the value chain in support of more sustainable products, services and operations. Over the past 10 years this has been a growing focus of Corporate Social Responsibility efforts and strategic risk management in the private sector as companies recognise that many of their biggest impacts—and opportunities to effect change—lie upstream or downstream of their direct operations.

Public procurement represents significant purchasing power: in OECD countries it accounts for 29% of total government expenditure and 12% of GDP.¹ By integrating sustainability into public procurement practices, governments can work with the private sector to encourage more sustainable practices and meet their need for products and services while achieving important environmental, social, and economic policy objectives.

Sustainable Procurement a key theme in the 2030 Agenda

The significance of public procurement for sustainable development is recognised in the 1992 Rio Declaration on Environment and Development, which called on national governments to review their procurement policies to support more sustainable consumption patterns. SPP is a key theme within the UN Environment 10 Year Framework of Programmes on Sustainable Consumption and Production Patterns (10YFP), referred to in SDG Target 12.1. It is also the specific focus of SDG Target 12.7, which advocates for “public procurement practices that are sustainable, in accordance with national policies and priorities.”² More broadly, it is a means to drive progress on other SDGs and targets—e.g. SDG 8 Decent Work and Economic Growth and SDG 10 Reduced Inequalities.

Sustainable procurement is defined as “a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole-life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.”³

The idea is not to saddle the market with additional requirements, but to apply a clear strategy based on proven and ambitious criteria, to steadily phase sustainability requirements into bids and tenders in a way that fosters efficiency improvements, innovation, open communication and greater collaboration between procurers and suppliers. A wide range of tools already

¹ https://www.wto.org/english/tratop_e/gproc_e/gp220217/janos_bertok.pdf

² <https://sustainabledevelopment.un.org/sdg12>

³ <http://www.unep.fr/scp/procurement/whatisspp/> *Definition adopted by the Task Force on Sustainable Public Procurement led by Switzerland (membership includes Switzerland, USA, UK, Norway, Philippines, Argentina, Ghana, Mexico, China, Czech Republic, State of Sao Paulo (Brazil), UNEP, IISD, International Labor Organization (ILO), European Commission (DG-Environment) and International Council for Local Environmental Initiatives (ICLEI) and adopted in the context of the Marrakech Process on Sustainable Production and consumption led by UNEP and UN DESA

exists to facilitate this including: ecolabels (e.g. Good Environmental Choice Australia (GECA), Forest Stewardship Council (FSC), Fair Trade, etc); efficiency ratings (e.g. WELS, Energy Star, etc.); standards and guidelines (e.g. ISO 20400 Sustainable Procurement and ISO 26000 Social Responsibility guidance standards; certifications (e.g. ISO 14001 Environmental Management Systems, SA 8000 Social Certification, B Corp, etc.); platforms and directories (e.g. Supply Nation, WEconnect, Social Traders, etc.), among other procurement instruments.

SDGs a growing procurement focus

The UN Environment *2017 Global Review of Sustainable Public Procurement* confirms that use of government procurement to meet the SDGs is a growing trend, especially in Europe. Around the world governments are increasingly using SPP strategically to advance green/environmental policy objectives (e.g. energy and climate change), address socioeconomic issues (e.g. support to micro- small and medium-sized enterprises) and foster innovation (e.g. introducing new inventions to market).⁴

As a result, SPP is broadening beyond 'green' procurement to include socioeconomic objectives like social justice and equity; safety and security; human rights and employment conditions; whole-of-life and total-cost-of-ownership costing and, increasingly, circular economy principles. This is evidenced by the European Commission's recently issued good practice guidance on public procurement for a circular economy⁵ and the Dutch Government's *2016 Roadmap to a Circular Economy*, which emphasises circular procurement and consideration of lifecycle costs and aims to raise the proportion of circular procurement to 10% by 2020.

A framework for strengthening inclusion of SMEs and local suppliers

At the Senate Inquiry Public Hearing on 2nd November 2018, several senators highlighted the challenge of ensuring that socioeconomic opportunities from public procurement are shared by SMEs and local suppliers. UN Environment's *2017 Global Review* reinforces this as a priority for many governments, with SPP an effective way to deliver progress.

Improving the competitiveness of SMEs and increasing their participation in the supply chain is a key focus of the European Commission's Cohesion Policy out to 2020.⁶ It is also central to the UK Public Services (Social Value) Act 2012, which requires that regard be given to economic, social and environmental wellbeing in connection with public services contracts.⁷ Brazil has also adopted a suite of measures to encourage participation of Micro- and Small Enterprises in public contracting—including reserving sourcing of goods and services under a given value threshold to SMEs, allowing specification of local/regional sourcing, and introducing simplified processes to help SMEs compete.⁸

This kind of support for small business could be an explicit focus of an Australian SDG-aligned SPP strategy.

⁴https://wedocs.unep.org/bitstream/handle/20.500.11822/20919/GlobalReview_Sust_Procurement.pdf?sequence=1&isAllowed=y

⁵ EU Public Procurement for a Circular Economy: Good Practice and Guidance (2017) http://ec.europa.eu/environment/gpp/pdf/cp_european_commission_brochure_en.pdf

⁶ http://ec.europa.eu/regional_policy/en/policy/themes/sme-competitiveness/

⁷https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/690780/Commissioner_Guidance_V3.8.pdf

⁸ https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/documents/publication/wcms_318209.pdf

Leading by example

By mainstreaming sustainability into public procurement in an integrated way such that consideration is given in every government tender and contract to *what* is being procured, *how* it is purchased and produced and from *whom*, and monitoring impacts, the Australian government can:

- Turn purchasing into a strategic function to address challenges and achieve policy objectives;
- Lead by example and be a role model for responsible consumption and production;
- Send an important market signal and create incentives for beneficial/improved products and services that strike an appropriate balance across the economic, social and environmental pillars of sustainable development;
- Stimulate growth and support innovation for sustainable solutions;
- Target support towards small business, local communities and socioeconomic inclusion of disadvantaged groups, e.g. through unbundling contracts, etc.;
- Achieve cost efficiencies through better policy integration and cohesion; and
- Demonstrate measurable progress on SDGs 12.1, 12.7 and other goals.

The SDGs provide a valuable opportunity for Australia to develop a clearer standard definition of SPP, to embed and integrate SP into all government procurement activities and to measure progress and impact.

2. The need for consideration and awareness around procurement

To realise the full potential of public procurement as a driver and enabler for sustainable development in Australia and meet our national obligations under SDG Targets 12.1 and 12.7, we do not need to start from scratch or reinvent the wheel—there is a growing body of good practice we can draw on to ensure that we have the right foundations in place.

Building on Australian experience

In Australia, there are many commendable existing government initiatives to drive improved social and environmental outcomes in the supply chain—from the 2007 Australia & New Zealand Government Framework for Sustainable Procurement of the Australian Procurement and Construction Council, to the Department of Environment and Energy Sustainable Procurement Guide, and Local Government NSW Sustainable Procurement guide.

More recently, the Federal Indigenous Procurement Policy (IPP), Modern Slavery Act, and 2018 Victorian Government Social Procurement Framework have been introduced to improve labour standards and address socioeconomic inclusion. The impact of the IPP has been significant, boosting Federal Government spend with indigenous businesses from \$5 million to \$270 million between FY 2015 and 2016.

But while a number of government entities are individually implementing SPP measures—see for example HealthShare NSW's inclusion of sustainability clauses in its c801 contract⁹—these efforts are largely ad hoc and could benefit from stronger, more integrated and strategic support at federal level.

⁹ <http://www.environment.gov.au/system/files/pages/07bb5465-f55f-425e-958f-23f89dbcf564/files/sdg-compendium-case-studies-collated-2018.pdf>

An integrated SPP framework

To build on these successes and ensure that priorities like better inclusion of SMEs and local suppliers are systematically addressed in government purchasing, the Australian Government must ensure the right combination of laws, internal regulations, financial incentives, guidance, information & training are in place.

This includes developing an overarching framework, aligned with the SDGs, that can bring federal, state and local government SPP initiatives together, and establishing a national SPP centre of excellence to oversee implementation and provide a one-stop-shop for sustainable procurement advice, partnership and capacity-building across Australia. This will help to tackle lack of expertise, which was one of the most frequently cited barriers to SPP identified in UN Environment's *2017 Global Review*. Germany, for example, has established a German Competence Centre for Sustainable Procurement, at the Procurement Office of the Federal Ministry of the Interior, to serve as an SP advice and information centre for all procurers at federal, regional or local level.

Learning from global best practice

Reports on SPP trends, tools and case studies available from organisations including UN Environment, the OECD and the European Commission provide an excellent starting point for raising levels of awareness and enhancing SPP capacity in Australia. For example, the UN Environment *2017 Global Review* and *Factsheets on Sustainable Public Procurement in National Governments* supplement include an overview of global SPP trends, drivers and lessons learned, as well as 40 factsheets on country practice. The Review aims to provide a baseline for tracking progress towards SDG Target 12.7 out to 2030.

Key takeaways include that:

- National legislation on SPP is the strongest driver, followed by strong political and organisational leadership and policy commitments;
- The earlier sustainability is considered in the procurement process the better—and integrating SPP effectively means embedding it in all phases of the procurement cycle;
- Providing SPP efforts with a 'home' and an 'owner' is essential and must be accompanied by organisation/government-wide environmental management and social responsibility efforts (e.g. such as a national SDG roadmap, sustainable development strategy or SPP policy);
- Embedding good practices and building an effective SPP culture requires adequate financial and technical resources and a shift in procurement mindset from 'best value for money' to 'best value across the whole project/product lifecycle';
- A good starting point for SPP is to prioritise frequent/significant areas of spending. The EU, for example, has developed shared green public procurement criteria for 18 commonly sourced product/service groups;
- Transforming consumption and production patterns requires collaboration among all stakeholders along the supply chain and policy-driven frameworks that invite collaboration are most effective—e.g. Denmark's Partnership on Sustainable Public Procurement, The Netherlands' Green Deal on Sustainable Public Procurement, Norway's National Programme for Supplier Development or Finland's Smart Procurement Programme; and
- Sustainable procurement is seen as critical to achieving the SDGs—particularly SDG 12—and SPP activities are expected to grow significantly in the next five years.

As the only Australian member of the Multistakeholder Advisory Committee of the UN Environment 10YFP SPP Programme, Good Environmental Choice Australia (GECA) is well-placed to help drive improved SPP practice in Australia.

By leveraging global good practice, learning from leading federal, state and local government SPP initiatives, and bringing key procurement stakeholders together to chart the way forward, the Australian Government can ensure that its significant purchasing power can be used strategically for the highest social, environmental and economic impact.

If you have any questions or would like further information regarding the above, we would be happy to provide more detail.