



Sustainable procurement in the UN system

2014 Annual Statistical Report on United Nations Procurement

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"Sustainable Procurement practices integrate requirements, specifications and criteria that are compatible and in favor of the protection of the environment, of social progress and in support of economic development, namely by seeking resource efficiency, improving the quality of products and services and ultimately optimizing costs."

Sustainable Procurement as defined by the HLCM PN

The emphasis on sustainability within the UN system was renewed in the outcome document of the United Nations Conference on Sustainable Development, Rio+20, "The Future We Want" (GA/RES/66/288, adopted on 27 July 2012).

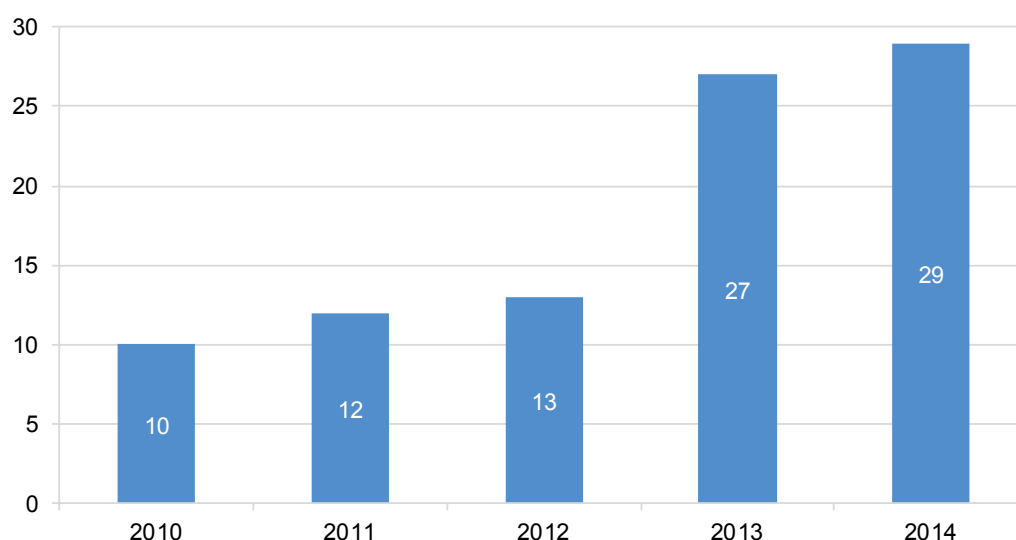
Sustainable Procurement (SP) is one of the main means to achieve sustainability according to Agenda 21¹⁴ and Chapter III of the Johannesburg Plan of Implementation¹⁵. SP is also one of the thematic priorities of the UN High Level Committee on Management's Procurement Network (HLCM PN), implemented through its Working Group on Sustainable Procurement.

UN procurement spend, which represented \$17.2 billion in 2014, can influence markets towards innovation and sustainability. Through its significant purchasing power, UN organizations can deliver key policy objectives within all areas of sustainable development. With respect to the environment, SP

can help organizations to reduce greenhouse gas emissions, improve water efficiency and support recycling by considering concepts such as whole life costing. Positive social results from SP include capacity building, poverty reduction and improved equity. From an economic perspective, SP can generate income, optimize costs and support the transfer of skills and technology.

Figure 12

SP reporting among UN organizations, 2010-2014
(in number of organizations)



For the reporting year 2014, 29 out of the 35 organizations of the UN system that provided procurement data also provided information on their SP profile. Based on procurement volume, the organizations that have reported on their SP profile together comprise 75 per cent of total UN procurement spend. The reporting rate continues to increase from previous years (Figure 12). It is worth noting that this increase is, at least in part, linked to the data collection methodology, which also included one-on-one interviews as well as simplified and streamlined reporting.

The SP reporting framework focuses on approaches for implementing and managing SP in the UN context by integrating environmental, social and economic aspects into the procurement process. This framework emphasizes the areas of policy and strategy, sustainability integration into the procurement process, internal capacity building, and supply chain development.

¹⁴ Agenda 21 is a non-binding, voluntarily implemented action plan of the United Nations with regard to sustainable development. It is a product of the UN Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil, in 1992.

¹⁵ The Johannesburg Declaration on Sustainable Development was adopted at the World Summit on Sustainable Development (WSSD), sometimes referred to as Earth Summit 2002, at which the Plan of Implementation of the World Summit on Sustainable Development was also agreed upon.

Twenty-three organizations (79 per cent of those that reported on SP) reported that they have started to implement SP initiatives of some kind, including interventions such as provision of SP training and support for sustainability integration in the procurement process. In 2013, twenty-four organizations started to implement SP initiatives of some kind.

Policy and strategy

In order for SP to be delivered consistently across an organization, both high-level commitment and a well-structured approach are necessary. High-level commitment is generally expressed through a policy document that describes the overall principles and goals pursued by the organization. A well-structured approach means a programme or strategy that incorporates assessment of sustainability risks in procurement, prioritization of spend areas, development of action plans and monitoring of progress. The reporting framework consequently differentiates between having implemented an SP program, i.e. having a structured approach in place for SP, and having introduced ad hoc SP initiatives.

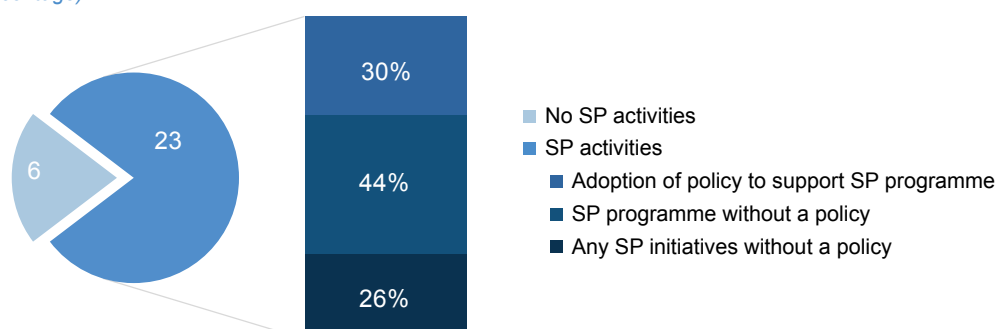
Figure 13 demonstrates that while SP actions are prevalent in the UN system, high-level commitment in the form of a SP policy statement is not always present. Of the reporting agencies that have reported implementation of any SP initiatives, only 30 per cent have adopted an SP policy to support their programmes.

Case study: UNFPA green procurement strategy

In 2014, UNFPA created and implemented the Introduction to Sustainability Pilot Programme as a knowledge-sharing initiative where the suppliers work together towards a greener production and UNFPA supplier chain. Also, in 2014 UNFPA conducted its first environmental inspection to one of its suppliers. It was a pilot inspection in order to improve the auditing system in the future. Moreover, in 2014 UNFPA were also active in the green and sustainable research field. UNFPA, with the help of an independent laboratory, conducted 2 research studies to reduce the environmental foot print of male condoms (one study looked at the extension of self-life to 6 or 7 years and the other study looked at new shapes and sizes of individual packaging and thereby reducing packaging, aluminum, plastic etc. with as much as 66%).

Figure 13

Status of SP policy adoption, 2014
(in number and percentage)



Sustainability integration in the procurement process

The inclusion of sustainability principles into the procurement process is an integral and critical step in the implementation of SP practices. Sustainability considerations can be integrated at various stages, from planning to contract management. The reporting framework determines the level of support within the UN system for integrating sustainability in the procurement process. This is measured through three specific interventions: inclusion of sustainability criteria in requirement definitions; use of whole life costing (life-cycle costs) in financial evaluations; and incorporation of sustainability aspects in contracts terms.

As Figure 14 demonstrates, the integration of sustainability is most widespread in the early stages of the procurement process, i.e. in the requirement definition stage. From a qualitative assessment of the reported cases, it appears that sustainability requirements have been integrated more frequently in the form of environmental criteria than social criteria.

The reporting framework mainly focuses on whether or not organizations support the different SP interventions within its procurement operations. Advanced indicators also measure the estimated share of procurements that have sustainability integrated.

While some organizations have the capacity to estimate the extent of sustainability integration into the different steps, it became clear that the UN system overall currently has limited capacity to report on SP quantitatively. As shown in Figure 15, the rate of integration of sustainability is wide-ranging within the UN system.

Figure 14

Sustainability integration in the procurement process, 2014
(in percentage of reporting organizations)

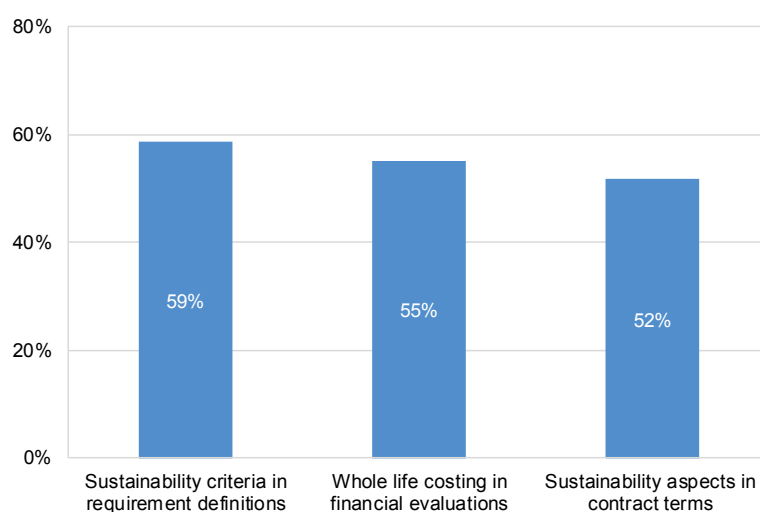
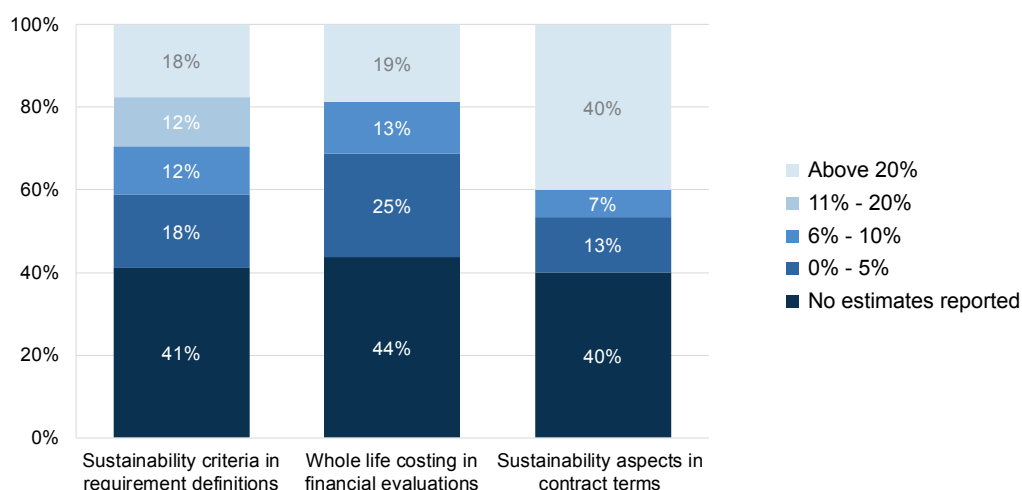


Figure 15

Level of sustainability implementation in the procurement process (estimations based on number of tenders) as share of organizations implementing SP, 2014
(in percentage)



The UN Sustainable Procurement Guidelines¹⁶ facilitate implementation of SP in the procurement process by providing criteria that may be used for the requisition and procurement of given goods and services. They provide concrete guidance on how to integrate sustainability in requirements, specifications and criteria. The guidance covers the goods and services' key environmental impacts and social considerations, as well as the most appropriate means of verification, including information on the availability of sustainable products and whole life costing.

Case study: UNOPS life-cycle costing tool for vehicles

To facilitate integration of sustainability in its procurement process, UNOPS has created a life-cycle costing tool for vehicles. This tool allows the evaluation of additional items during the procurement process such as fuel consumption, maintenance costs and resale value of the vehicle after a specified period of time. Lower life-cycle costs associated with lower fuel consumption bring a clear environmental benefit.

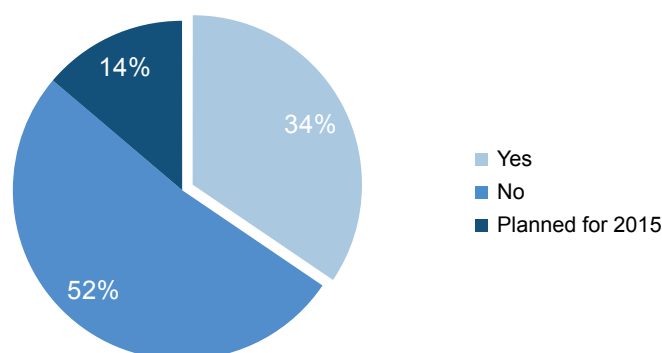
¹⁶ The UN Sustainable Procurement Guidelines have been developed by Sustainable UN (SUN), a UNEP initiative, in collaboration with UNOPS, ILO and ITC/ILO with support from the HLCM-PN Working Group on SP. Guidelines including product sheets are specifically provided for the areas of ICT, generators and batteries, catering and food, cleaning, furniture, stationery, vehicles and freight forwarding. See: www.greeningtheblue.org/resources/procurement

Internal capacity building

In order to be able to successfully implement and advance SP and, in particular, reflecting of the specialist knowledge required to implement it into the procurement process, UN practitioners require support to develop sufficient professional expertise to include sustainability aspects in procurement processes. One way is through skills and knowledge building through training, certifications and other interventions.

Figure 16

SP training Interventions
(in percentage)



Supply chain development

Suppliers have control over the environmental and social impacts through the goods and services they supply, and through their operations and own supply chain. The reporting framework covers indicators that map whether and how organizations identify and monitor the sustainability risks and performance of its suppliers.

The United Nations Supplier Code of Conduct (UNSOC)¹⁷ can guide the SP process by expressing the expectations that the United Nations has of its suppliers. Requiring suppliers to adhere to the UNSOC implies making specific requirements of suppliers and contractors in terms of social, ethical and environmental aspects.

By ensuring that suppliers endorse and comply with the UNSOC, organizations protect their reputation by only dealing with companies who adhere to a high standard of ethical conduct, social responsibility and environmental good practice.

UN agencies, organization, funds and programmes require their suppliers to accept and adhere to the UNSOC when registering their interest of doing business with the organization in the United Nations Global Marketplace, where acceptance of the UNSOC is a mandatory requirement. However, the reporting demonstrates that enforcement of supplier codes of conduct is infrequently monitored, with few organizations actively checking adherence. Active monitoring activities can include using channels such as ethics offices and hotlines to report misconduct, establishment of sanction committees, performance of audits, etc.

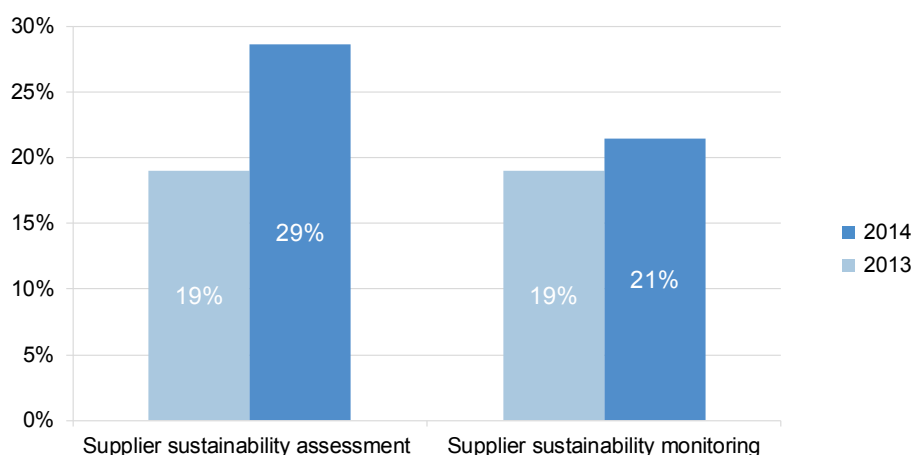
Besides utilizing the UN supplier code of conduct, organizations can undertake several other measures to enhance sustainability performance and minimize sustainability risks from arising in the supply chain. These measures can be undertaken both pre- and post-contract. In the pre-contract stage, organizations can undertake initial and continuing sustainability screening or assessments. Post-contract, organizations can monitor progress in terms of sustainability performance against agreed KPIs.

Supplier sustainability assessments (pre-contract) and monitoring (post-contract) are areas where the UN system has only started implementation. As per Figure 17, 29 per cent of the organizations have initiated supplier sustainability assessments. This is up from 19 per cent from 2014. Monitoring of supplier sustainability performance is also on the rise (from 19 per cent in 2013 to 21 per cent in 2014).

¹⁷ See: www.un.org/Depts/ptd/about-us/un-supplier-code-conduct

Figure 17

Uptake of supplier sustainability assessment and monitoring among UN agencies, 2013-2014
(in percentage of reporting organizations)

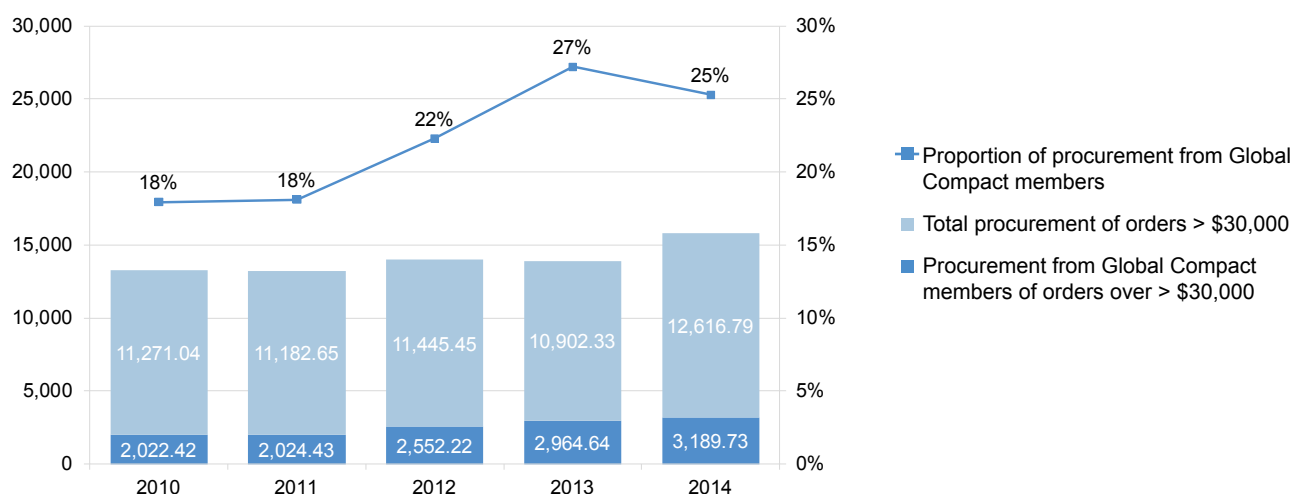


United Nations procurement and the Global Compact

Another means available to the UN system to minimize environmental and social risks related to suppliers is to bring to the attention and encourage prospective and current suppliers to sign up to the principles of the United Nations Global Compact. The Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption. As the world's largest global corporate citizenship initiative, the Global Compact is a voluntary initiative, a learning dialogue and a platform for action. For the eighth consecutive year, the 2014 ASR features an analysis of the participation of suppliers to the UN system in the Global Compact. The United Nations strongly encourages its suppliers to support the Global Compact and its principles.

Figure 11

Share of UN procurement from Global Compact members, 2010-2014 (based on orders > \$30,000)
(in millions of US dollars and percentage)



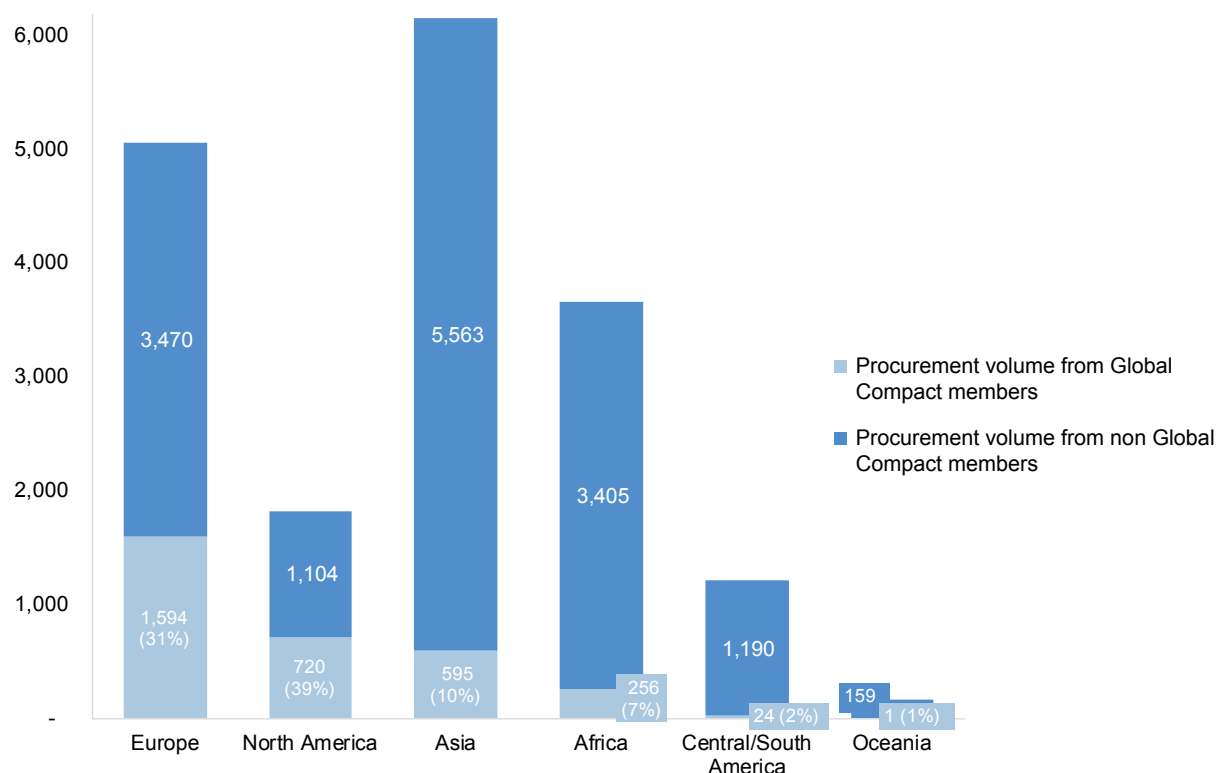
The share of UN procurement volume from Global Compact members has grown steadily over the last five years in terms of absolute volume. In 2014, the total procurement volume has increased significantly. Therefore, in 2014 the relative share of procurement from Global Compact members was 25.3 per cent (based on orders larger than \$30,000), which is a decrease of 2 percentage points from 2013, notwithstanding a 7.6 per cent increase in absolute terms (Figure 11).

The main proportion of procurement from Global Compact members is procured from developed countries (over 70 per cent). This is a clear difference from overall UN procurement, where purchases from developing countries and countries with economies in transition account for a lower figure of 38 per cent.

Figure 18 shows the relationship between procurement from Global Compact members and total UN procurement for different regions. Confirming the analyses in previous years, suppliers to the UN system located in the northern hemisphere have a relatively larger share of procurement among all Global Compact members.

Figure 18

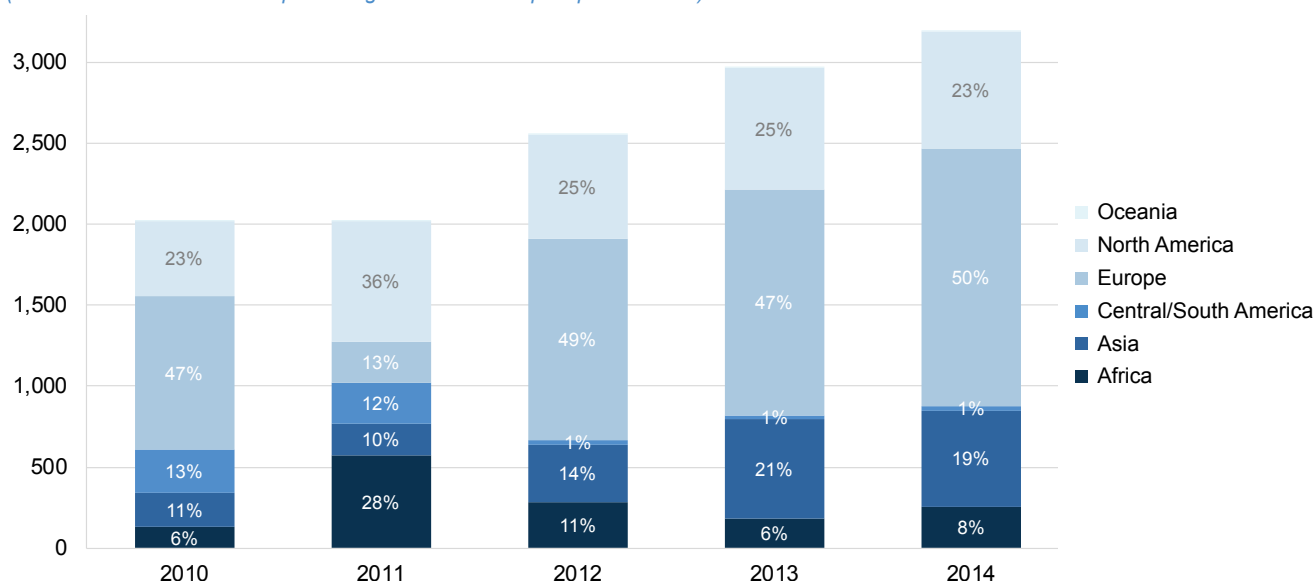
Procurement from Global Compact members as a share of total UN procurement of large orders (> \$30,000) by region, 2014
(in millions of US dollars and percentage)



As Figure 19 demonstrates, procurement from Global Compact members in developing countries has stabilized around one-fourth of the total (27.3 per cent in 2014). However, regional performance is uneven and fluctuates from year-to-year. In 2014, quite a significant share of Global Compact membership can be found in Asia (18.6 per cent), while procurement volume from Global Compact members in Africa indicates a small increase but remains limited (8 per cent). Procurement volume from Global Compact members in Central and South America has dramatically dropped over time and remains under 1 per cent in 2014.

Figure 19

Regional breakdown of procurement from Global Compact members of large orders (> \$30,000), 2010-2014
(in millions of US dollars and percentage of Global Compact procurement)

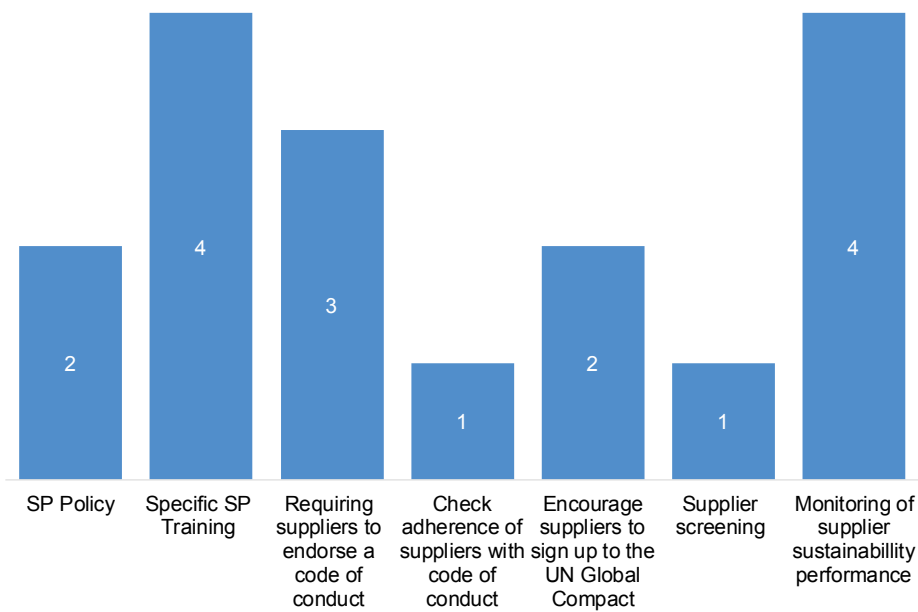


Sustainable procurement outlook for 2015

There are eleven UN organizations with SP interventions planned for 2015.

Figure 20

Interventions planned for 2015
(in number of organizations)



Many of the interventions planned are related to supply chain development (Figure 11) and include actively encouraging suppliers to sign up to the Global Compact, capturing sustainability information during the supplier registration process as well as the monitoring of suppliers sustainability performance during contract execution.