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**SUSTAINABLE
PROCUREMENT IN
THE UNITED NATIONS
SYSTEM**

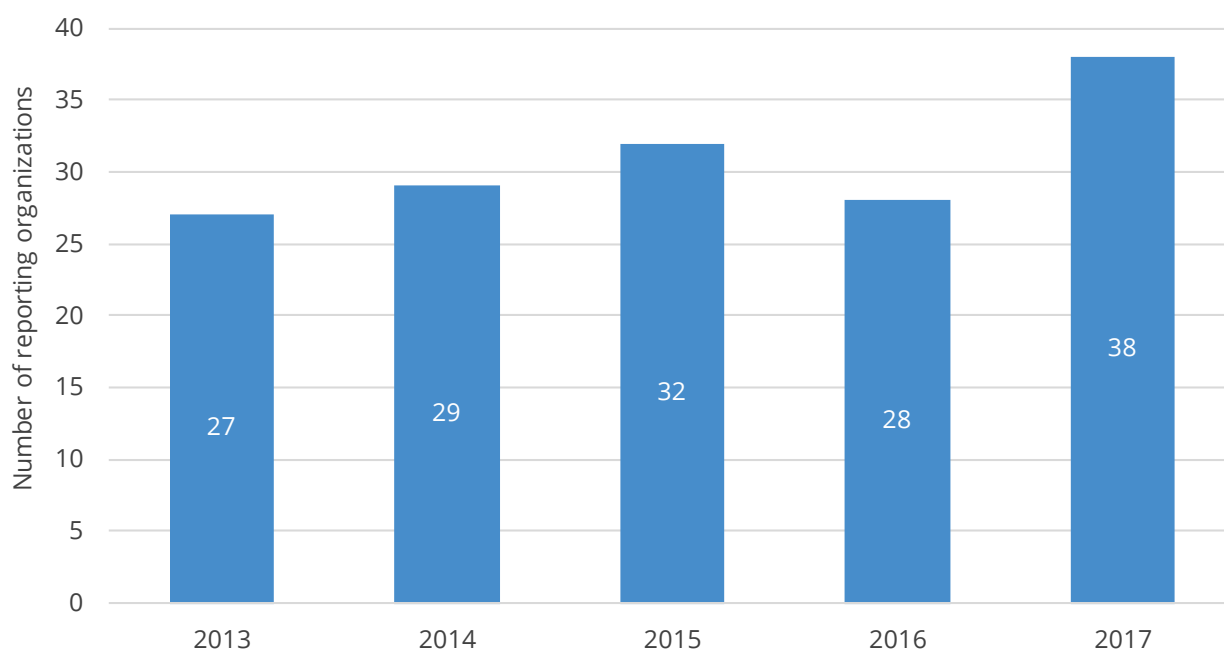


SUSTAINABLE PROCUREMENT IN THE UNITED NATIONS SYSTEM

Sustainable procurement practices integrate requirements, specifications and criteria that are compatible and in favour 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.²⁴

In 2017, the combined procurement spend of UN organizations totalled \$18.6 billion. There is significant potential for this procurement activity to influence the market in favour of sustainable development. As in previous years, UN organizations participating in the ASR were invited to provide information about their sustainable procurement practices, using a voluntary online survey. In 2017, 38 out of 40 organizations provided information on sustainable procurement, compared to 28 out of 39 in 2016 (Figure 4.1). In addition, all 28 organizations that reported in 2016, reported again in 2017. Of the ten new reporting organizations, five reported for the first time in 2017, while five other organizations had reported previously in 2015.

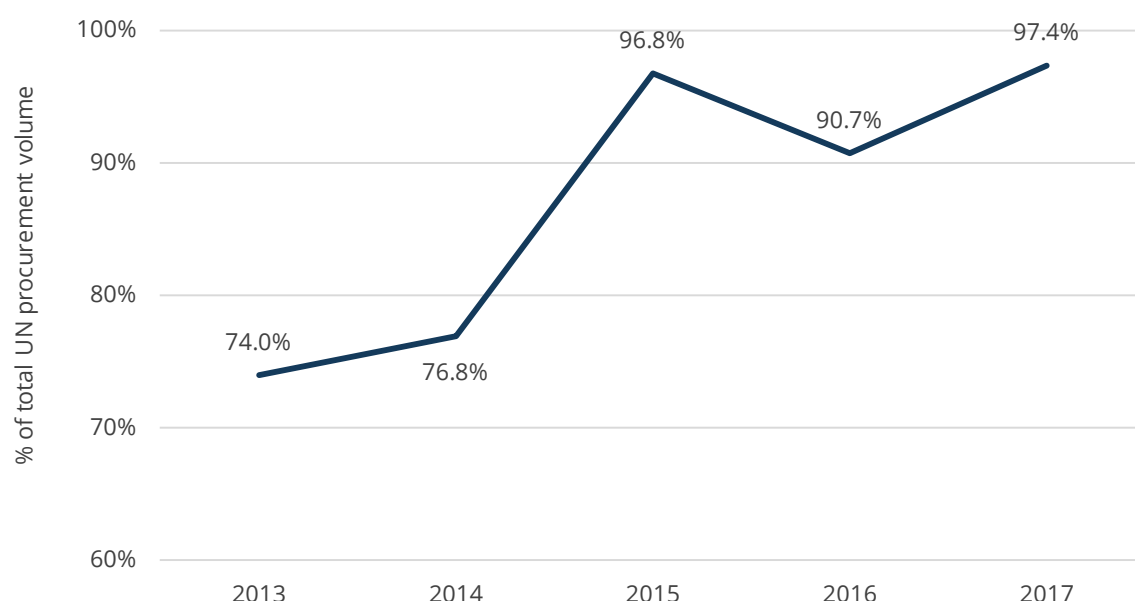
Figure 4.1 – Organizations reporting on sustainable procurement (all organizations), 2013–2017



Overall, the combined spend of all organizations reporting on sustainable procurement in 2017 accounted for 97.4 per cent of the total UN procurement volume. This is the highest proportion for the last five years, as shown in Figure 4.2.

²⁴ United Nations High-Level Committee on Management Procurement Network (HLCM-PN) (2009) – Sustainable Procurement Statement, Adopted by the HLCM Procurement Network meeting in Vienna, February 2009.

Figure 4.2 – Proportion of UN procurement volume attributable to organizations reporting on sustainable procurement, 2013-2017²⁵



Policy and strategy

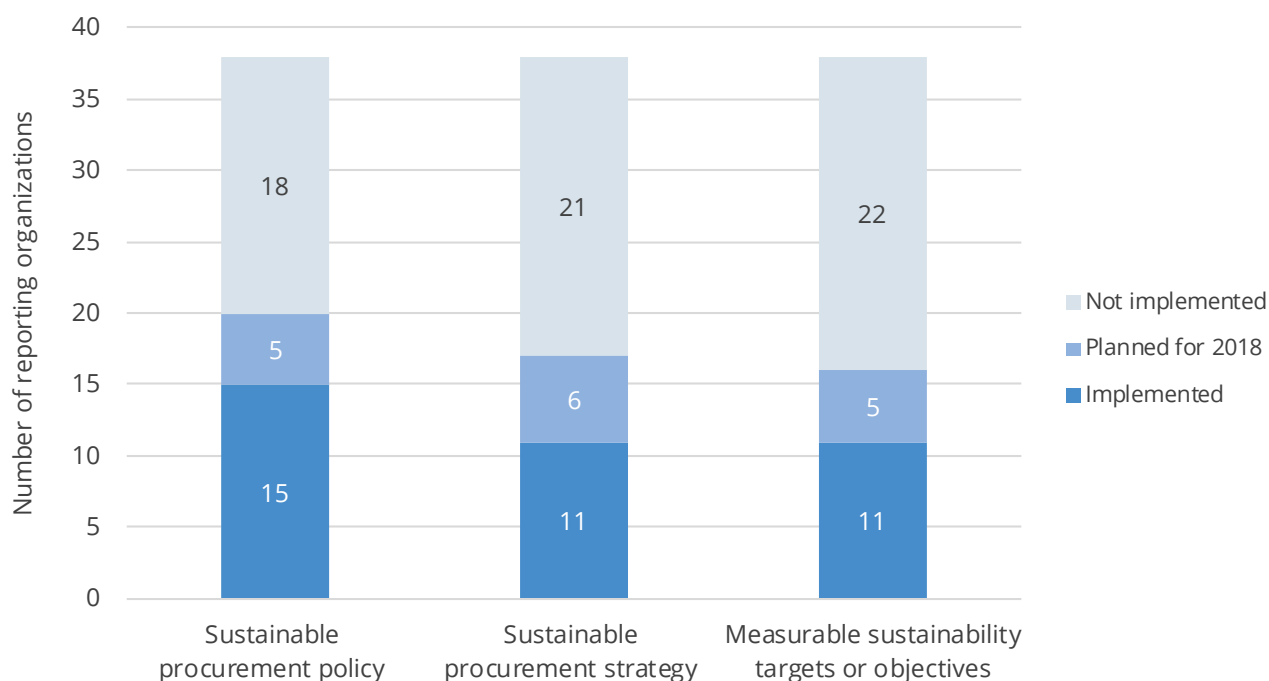
The inclusion of sustainability considerations into an organization's procurement policy and strategy can enable personnel, suppliers, and other stakeholders to achieve a high level of commitment to more sustainable procurement practices, by providing the foundations and frameworks for action.

In 2017, more than half of the reporting organizations responded that they either have (39.5 per cent) or are planning to develop (13.2 per cent) a procurement policy that includes sustainability. Meanwhile, slightly less than half noted that they have (28.9 per cent) or are planning to adopt (15.8 per cent) a procurement strategy that includes sustainability (Figure 4.3). The adoption of a sustainable procurement policy and strategy were also identified as the most commonly cited sustainable procurement priorities for reporting organizations in the coming year, as can be seen by the 'Sustainable procurement outlook for 2018' (Figure 4.12).

Eleven out of the 38 organizations noted they had established measurable sustainability targets or objectives in their procurement processes, and another 5 were planning to establish such targets or objectives. Examples of sustainability targets provided include requirements to procure products manufactured from 100 per cent recovered paper fibres, targets for measuring women suppliers' participation in procurement processes, as well as requirements for sourcing 100 per cent green energy in certain locations.

²⁵ Due to improvements in data quality, percentages of total procurement by sustainable procurement respondents were revised for the years 2013, 2014 and 2015, differing from previously reported volumes.

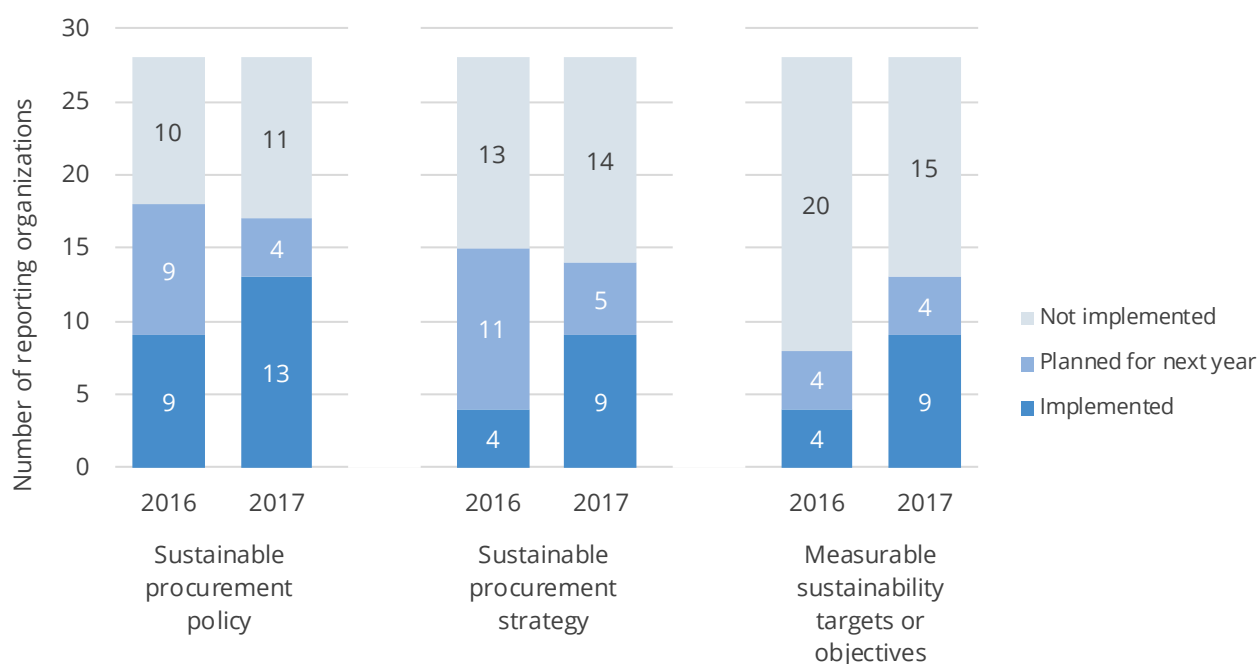
Figure 4.3 – Status of sustainable procurement policy, strategy and target adoption, 2017



Organizations reporting in 2016 and 2017

Of those organizations that reported in both 2016 and 2017, overall, more organizations reported that they have a sustainable procurement policy (13 in 2017 compared to 9 in 2016) and strategy (9 in 2017 compared to 4 in 2016), as shown in Figure 4.4. Five of the nine organizations that reported in 2016 that they planned to adopt a sustainable procurement policy reported they had adopted one in 2017, and 4 of the 11 organizations that had planned in 2016 to adopt a sustainable procurement strategy reported that this had been achieved in 2017.

Figure 4.4 – Year to year comparison of reporting organizations' adoption of sustainable procurement policies, strategies and targets – 28 organizations reporting both in 2016 and 2017



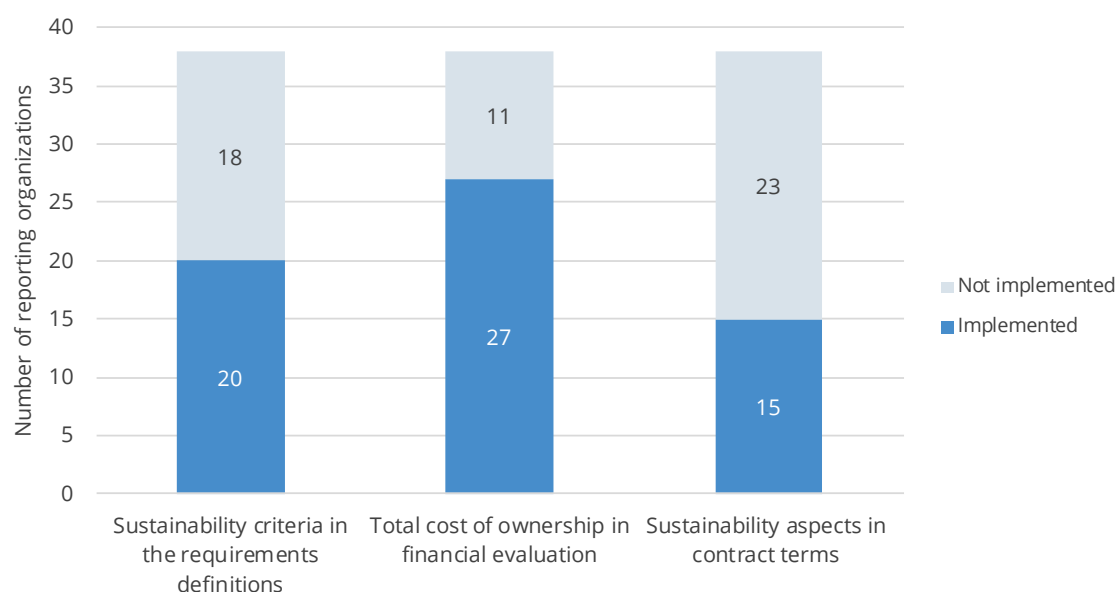
In addition, more than double the number of organizations had reportedly established measurable sustainability targets or objectives in their procurement processes in 2017 compared to 2016. Two of the four organizations that had planned to implement targets in 2016, reported this had been achieved in 2017. Additionally, 4 of the 20 organizations that reported not having sustainability targets or plans to develop them in 2016, reported they had actually established some in 2017.

Sustainable procurement integration in the procurement process

Sustainability considerations can be incorporated into different stages of the procurement process. Consistent with the methodology used in the 2016 report, organizations reported on how sustainability considerations have been integrated into their procurement processes in 2017 in three key areas: embedding sustainability criteria into the requirements definitions of tenders;²⁶ using total cost of ownership in the financial evaluation of tenders;²⁷ and including sustainability aspects in contract terms.

In 2017, the use of total cost of ownership in the financial evaluation of bids remained the most commonly applied sustainability consideration. Figure 4.5 shows that total cost of ownership was utilized by 27 of the 38 reporting organizations. Twenty organizations noted that they incorporated sustainability criteria in the requirements definitions of their tenders, and 15 reported that they had included sustainability aspects in their contracts.

Figure 4.5 – Integration of sustainable procurement in the procurement process, 2017

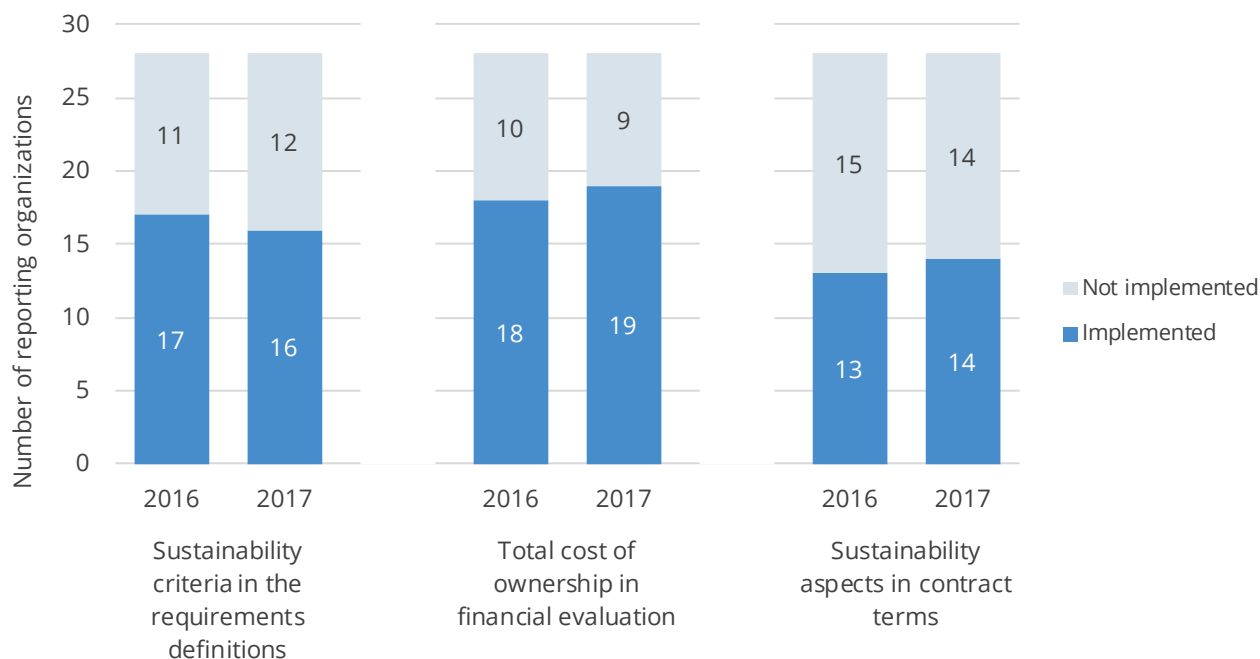


For the 28 organizations that reported in both years, only minor changes in the responses were reported, as illustrated in Figure 4.6.

²⁶ The general purpose of a requirements definition is to identify the precise needs of the requisitioner and to determine the best solution to meet those needs, in a way that will facilitate the procurement process.

²⁷ In the 2016 report, the term “whole life costing” was used. In 2017, this term was replaced with the term “total cost of ownership” which is considered to be more widely applied throughout the UN system. Total cost of ownership is defined as the sum of all recurring and one-time costs over of a good, service, structure, or system while in one’s possession. It includes purchase price, installation cost, operating costs, maintenance and repair/ upgrade costs, and remaining residual or salvage volume at the end of ownership or the product’s useful life.

Figure 4.6 – Year to year comparison of reporting organizations’ sustainable procurement integration in the procurement process – 28 organizations reporting both in 2016 and 2017



Sustainability considerations in tenders

Organizations were asked to estimate the percentage of tenders that included sustainability considerations, for both technical and administrative categories.²⁸ Administrative was defined as the procurement of office needs such as paper, computers and furniture, while technical was defined as the procurement of project-related needs that are not administrative. The results are shown in Figure 4.7.

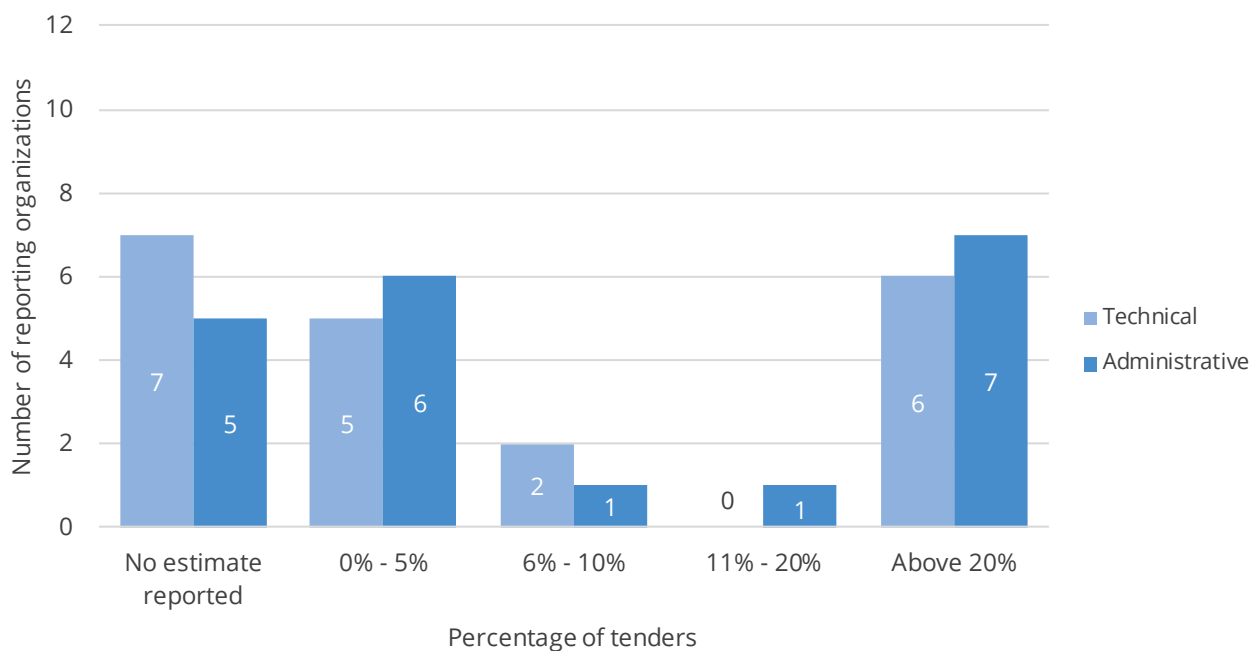
In 2017, 7 out of 38 organizations reported incorporating sustainability considerations in the requirements definitions of more than 20 per cent of administrative tenders, while 6 noted they did so in more than 20 per cent of technical tenders. However, identifying these estimates continued to pose challenges for organizations; almost one-third of organizations indicated that sustainability considerations were only included in between zero and five per cent of tenders, or that information was not available.

Overall sustainability considerations were incorporated more frequently in tenders for administrative than technical categories, which is consistent with 2016 findings.²⁹

²⁸ These two categories are general descriptions. They do not correspond to the taxonomy of the UNSPSC®.

²⁹ While a consistent approach was taken in both the 2016 and 2017 ASR, the wording of the question on technical categories was clarified for 2017. Accordingly, the understanding of what these categories entail might have been improved.

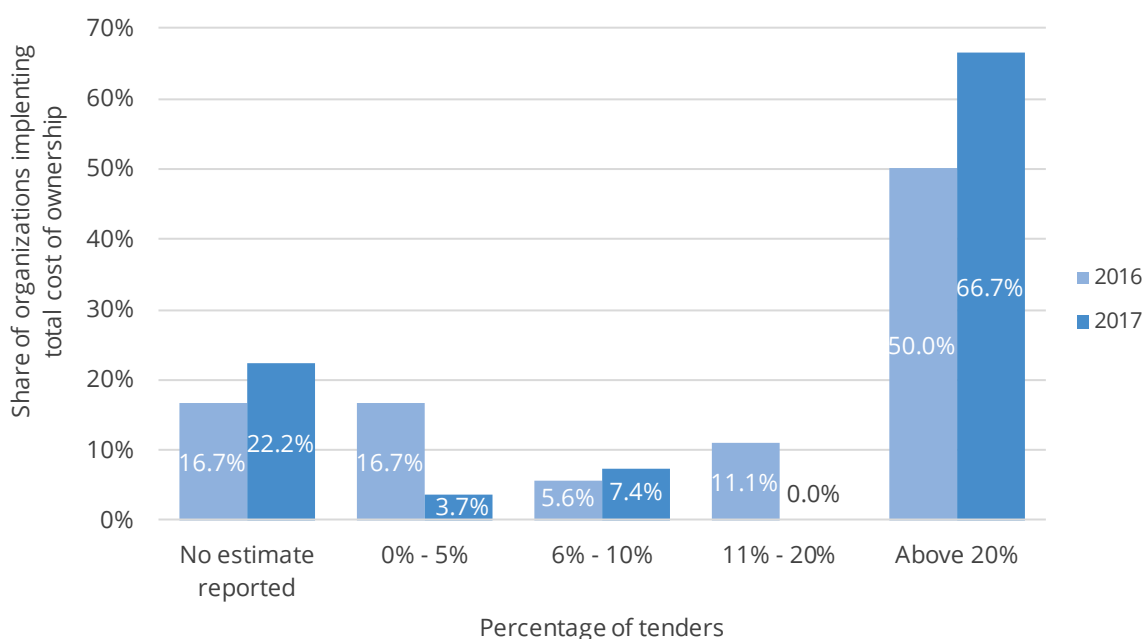
Figure 4.7 – Inclusion of sustainable procurement considerations in requirements definitions for technical and administrative categories, 2017



Total cost of ownership in the financial evaluation

Total cost of ownership in the financial evaluation of tenders was employed more frequently and by a majority of reporting organizations (Figure 4.8). Of the 27 organizations that reported that they apply total cost of ownership in the financial evaluations of their tenders, 18 reportedly do so in more than 20 per cent of their tenders – a relative share increase of 16.7 percentage points as compared to 2016 data. However, data availability remained an issue for six of the reporting organizations.

Figure 4.8 – Integration of total cost of ownership in financial evaluations for tenders, 18 organizations in 2016 and 27 organizations in 2017

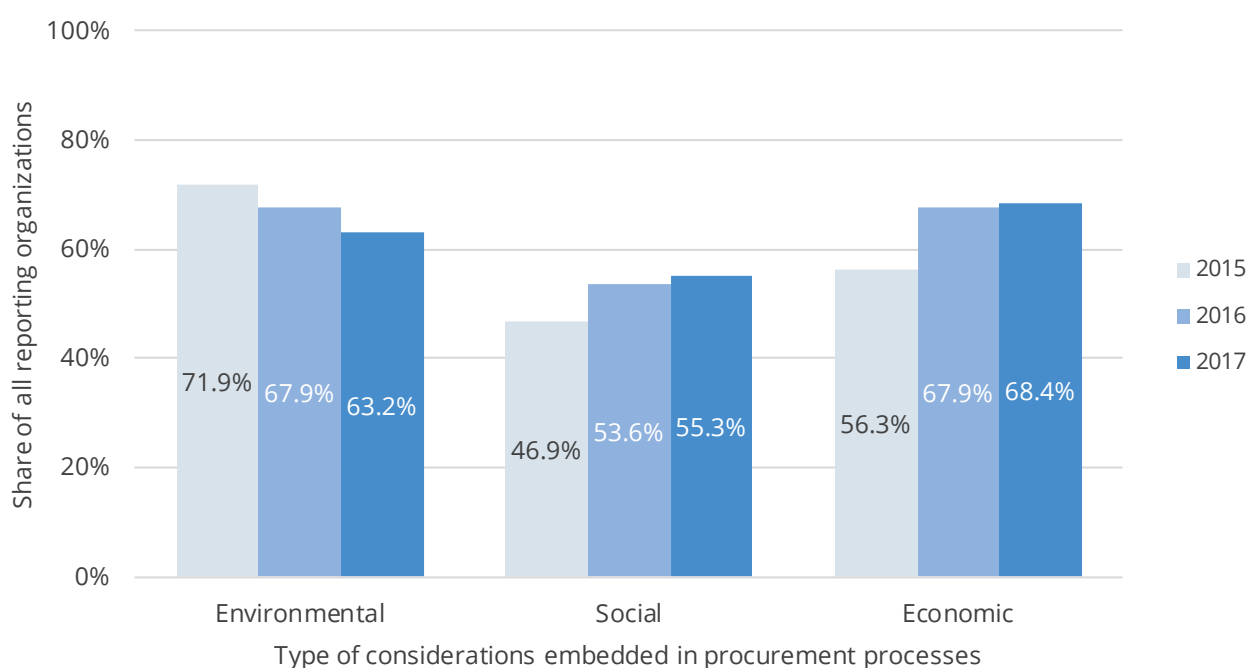


Types of sustainability considerations addressed in procurement processes

Organizations also reported on which types of sustainability considerations were addressed through their procurement processes in 2017. Economic sustainability continued to be the most commonly applied considerations, followed closely by environmental ones, and then social, as shown in Figure 4.9.

Despite a small decrease over the past three years, environmental sustainability considerations were still more commonly applied than social ones with 63.2 per cent of organizations addressing environmental sustainability considerations in procurement processes in 2017. At the same time, the inclusion of social considerations continued to grow.

Figure 4.9 – Integration of sustainable procurement considerations in procurement processes, 2015–2017



Internal capacity development

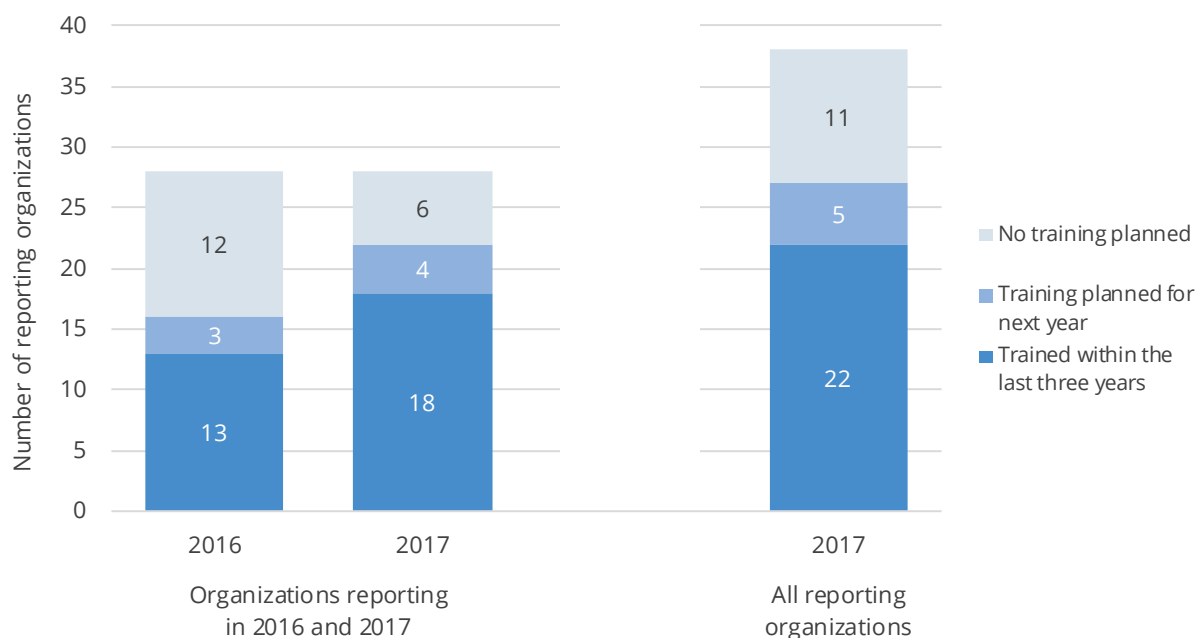
Training and the development of internal capacity on sustainable procurement can be important enablers for organizations to successfully integrate sustainability considerations into their procurement processes. In 2017, 22 of the 38 reporting organizations (57.9 per cent) stated they had trained procurers over the past three years on how to include sustainability considerations in the procurements, while five organizations noted that they planned to do so in 2018 (Figure 4.10).

In addition, 13 out of 38 organizations noted that they had already made or were planning to make investments in other activities to enhance their internal capacity on sustainable procurement. Reported examples of such investments included the development of sustainable procurement monitoring systems, projects on responsible sourcing, and the inclusion of procurement personnel earlier in the design phase of projects.

Of the 28 organizations that reported in both 2016 and 2017, notable progress continued to be made; 5 more organizations reported they had undertaken training compared to 2016, while the number of organizations with

no training plan decreased by half, from 12 in 2016 to 6 in 2017. Several organizations that reported having no plans to provide training in 2016, reported in 2017 that they had provided training.

Figure 4.10 – Training of procurers on sustainability in the last three years, 2016–2017



Supplier engagement

Suppliers can play an important role in the advancement of more sustainable practices. Through the United Nations Supplier Code of Conduct,³⁰ the UN has summarized its expectations of all suppliers in terms of labour and human rights, protection of the environment and ethical conduct. Ensuring that suppliers comply with the Code of Conduct and collaborating with them to enhance sustainability practices can help UN organizations address potential and current sustainability risks throughout the entire supply chain.

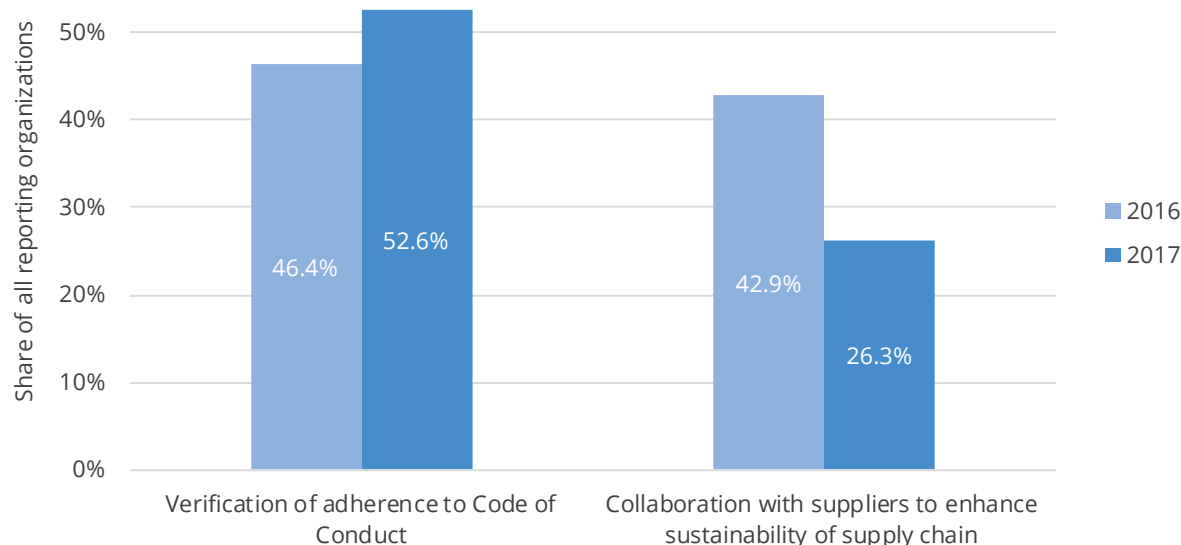
In 2017, 20 of the 38 reporting organizations (52.6 per cent) stated they verified the adherence of their suppliers to the code of conduct, representing an increase of 6.2 percentage points compared to 2016 (Figure 4.11). Of those 20 organizations, 16 noted that active verification consisted primarily of the maintenance of a UNGM roster list, 6 organizations stated they used a supplier questionnaire and 4 conducted in-person site visits.³¹

Despite an increase in verification, only 10 out of 38 reporting organizations stated they worked with their suppliers to enhance the sustainability of their supply chains – a significant reduction when compared to the percentage of organizations reporting the same in 2016. This may be explained by the large increase in the number of reporting organizations. Examples of collaboration with suppliers that were provided included the assessment of strategic suppliers' corporate social responsibility activity and the co-development of supplier capacity building plans.

³⁰ <https://www.ungm.org/Public/CodeOfConduct>.

³¹ These actions are not mutually exclusive, i.e. organizations were able to select more than one option in the survey.

Figure 4.11 – Supplier engagement, 2016-2017

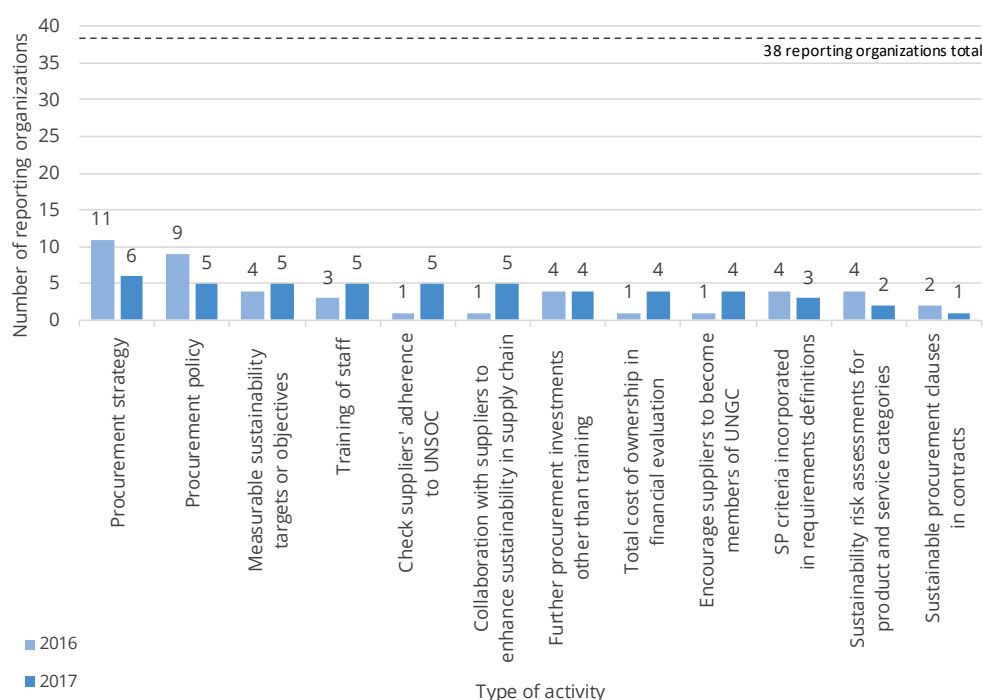


Sustainable procurement outlook for 2018

Most organizations reported that they intend to undertake further sustainable procurement related activities in 2018. The most prioritized activities for 2018 related primarily to establishing high-level commitment through items such as dedicated sustainable procurement strategies, policies and objectives (Figure 4.12). This was broadly consistent with the 2016 survey findings. However, other activities that figured prominently for 2018 were continued supplier engagement efforts and the training of staff.

Eleven of the 38 reporting organizations noted how they used and are continuing to use sustainable procurement practices to advance the 2030 Agenda. Examples included the application of gender-responsive procurement processes to increase the share of women suppliers participating in procurement.

Figure 4.12 – Planned sustainable procurement activities for the respective following year, 2016-2017

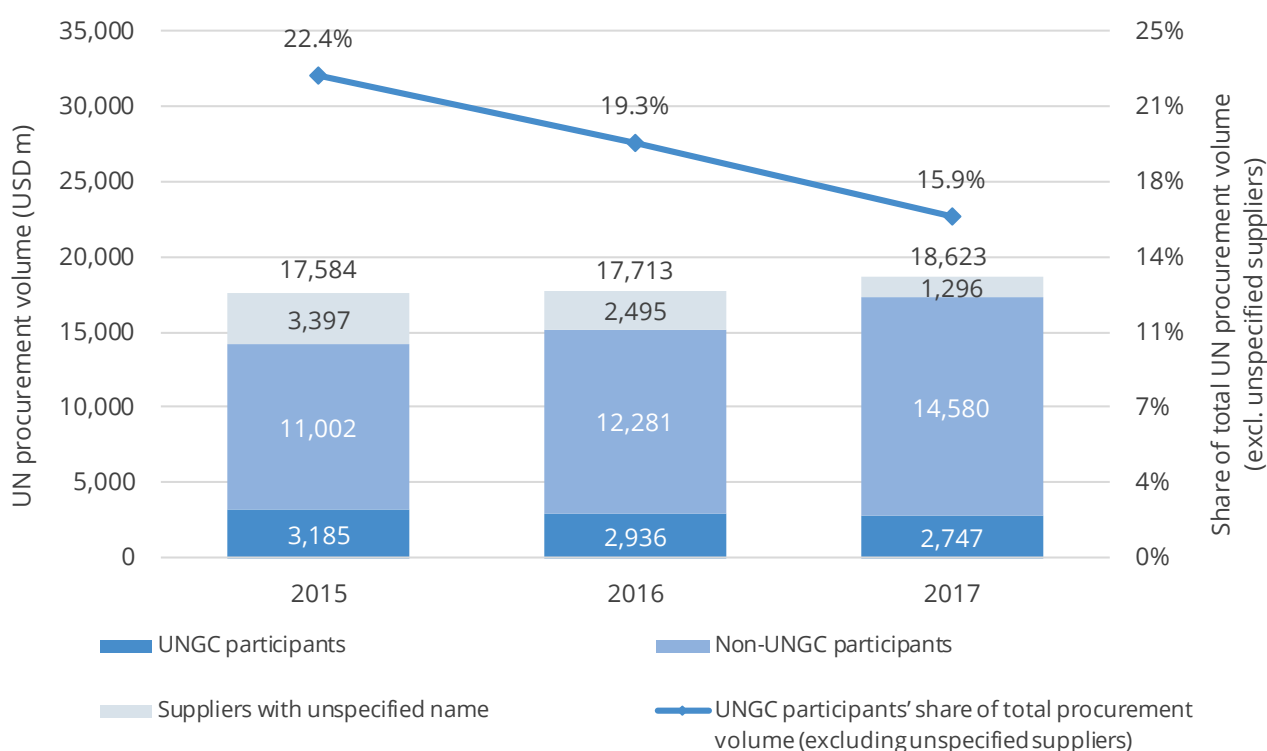


UN procurement from companies participating in the United Nations Global Compact

For the 11th consecutive year, in addition to the voluntary survey on sustainable procurement, data was collected from all 40 reporting organizations in order to analyze total UN procurement from companies participating in the United Nations Global Compact (UN Global Compact or UNGC) in 2017.

The UN Global Compact is the world's largest corporate sustainability initiative, calling on companies to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and urging them to take actions that promote sustainable development. All UN suppliers, regardless of their size or location, are actively encouraged to align with the ten principles³² of the UN Global Compact and join the initiative. Participation in the UN Global Compact is voluntary and requires the submission of an annual report outlining the actions undertaken to advance sustainability. As of 31 December 2017, the UN Global Compact had almost 9,700 participating companies.

Figure 4.13 – UN procurement from companies participating in the UN Global Compact, 2015-2017



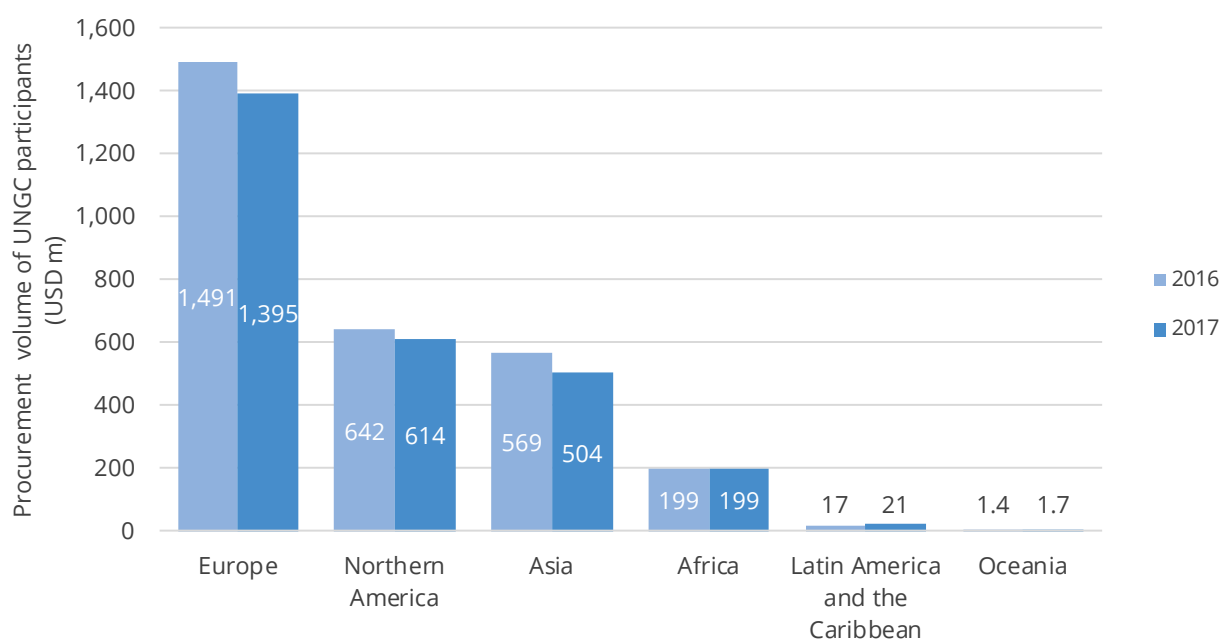
In 2017, UN organizations submitted supplier names for 93.0 per cent of their reported procurement data (by volume). These names were matched with the names of companies participating in the UN Global Compact to determine the total share of UN procurement from such companies, which amounted to \$2.7 billion (as shown in Figure 4.13).

Despite an increase in total UN procurement volume from 2015 to 2017, procurement from companies

³² For more information on the ten principles, please see: <https://www.unglobalcompact.org/what-is-gc/mission/>.

participating in the UN Global Compact decreased by \$438 million (13.7 per cent) over the same period. As a share of total procurement (excluding data where the supplier name is unspecified), procurement from participating companies also reduced from 22.4 per cent in 2015 to 15.9 per cent in 2017.³³ In general, the decrease was experienced consistently between regions as shown in Figure 4.14.

Figure 4.14 – Procurement volume of companies participating in the UN Global Compact by region³⁴



The decrease in procurement volume from companies participating in the UN Global Compact could be attributed to a general UN trend towards increased procurement from LDCs, as described in section 2, and suppliers in Africa and Latin America and the Caribbean, where there were proportionally fewer participating companies. In 2017, the majority of companies participating in the UN Global Compact were based in developed countries (55.0 per cent), compared to 41.0 per cent that were registered in developing countries and countries with economies in transition, and 4.0 per cent that were registered in LDCs.

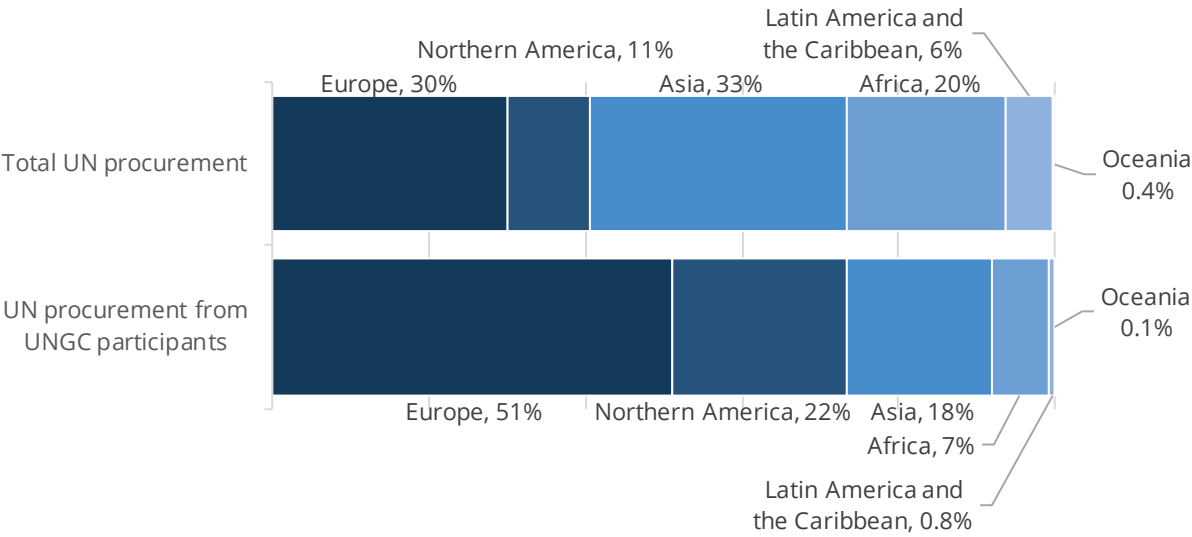
In 2017, procurement from companies participating in the UN Global Compact was predominantly from suppliers in Europe (51.0 per cent), followed by Northern America (22.5 per cent) and Asia (18.4 per cent). This varied significantly from the regional distribution of UN procurement more generally, where 29.9 per cent was from suppliers in Europe, 10.6 per cent from Northern America suppliers and 32.9 per cent from suppliers in Asia (Figure 4.16). In Africa, while the UN procurement volume increased by \$473 million in 2017, as described in

³³ In previous reports, the analysis of procurement from suppliers participating in the UN Global Compact only considered where the procurement volume exceeded \$30,000. This was done for consistency between years and due to historical limitations in the availability of data. From 2017, the methodology was changed to include all available reported data. Therefore, these results cannot be directly compared to results published in previous reports. The results from 2015 and 2016 have been recalculated using the 2017 methodology and presented here for comparison.

³⁴ Suppliers without a specified location are not included in this analysis.

section 1, UN procurement from companies participating in the UN Global Compact in Africa remained the same as in 2016. Such trends may provide an important opportunity for increased participation by suppliers in the UN Global Compact as the UN procures more from those regions.

Figure 4.15 – Regional distribution of procurement from companies participating in the UN Global Compact compared to distribution of total UN procurement, 2017³⁵



³⁵ Ibid.