

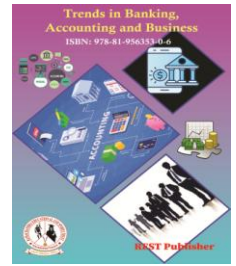


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Sustainable Procurement – A Way Forward

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Abstract. The author has introduced different versions of definitions of ISO, UNEP, ISM and others. Sustainable procurement refers to how business can identify to reduce the environmental impacts of their supply chains. The three important pillars such as economic (profit), environmental (planet) and societal (people) and its key factors are highlighted. The key drivers for sustainable procurement like cost reduction, risk reduction and revenue growth are also discussed. Secondary sources and published papers have reviewed for discussion. The relevance of ISO 20400 and ISO 26000 standards of International Organization for Standardization (ISO) are discussed. The author has also introduced the Government E-Market (GeM) portal and its importance. The sustainable public procurement in India has highlighted with conventional approach and proposed approach with sustainable procurement cycle. Sustainable procurement implementation approaches like corporate social responsibility (CSR), product approach and process approach have also been emphasized.

Keywords: Green procurement, ISO 20400, ISO 26000, sustainable procurement philosophy, practices

1. INTRODUCTION

Procurement is the process of acquiring goods or services for the business. These goods or services are vital for the company's operations. These goods or services are acquired from the suppliers or third parties. The procurement process starts from the market exploration, identification & selection of sources, drafting the terms & conditions, placement of orders, receipt of goods or services from the suppliers and supply management. Sourcing and procurement plays an important role in supply chain management. 60-70 percent of product cost constitutes the material cost. An organization's purchasing decisions don't only affect the organization itself; they affect the economy, environment and society. Procurement generally makes up a substantial part of an organization's budget. In the public sector alone, it accounts for around 12 % of GDP and 29 % of government expenditure in the member countries of the Organization for Economic Co-operation and Development (OECD). Sustainable procurement is a process whereby public sector meets its needs for goods, services, works and utilities in a way that achieves value for money on a whole life-cycle basis in terms of generating benefits not only to the organization, but also to society, whilst significantly reducing negative impacts on the environment (UNEP, 2015). Sustainable procurement refers to how buyers can identify to reduce the environmental impacts of their supply chains (Batra, 2023). Sustainable procurement involves environmental trends, using recycle paper, reusing packing material and healthy work environment. Sustainable procurement is the act of adopting social, economic and environmental factors alongside the usual price and quality considerations by the organizations handling the procurement process and procedures (Niti Samani, 2023). Sustainable procurement is the process of making purchasing decisions that meet an organization's needs for goods and services in a way that benefits not only the organization but society as a whole, while minimizing its impact on the environment. This is achieved by ensuring that the working conditions of its suppliers' employees are decent, the products or services purchased are sustainable, where possible, and that socio-economic issues, such as inequality and poverty are addressed. Sustainable procurement is a strategic purchasing process that goes beyond economic factors. It considers environmental, social and governance (ESG) principles to ensure that organizations acquire products in a way that minimizes negative environmental impacts, promotes positive social outcomes and complies with regulations (Daryna, 2023).

Need for Sustainable Procurement

The following aspects are made business firms to adopt sustainable procurement practices:

- i. Climate change
- ii. Carbon emission
- iii. Population change
- iv. Increased risks
- v. Compliances to the regulations

Objectives of sustainable procurement

The main objectives of sustainable procurement are:

- i. Reducing greenhouse emissions
- ii. Preserving bio-diversity and resources
- iii. Absorbing child labor and forced labor
- iv. Reducing inequalities

Supporting local and regional economic development and more.

2. PILLARS OF SUSTAINABLE PROCUREMENT

To Three pillars of sustainable procurement are: Economic (Profit), Social (People) and Environment (Planet). Informally, these pillars of sustainable procurement are known as profit (= economic), planet (= environmental) and people (= social). Sustainable procurement hence incorporates sustainability considerations throughout the procurement process, to achieve optimum value for money in delivering the developmental objectives. Sustainable procurement is strategic procurement at its best. Effective sustainable procurement supports sustainable development. Sustainable procurement is hence smart procurement as it takes a 3-dimensional life cycle approach against the one-dimensional, economics focused approach. Figure 1 shows three pillars of sustainable procurement

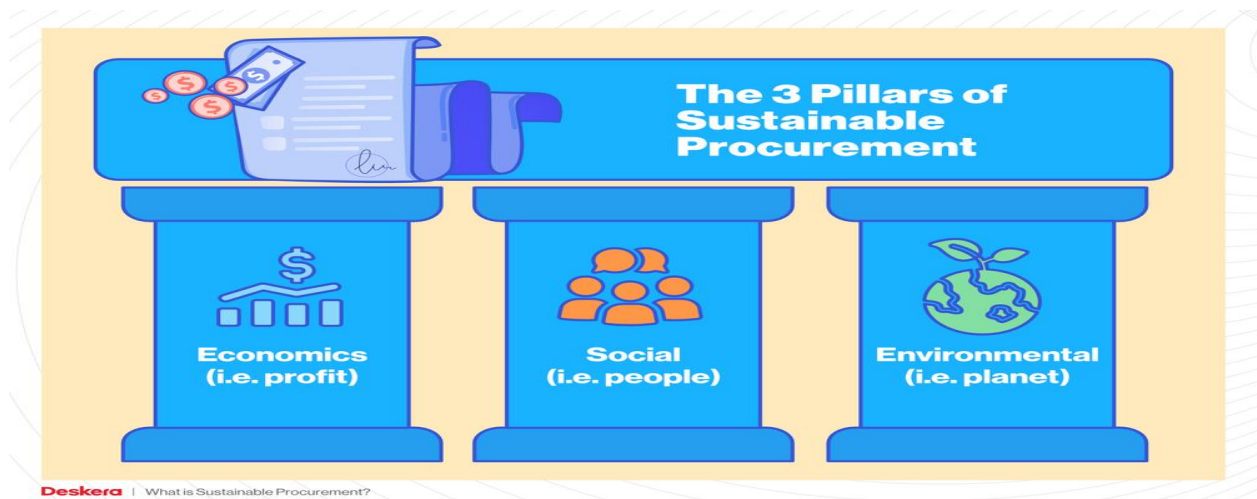


FIGURE 1 . Three pillars of sustainable procurement (Source: Deskera Books)

TABLE 1. Three pillars of sustainable procurement

Economic Pillar of Sustainable Procurement	Environmental Pillar of Sustainable Procurement	Social Pillar of Sustainable Procurement
Economic regeneration	Environmental resource management	Human rights
Sustainable economic development	Urban planning	Clean drinking water
Emerging markets	CO2 reduction	Food security
Development of SMEs	Alternative energies like solar, windmill	Fair pay and labor law protections
Total cost of ownership and life cycle costing	Water management	Anti-child labor and forced labor laws
Value for money	Sustainable agriculture	Fair trade
Poverty reduction	Marine resources management	Health and safety
	Protection of Ecosystem	Gender Equality including universal education
	Pollution and waste management	Child mortality and maternal health
		Healthy lives and well being for all

3. DRIVERS FOR SUSTAINABLE PROCUREMENT

The Important drivers for sustainable procurement are: Cost reduction, Risk reduction and Revenue growth.

Cost reduction: Following sustainable procurement practices and decisions will lead to a reduction in the total cost of ownership. This is through reduced energy costs, reduced over-specification, reduced consumption & social and environmental compliance costs.

Risk reduction: By following sustainable procurement practices and decisions, risks are reduced because the company will no longer face the financial impact on brand value due to bad supplier practices like child labor and local pollution.

The firm will also be saved from the economic costs of sustainable procurement disruptions like noncompliance with environmental regulations.

Revenue growth: By following sustainable procurement processes, the firm would be able to earn additional revenue through the innovation of Eco-friendly products & services and price premium or income from recycling programs.

Sustainable procurement practices are:

- i. Adoption of Corporate Social Responsibility (CSR)
- ii. Integration of goods specifications and criteria that are compatible with the protection of the environment and society
- iii. Integration of business core values with supply chain practices
- iv. Creating brand awareness and brand positioning
- v. Adopting life cycle of goods and services

Benefits of sustainable procurement

The key benefits are:

- i. Reduced risk and brand reputation
- ii. Decreased cost
- iii. Revenue growth
- iv. Future proofing
- v. Positive social and environmental impact
- vi. Increased employee productivity
- vii. Improved reputation among consumers
- viii. Fostered innovation

Implementation of Sustainable Procurement Philosophy:

Implementation of sustainable procurement practices brings lot of challenges to the business firms. The important challenges are grouped under each category:

Selection of Suppliers: Generally suppliers are selected based technical capability, financial soundness and clientele feedback. The order / contract award criteria are: price, quality, delivery, customer service, innovation etc. Under sustainable procurement, the suppliers are evaluated & shortlisted based on economic, social and environmental factors. If the suppliers are selected procurement based economic, social and environmental aspects, then, it is known as 'Green Procurement'.

Scope of implementation: Scope also brings lot of challenges while implementing the sustainable procurement practices. The scope varies from main suppliers to tier-1 or tier-2 suppliers. The implementation becomes more complex, when we include more layers i.e tier-1 or tier-2 suppliers etc. So, deciding the appropriate level is important.

ISO 20400 and ISO 26000 Standards: ISO 20400, Sustainable procurement – Guidelines, provides guidance for organizations wanting to integrate sustainability into their procurement processes. It is a sector-specific application of ISO 26000, Guidance on social responsibility, which it complements by focusing specifically on the purchasing function.

ISO 20400: The standard defines the principles of sustainable procurement, including accountability, transparency, respect for human rights and ethical behavior, and highlights key considerations such as risk management and priority setting. It also covers various stages of the procurement process, outlining the steps required to integrate social responsibility into the purchasing function.

ISO 20400 is a useful tool for boosting productivity, optimizing cost and stimulating innovation in the market. ISO 20400 provides guidelines, not requirements. It is therefore not intended for certification purposes.

ISO 20400 Requirements:

The following have to be considered before getting started:

- i. Examination of 'buying culture'
- ii. Knowing the company's supply chain
- iii. Thinking strategically
- iv. Get buy-in from top management

ISO 26000: Sustainable procurement is a key aspect of social responsibility. ISO 26000 formed the basis of ISO 20400, drawing on the same principles and core subjects of human rights, labor practices and fair business practices. As such, ISO 20400 will help individuals working in procurement to integrate the principles of social responsibility as described in ISO 26000 within the purchasing process.

4. GEM PORTAL

Government of E-Marketplace (GeM) is an initiative launched by the Government of India to facilitate all buyers and sellers (including MSMEs). The main objective of the GeM is to ensure effectiveness and transparency in public procurement. GeM has crossed the Gross Merchandise Value (GMV) of Rs.2 lakh crore in financial year (2022-23) which is 40 percent of total India's spend.

Public Procurement: Conventional Approach

A conventional procurement process is a linear process wherein the products or goods are evaluated based on the acquisition cost. Hence all air conditioners that meet the technical specifications would qualify for financial evaluation and the air conditioner which has the lowest initial cost would be selected. This process does not consider the total cost of ownership or environmental impact of the air conditioner through its life cycle. Conventional tendering approach consisting of the following steps:

- i. Procuring agency defines specifications and requirements.
- ii. Tender is floated and bids are received.
- iii. Technical evaluation based on specifications.
- iv. Financial evaluation (selection based on initial cost)

Proposed Sustainable public procurement approach: A green procurement process is a cyclic process wherein environmental aspects are included during all stages of the procurement. Evaluation in this type of procurement is done by giving value to environmental concerns. Ranking of the product will be based on a combination of environmental attributes, quality, and cost. Sustainable criteria have been developed for each of the stages in the procurement cycle. These preliminary criteria would require feedback from all stakeholders to enable formal drafting. The proposed evaluation process considers total cost of operation which considers real costs over the duration of ownership of the air conditioner. Reduced energy costs due to use of energy.

A diagrammatic representation of the Sustainable Public Procurement framework has been outlined in Figure 2.

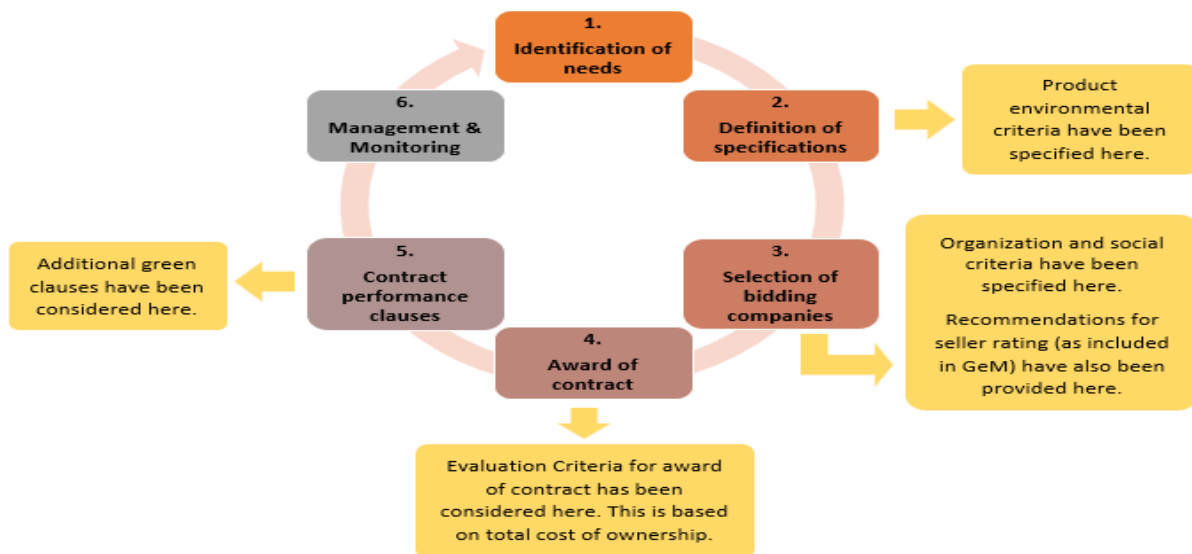


FIGURE 2. Sustainable Public Procurement Cycle (Source: CII & TERI Report, 2019)

The Sustainable Public Procurement framework proposed further builds on the criteria formulated in the European Union Green Public Procurement (EU GPP) guideline.

Core criteria: which are designed to allow for easy application of SPP, focusing on the key area(s) of the environmental performance of a product or service.

Comprehensive criteria : which consider more aspects or higher levels of environmental performance, for use by authorities that want to go further in supporting environmental and innovation goals.

5. RESEARCH OBJECTIVES

The main objectives of this study are:

- i. To understand the sustainable procurement methodology
- ii. To Learn the sustainable procurement approaches
- iii. To analyze the conventional approach and proposed approach in public procurement
- iv. To describe the requirements for implementation

To explain the criteria used for evaluation of suppliers

Methodology: The published papers have been reviewed. The secondary data is used for discussion. Sustainable procurement methodologies related research papers and materials have been reviewed.

Discussion: Procurement plays an important role by providing goods or services to business operations. Procurement is not only deals with the enhancement of economic value (profit) to the organizations, but also with the environmental factors (planet) and societal factors (people). While deciding to implement, the scope has to be defined correctly. The important drivers for sustainable procurement like cost reduction, risk reduction and revenue growth have to be identified. Sustainable procurement is a strategic process, so the roadmap has to drawn properly. Implementation of ISO 20400 and ISO 26000 standards have to be considered for implementation. Buying culture, strategic thinking, knowing the supply chain of the company and involving the top management have to be included. Vision plus Skills plus Stimuli plus Resources plus Roadmap are needed for adopting sustainable procurement methodologies in the business.

6. CONCLUSION

The perspectives of sustainable procurement have been introduced. The definitions of UNEP, ISO, ISM and others have also been highlighted. The need for sustainable procurement considering the climate change, carbon emissions, population increase and risks associated with the business are discussed. The important pillars known as economic, social and environmental factors were portrayed. Further, the drivers of sustainable procurement like cost reduction, risk reduction and revenue growth are emphasized. The benefits include risk reduction, brand reputation; decreased cost, revenue growth and future proofing are also highlighted. The implementation approaches such as corporate social responsibility (CSR), product approach, and process approach are also discussed. Government E- Market (GeM) portal and its importance in public procurement have been discussed. The relevance of ISO 20400 and ISO 26000 standards are also discussed for implementation. Sustainable public procurement in India has also been discussed with conventional approach and proposed approach with sustainable public procurement cycle. The important ingredients are: vision, skills, stimuli, resources and roadmap to adopt sustainable procurement methodology in business.

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