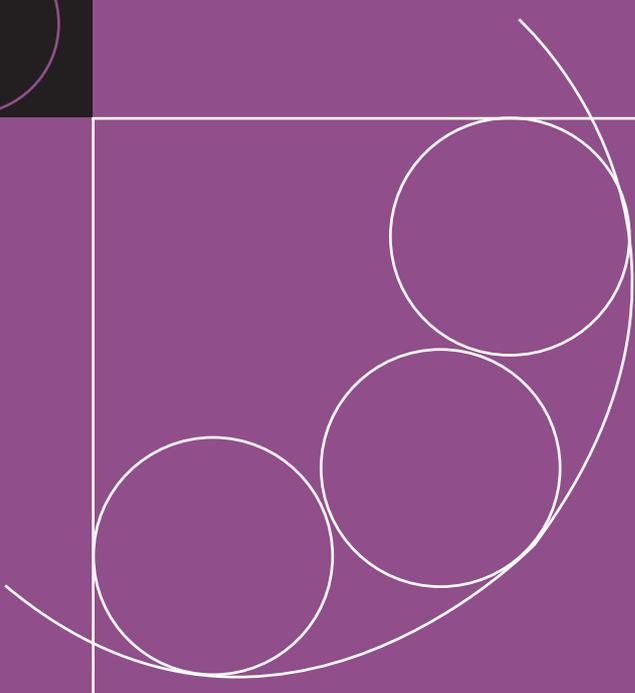


Australian Procurement and Construction Council

AUSTRALIAN AND NEW ZEALAND GOVERNMENT FRAMEWORK FOR SUSTAINABLE PROCUREMENT





Australian Procurement and Construction Council

Australian and New Zealand Government Framework for Sustainable Procurement

- 14 September 2007

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FOREWORD

Across the world large organisations have been seeking sustainable outcomes through their procurement. By incorporating sustainability principles and practices, procurement has the potential to reduce negative outcomes for society and the natural environment.

The United Nations and the Organisation for Economic Cooperation and Development (OECD) have promoted sustainable public procurement. Many governments, industry sectors and corporations have produced policy statements, supplier codes of conduct and product specifications to address sustainability in procurement activities.

Many governments have already made a commitment to sustainable procurement as part of broader environmental and social policy agendas. Just as the rest of the world is making efforts in these areas, there is heightened interest in sustainability in Australia and New Zealand. It is an opportune moment to establish a national approach to sustainable procurement.

In May 2006, the Australian Procurement and Construction Council (APCC) established a working group to develop an Australian and New Zealand Government Framework for Sustainable Procurement (the Framework). The Framework delivers an agreed national and trans-Tasman approach to integrating sustainable development considerations in Australian and New Zealand public procurement.

The purpose of this Framework is to provide a set of national principles to assist the governments of State, Territory and Commonwealth jurisdictions and New Zealand to integrate the principles of sustainability into the procurement of goods, services and construction.

Jurisdictions will be able to customise the Framework to suit their purchasing environment and reflect the principles in the form of policies, guidance material, training and tools for use by practitioners.

The Framework is built on the premise that sustainable procurement balances economic, environmental and social considerations in the procurement process.

It supports and encourages collaboration between government jurisdictions to develop national programmes and tools to promote the principles of sustainable procurement and to share experiences, given that sustainability issues are not constrained by jurisdictional borders.

Leadership by governments can provide the necessary incentive for business to adopt innovation and sustainable practices which benefit us all.



The Honourable Robert Schwarten MP
Chair
Australian Procurement and Construction Ministerial Council

FOREWORD

The New Zealand government has welcomed the opportunity to collaborate with the Australian Commonwealth, state and territory governments in developing this joint Framework for Sustainable Procurement.

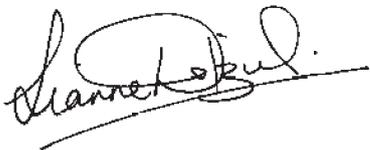
We recognise the importance of taking the lead in tackling issues of sustainability. Accordingly, the New Zealand government is working to ensure that sustainability issues are taken into account in decision-making processes.

Good procurement practice serves efficient and cost-effective government. But it is clear that government procurement also has great potential to contribute to broader economic, environmental and social objectives. For example, through sustainable procurement, we can drive the production of environmentally-friendly goods and services. This has the potential to deliver the initial step change and ongoing momentum required to ensure that we gain the benefits that will accrue to those who meet the challenges of climate change.

The joint Framework for Sustainable Procurement will help ensure that Australia and New Zealand can work together effectively to meet these future challenges head on. It will do this by providing consistency across government and by guiding the implementation of cost-effective initiatives that relate to sustainable procurement. The sustainability imperative means that we must emphasise the economic, environmental and social impacts of goods and services over their entire lifecycle as part of the value-for-money assessment.

The joint Framework is written in the spirit of the ANZ Government Procurement Agreement, the fundamental principle of which is that all ANZ suppliers have equal opportunity to compete in our government markets on the basis of value for money over whole of life.

This Framework provides yet another step towards the sustainable development goals governments in both Australia and New Zealand are committed to achieving.



Hon. Lianne Dalziel Minister of Commerce The New Zealand Government

INTRODUCTION

Government procurement may be described as purchases made by public sector organisations in delivering their core activities to serve the community. Government procurement markets are significant within OECD countries, being estimated to account for 10% to 15% of gross domestic product (GDP). Australian State, Territory and Federal governments spend approximately A\$100 billion per annum on goods, services and construction, and the New Zealand Government's spend is estimated to be in the range of NZ\$14 to \$20 billion. This expenditure presents a considerable opportunity to achieve direct sustainable development benefits.

Sustainable procurement can minimise the environmental impacts of public sector organisations, as well as benefiting society, the natural environment and reducing overall operating costs.

Globally, there is a concerted effort to achieve sustainable procurement outcomes. The United Nations and OECD have been promoting sustainable procurement for many years. The UK, USA, Canadian and Japanese governments have sustainable procurement policies (or legislation) with extensive implementation programs.

The Australian Procurement and Construction Council (APCC) has developed this Australian and New Zealand Government Framework for Sustainable Procurement (Framework) as a set of national and trans-Tasman principles to guide Australian State, Territory and Federal governments and the New Zealand Government in implementing sustainable procurement.

SUSTAINABLE DEVELOPMENT AND PROCUREMENT

Sustainable development is ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’¹

Sustainable procurement has been defined by the United Kingdom Government-commissioned Sustainable Procurement Taskforce as “...a process whereby organisations meet their needs for goods, 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.” (Procuring the Future, Sustainable Procurement Task Force, 2006)²

Sustainable procurement considers products and suppliers. This includes issues such as: resource extraction and consumption; manufacturing and production; transport and logistics; product and asset design; use and maintenance; recycling and disposal options; employee rights and conditions, corruption, unfair competition and ethical behaviour.

Sustainable procurement means that when buying goods and services organisations practicing sustainable procurement will consider:

- strategies to avoid unnecessary consumption and manage demand;
- minimising environmental impacts of the goods and services over the whole of life of the goods and services;
- suppliers’ socially responsible practices including compliance with legislative obligations to employees; and
- value for money over the whole-of-life of the goods and services, rather than just initial cost.

The set of principles described in this Framework should be integrated into business as usual procurement practice.

¹ WCED, Our Common Future 1987

² The Task Force was business-led composed of 33 members representing leading supply chain practitioners, suppliers to the public sector and their trade associations and all levels of government.

THE BENEFITS OF SUSTAINABLE PROCUREMENT

The public sector, business, industry, Australians and New Zealanders have much to gain from the implementation of sustainable procurement practices by their governments. Some of the benefits of sustainable procurement which have been identified include:

- 1. Reduces adverse environmental impacts arising from Government procurement action.**
 - Reduces waste to landfill, saves water, reduces greenhouse gas emissions, decreases air and water pollution, saves money through re-using materials and products, and reduces consumption of both natural and processed resources.
 - Ensures the health and safety of the community.
- 2. Makes more efficient use of public resources.**
 - Reduces costs through greater energy efficiency, reduced waste disposal, and reduced risk management.
 - Lowers the cost for products over their life cycle.
- 3. Stimulates the local and global markets to innovate and produce more sustainable products and services for public and private organisational purchasers, and Australian and New Zealand consumers.**
 - Increases the availability of environmentally preferred products and services at cost-effective prices; expands the market for environmental products and services with potential for local businesses.
 - Improves the level of information available to buyers about the content and performance of products, facilitating the choice to purchase environmentally preferred products.
- 4. Demonstrates that Australian and New Zealand governments are committed to achieving sustainable development objectives.**
 - Provides government leadership to the community in demonstrating social and environmental responsibility through the purchase of environmentally preferred products and services.
 - Reduces the potential negative publicity associated with the purchase and use of products, services and suppliers with poor environmental and social responsibility records.

IMPLEMENTING THE AUSTRALIAN AND NEW ZEALAND GOVERNMENT SUSTAINABLE PROCUREMENT FRAMEWORK

Leadership and Governance

In order to implement the Australian and New Zealand Government Sustainable Procurement Framework, it is important to consider the governance elements, which will facilitate implementation in public sector organisations. These include strong and supportive leadership together with the following organisational processes:

Organisational Integration

- Ensure that sustainable procurement is reflected in organisational goals, policies and management performance indicators.
- Promote awareness of sustainable procurement throughout the organisation.
- Ensure that staff has the appropriate skills, knowledge and access to information sources to apply the principles and practices of sustainable procurement.
- Support the provision of, and access to, training programs that improve the level of staff awareness about sustainable procurement.
- Consider the establishment of a core of expertise to assist and advise organisations on sustainable procurement processes and practices.
- Review the operational arrangements within organisations that create a barrier to the adoption of sustainable procurement.
- Consider the implementation of environmental management systems that drive sustainable procurement and reduce consumption.

Policy and Process Development

- Develop policies that consider sustainability factors in all stages of procurement.
- Provide practical guidance and tools to assist practitioners in the delivery of procurement outcomes that satisfy sustainability objectives.
- Ensure that any related procurement programs and processes involving measures to develop Australian and New Zealand SMEs, strategic sourcing and market engagement consider incorporating sustainability objectives in their development and application where applicable.
- Ensure that government procurement complies with obligations under international agreements.

Monitoring and Reporting

- Establish monitoring and reporting systems against sustainable procurement targets to demonstrate progress.
- Consider sustainable procurement reporting into annual performance reports.

PRINCIPLES THAT GUIDE THE IMPLEMENTATION OF SUSTAINABLE PROCUREMENT

These principles can be used to guide public sector organisations to develop sustainable procurement strategies, policies, guidance material, training and tools. The four principles of the Framework are:

1. Adopt strategies to avoid unnecessary consumption and manage demand;
2. In the context of whole-of-life value for money, select products and services which have lower environmental impacts across their life cycle compared with competing products and services;
3. Foster a viable Australian and New Zealand market for sustainable products and services by supporting businesses and industry groups that demonstrate innovation in sustainability; and
4. Support suppliers to government who are socially responsible and adopt ethical practices.

These principles are further explored below. They are illustrated by examples of best practice implementation activities.

The Framework also supports and encourages collaboration between the jurisdictions to develop national programs and tools to promulgate the principles of sustainable procurement and to share experiences.

A further aim of the Framework is to encourage wider adoption of sustainable procurement through partnerships between governments, organisations, industry, business, education centres and the not-for-profit sector.

The four guiding principles are supported by best practice implementation activities which agencies can use to develop sustainable procurement strategies, policies, guidance material, training and tools.

Principle One

Adopt strategies to avoid unnecessary consumption and manage demand.

Implementation activities include:

- Assess the need for a given purchase and, whenever possible, reduce consumption through demand management initiatives.
- Consider the alternatives to purchasing the product: reuse, refurbish or recondition the product or its components to extend its life.
- Consider acquiring second-hand or used items.
- Consider alternatives to acquisition, such as introducing service options to meet a need.
- Consider the on-going service requirements of any product to be purchased.
- Investigate the possibility of aggregating demand amongst multiple users, to achieve better usage of assets.
- Consider the establishment of management systems to monitor and report consumption levels.
- Adopt flexible work practices and service arrangements that take into account energy and resource efficiencies that balance out peak environmental demand situations.
- Collaborate with service providers to reduce consumption and implement demand management strategies.

Principle Two

In the context of whole-of-life value for money, select products and services which have lower environmental impacts across their life cycle compared with competing products and services.

Implementation activities include:

- Adopt a life-cycle (or total cost of ownership or whole-of-life) costing approach to quantify the 'total cost' of procuring products including operational performance, as opposed to only taking into account the initial cost.
- Ensure that decisions on sustainable values of products and services are evidence based.
- With all factors being equal in the purchase of a product, choose a product with the least environmental impact.
- Use of Australian Standards and New Zealand or International Standards Organisation (ISO) standards (where appropriate) to verify the sustainability credentials of a supplier and a product.
- Consider the environmental management practices of the supplier/manufacturer. Refer to benchmarking environmental management programs where practicable, such as Enviro-Mark NZ and ISO 14001.
- Refer to eco-labelling programs and government labelling programs to assist in assessing the environmental performance of products (Energy Star, Energy Rating Label, Water Efficiency Labelling Scheme, Environmental Choice New Zealand).
- Give preference to products that are reusable, recyclable and/ or contain recycled content where such products fit the purpose, provide environmental benefits and are of comparable cost and quality to alternative products.

Principle Three

Foster a viable Australian and New Zealand market for sustainable products and services by supporting businesses and industry groups that demonstrate innovation in sustainability.

Implementation activities include:

Environmental Stewardship

- Adopt approaches to product design, production and manufacturing that include a whole-of-life assessment.
- Adopt a whole-of-life approach to building design, construction and building operation that reduce environmental impacts, and where relevant apply environment and ecologically sustainable design principles.

Encourage suppliers to:

- Adopt design, manufacturing, production, distribution and service processes that reduce the use of resources (energy, water) reduce greenhouse gas emissions; minimise the release of toxic substances; and minimise waste disposal to landfill.
- Be responsible for end-of-life product impact through extended producer responsibility programs and take part in available government approved product stewardship schemes.
- Become signatories to, and participants in, national commitments and government programs to improve environmental sustainability; for example, the Australian National Packaging Covenant and the Australian Greenhouse Challenge, the New Zealand Packaging Accord and the New Zealand Waste Strategy.
- Work together with their supply chain partners to adopt environmental management systems to track progress towards environmental stewardship by reporting on the sustainability of their operation.

Principle Three Continued

Market Development

- Identify industry capability, particularly of Australian and New Zealand SMEs, in all major areas of procurement for sustainable goods and services, consistent with the obligations under Free Trade Agreements.
- Establish specifications and procurement processes that do not restrict innovation or disadvantage local suppliers of sustainable solutions and encourage the commercialisation of environmental initiatives created under contract.
- Support and stimulate long-term relationships with suppliers that adopt sustainable practices.
- Encourage a philosophy and practice of continuous improvement and innovation in sustainability by suppliers.
- Collaborate with all spheres of government, industry and business to stimulate a market for sustainable products and services.
- Support initiatives that promulgate the awareness and procurement of sustainable products and services.

Principle Four

Support suppliers to government who are socially responsible and adopt ethical practices.

Implementation activities include:

Require suppliers to:

- Demonstrate a commitment to ethical behaviour and sound governance structures and processes.
- Meet their employment obligations as required by relevant legislation and other related instruments.
- Consider relevant government employment policy objectives that relate to particular community sectors, including apprentice training, opportunities for disabled or injured workers returning to work, Aboriginal and Torres Strait Islander people, etc, consistent with international obligations on government procurement.
- Comply with applicable regulatory and legislative requirements of occupation health and safety.

GLOSSARY

Environmentally Preferable Procurement

Environmentally preferable or 'green' procurement is defined "as the purchase of products and services which have less impact on the environment and human health compared with competing products or services that serve the same purpose".

This comparison may consider the source of raw materials, production, manufacturing, packaging, distribution, potential for reuse and recycling, operation, maintenance, or disposal of the product".

US Environmental Protection Agency. (<http://www.epa.gov/epp/pubs/about/about.htm>)

Govt³

Govt³ is a program for core New Zealand central agencies departments and Ministries. As of June 2006, 47 agencies had formally signed up to Govt³ membership. The Govt³ program also engages in less formal partnerships with sustainability leaders in the wider public and private sectors.

The Ministry for the Environment coordinates the Govt³ program, offering assistance to agencies to undertake sustainable initiatives including providing information, practical tools, and links to other agencies that have undertaken similar initiatives. Govt³ focuses on four key topic areas: recycling/waste minimisation; buildings; transport; office consumables and equipment. (<http://www.mfe.govt.nz/issues/sustainable-industry/govt3>)

Eco-Label

An **eco-label** is a label which provides information about the environmental preference of a product to consumers. In contrast to 'green' symbols or claims developed by manufacturers and service providers, an eco-label is awarded by an impartial third-party in relation to certain products or services that are independently determined to meet environmental criteria. (The Global Ecolabelling Network).

Eco-labels are designed to assist consumers to purchase those products that are less harmful to the environment without spending too much time and effort in determining which products are actually the least harmful.

The New Zealand label is Environmental Choice NZ, operated under licence for the Government by the Ecolabelling Trust. It currently has approximately 30 licence holding businesses in 20 product areas with over 700 products. (The Global Ecolabelling Network <http://www.enviro-choice.org.nz>).

Energy Rating Label

A joint Australian and State/Territory government program which is recognised as a key initiative to reduce greenhouse gas emissions. The mandatory labelling program allows consumers to make comparisons between appliances of their energy performance and therefore purchase more energy efficient appliances. It also provides an incentive for manufacturers to improve the energy performance of appliances. <http://www.energyrating.gov.au/con3.html>

New Zealand also requires certain products to be labelled as complying with the minimum energy performance standards (MEPS) for energy efficiency. See <http://www.eeca.govt.nz/labelling-and-standards/meps.html> . New Zealand works with Australia to keep MEPS levels the same, and almost are, or soon will be, joint standards with Australia.

Energy Star

ENERGY STAR is an international standard for energy efficient electronic equipment. It was created by the US Environmental Protection Agency in 1992, and has now been adopted by several countries around the world, including Australia and New Zealand.

Energy Star Australia

The Australian Federal, State and Territory Governments are cooperating through the national ENERGY STAR program to encourage the use of energy efficient equipment at home and in business. <http://www.energystar.gov.au/about/index.html>

Energy Star NZ

ENERGY STAR is promoted in New Zealand by the Energy Efficiency and Conservation Authority (EECA). The ENERGY STAR mark can now be found on leading heat lamps, dishwashers, washing machines, TV's, DVD players, home theatre systems, computers and office equipment. See <http://www.energystar.govt.nz/> <http://www.eeca.govt.nz/labelling-and-standards/energy-rating-labels.html>.

Water Efficiency Labelling Scheme (WELS)

WELS is an Australian and New Zealand water efficiency labelling scheme that requires certain products to be registered and labelled with their water efficiency. The scheme operates in accordance with the standard set under the Australian national *Water Efficiency Labelling and Standards Act 2005 in Australia and in 2008 will operate under the Fair Trading Act in New Zealand.* <http://www.waterrating.gov.au/about/index.html> <http://www.mfe.govt.nz/issues/water/wels-scheme.html>

National Packaging Covenant

The National Packaging Covenant has been the leading instrument for managing the environmental impacts of consumer packaging in Australia since 1999. It is the voluntary component of a co-regulatory arrangement based on the principles of shared responsibility through product stewardship, between key stakeholders in the packaging supply chain and all levels of Australian governments.

<http://www.deh.gov.au/settlements/waste/covenant/index.html>

Packaging Accord NZ

The Packaging Council of New Zealand and the Ministry for the Environment have brought together brand owners, retailers, importers, manufacturers, recyclers and local government to negotiate a New Zealand Packaging Accord. The Accord was signed on 10 August 2004 and expires in 2009. Joint national targets include recovering a specified percentage of the five main packaging materials - paper, plastic, aluminium, steel and glass - by weight of consumption. Recovery targets for 2008 are: 65% of aluminium; 55% of glass; 70% of paper; 43% of steel and 23% of plastic.

Greenhouse Challenge

The Greenhouse Challenge is an Australian Federal Government environment program introduced in the mid-nineties, seeking to reduce greenhouse gas emissions through the voluntary action of companies and organisations.

<http://www.greenhouse.gov.au/challenge/index.html>

New Zealand Business Council for Sustainable Development

Provides business leadership and promotes eco-efficiency, innovation and responsible entrepreneurship. Its aims include: business leadership; policy development; best practice advocacy and global outreach.

It provides programs and support for business and policy makers on climate change, procurement, vehicles and transport, building, reporting, energy efficiency and waste. Its members tend to be larger corporates and some government agencies. <http://www.nzbcscd.org.nz/>

Sustainable Business Network

The Sustainable Business Network is a forum for businesses that are interested in sustainable development practices. It promotes sustainable practice in New Zealand and supports businesses on the path to becoming sustainable. It links businesses and provides a forum for the exchange of ideas and experiences. The membership tends towards smaller SMEs. <http://www.sustainable.org.nz>

Extended Producer Responsibility (EPR)

Extended Producer Responsibility (EPR) is a means to encourage producers to examine the lifecycle of their products and to identify initiatives that will reduce resource use, reduce wastes at all points in a product's whole lifecycle, reduce the environmental impacts of products and enhance post-consumer resource recovery. Hence, EPR places the responsibility primarily (but not exclusively) on the producers of the products of concern. http://www.zerowastewa.com.au/documents/epr_ps.pdf

Product Stewardship

Product stewardship is a similar concept to EPR but the focus is on responsibility for a product's impacts being shared more widely throughout the supply chain.

<http://www.mfe.govt.nz/issues/sustainable-industry/initiatives/product-stewardship/>

Design for the Environment

Design for the Environment approach examines a product's entire lifecycle and proposes changes to how the product is designed to minimise its environmental impact during its lifetime.

<http://www.deh.gov.au/settlements/industry/corporate/dfe.html>

ISO 14001

ISO14001 requires an Environmental Policy to be in existence within the organisation, fully supported by senior management, and outlining the policies of the company, not only to the staff but to the public. The policy needs to clarify compliance with environmental legislation that may affect the organisation and stress a commitment to continuous improvement. A planned comprehensive periodic audit of the Environmental Management System is required to ensure that it is effective in operation, is meeting specified goals, and the system continues to perform in accordance with relevant regulations and standards.

Enviro-Mark NZ

Enviro-Mark is an Environmental Management System (EMS) originally developed in England and adapted for New Zealand use by Landcare Research as Enviro-Mark NZ. It is an internet-based tool to help businesses put in-house procedures in place, to meet health, safety and environmental standards, with five levels of certification based on the business's size, activities, and any potential adverse impacts on the environment, by either the business itself or its suppliers. The process and the results are externally audited.

<http://www.landcareresearch.co.nz/services/sustainablesoc/enviromark/>

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