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Green procurement in Norway; a survey of practices at the municipal and county level

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ABSTRACT

Consumer pressure is usually considered as one of the major drivers for more environmental friendly products. During the last decade an increasing focus on public procurement has emerged as an important contributor to that pressure. In this paper we focus on the role of municipalities and counties in green public procurement. Based on surveys we investigate to what degree green public procurement is implemented in Norwegian municipalities and counties and which capabilities are critical for successful green procurement. We both investigate to what degree environmental information is requested in call for tenders and also to what degree the information is actually used in the final selection of supplier. The information gathered from the municipalities and counties is compared with information obtained from potential suppliers to see if suppliers and purchasers agree on the importance of environmental demands in the selection of suppliers.

1. Introduction

Consumer pressure is considered as one of the major drivers for more environmental friendly products (Hall, 2000; de Bakker et al., 2002) and during the last decade an increasing focus on public procurement has emerged as an important contributor to that pressure (Sips, 2000; Erdmenger, 2003b; The European Commission, 2004; Michelsen et al., 2006; Carlsson and Waara, 2007; Clement, 2007). Bouwer et al. (2005) define Green Public Procurement as "*the approach by which Public Authorities integrate environmental criteria into all stages of their procurement process, thus encouraging the spread of environmental technologies and the development of environmentally sound products, by seeking and choosing outcomes and solutions that have the least possible impact on the environment throughout their whole life cycle.*" Other related terms are Environmental Responsible Public Procurement (Li and Geiser, 2005), Sustainable Public Procurement (Preuss, 2007), Environmental Product Procurement (The European Commission, 2004), Green Purchasing and Eco-Procurement (Bolton, 2008). In this paper the term Green Public Procurement (GPP) is used.

There are several plausible reasons for the increasing focus on GPP. First, the sheer magnitude of public procurement makes it important for the economy. In OECD member countries governmental consumption ranges from 8 to 25% of GDP, with an average on 15% (OECD, 2000). In Norway public procurement represented 19% of GDP (OECD, 2000). Requests from governmental bodies for more environmental friendly solutions can therefore hardly be neglected by suppliers operating in this market (cf. Clement et al., 2003).

The indirect impact embodied in purchased products and services is often the major environmental impact caused by public authorities. For example, in the city of Trondheim in Norway it is estimated that the activities related to the production and use of products and services purchased by the municipal administration generate emissions of 123,000 tons of CO2. Only 6% of this concerns direct emissions from activities performed by or on behalf of the municipal administration. The rest consists of emissions embodied in purchased products and services themselves (Larsen and Hertwich, 2007).

A demand for environmental friendly products from public actors may also set an example for the private sector and create markets for more sustainable products and services (Brander et al., 2003; Erdmenger, 2003b; Preuss, 2007). It is also argued that the environmental demands from public purchasers in it self will educate businesses and develop a general awareness of sustainability issues (Erdmenger, 2003a; Cerin, 2004; Preuss, 2007).

The European Commission (2003, 2008) has announced ambitious goals for green procurement and a range of countries have initiated own programmes to promote Green Public Procurement (Ochoa et al., 2003; Bouwer et al., 2005; Li and Geiser, 2005;

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Carlsson and Waara, 2007; Geng and Doberstein, 2008)[1]. In Norway the Public Procurement Act states that all official bodies have a legal obligation to take environmental performance of products into consideration when new acquisitions are planned (The Norwegian Ministry of Government Administration and Reform, 1999). Still, for most purchasing agents green procurement presents them with a trade-off between environmental demands and price. Many therefore tend to avoid green products in order to have more money available for other public tasks (Ochoa et al., 2003; Bouwer et al., 2005; Preuss, 2007; Geng and Doberstein, 2008; Nykvist and Nilsson, 2009).

The environmental demands in GPP can be related to purchased products or services, or to potential suppliers, their competences and their environmental management systems (Preuss, 2005), but the award criteria must be related to the subject matter if the contract, i.e. the product or the service, not the supplier as such. Bowen et al. (2001) separate between 'products based green supply' where the focus is on the product, and 'greening the supply process' where the focus is on the behaviour of the actors, e.g. suppliers. Environmental demands can also be raised at different stages of the procurement process, from explicit demands in tender announcements to decision criteria in the final selection of tender (Bolton, 2008).

A number of surveys on GPP have focused on the number of environmental demands in calls for tenders without actually revealing whether environmental criteria actually influence the final decision (e.g. Parikka-Alhola et al., 2007; Solevåg, 2007). Also, the actual content of demands on 'environmental aspects' in calls for tenders is often not defined and therefore not suitable as award criterion (Bouwer et al., 2005; Parikka-Alhola et al., 2007), rendering it practically irrelevant for the final decision.

In this article the focus is on green procurement practices at the municipal and county level in Norway and is a contribution to the existing studies by examining the role of knowledge, organization size and the actual effect of environmental criteria in purchasing decisions. The aim of the paper is to investigate to what degree municipalities and counties have implemented environmental demands in their procurement processes, to what extent the municipalities and counties put certain environmental criteria to potential suppliers, and to what degree environmental performance actually influence the final selection of suppliers. The paper also reports on the perception suppliers have of the environmental demands put forward by the municipalities and to what degree there is a consistency between governmental bodies' and suppliers' view on the importance of environmental demands in the procurement process.

2. Background for empirical study-green procurement in Norwegian municipalities

The background for our study was a change in the Norwegian threshold-value for call for tenders that must be announced in a public national database from 200,000 NOK to 500,000 NOK[2] in September 2005. The objective was to reveal changes in purchasing behaviour in municipalities and counties after this change, both in general and related to GPP in special. In this paper, the results of our research on green procurement practice are emphasised while most of the findings related to the changes in threshold-value will be presented in a separate publication.

Local government procurement in Europe generally represents approximately half of all governmental spending (Clement et al., 2003). The implementation of GPP at local authorities is thus of major importance if the potential of environmental improvements through GPP is to be realized. Despite its importance, the scientific literature on the role of local authorities is quite limited (Preuss, 2007). Clement et al. (2003), Ottander and Söderström (2005) and Preuss (2007) represent some exceptions.

In addition, most studies on public procurement consider purchases above a national or international threshold-value. In a Dutch study it was estimated that local governmental procurement below the threshold-value represented as much as 34% of total public procurement in the Netherlands (PricewaterhouseCoopers and Significant, 2007). The rules for procurement below such threshold-values are normally less strict and more open for individual judgement of the persons involved. If motivation is present, this could increase the focus on green procurement by emphasizing environmental aspects in direct negotiations with potential suppliers and use environmental issues as the basis for developing these suppliers.

Norway is divided into 19 counties and 431 municipalities with a population ranging from about 500 inhabitants to more than 500,000. Given large differences in size it is reasonable to assume that at least some of the smaller municipalities lack sufficient resources and expertise on environmental topics as well as on purchasing (legislation).

Norwegian municipalities have a fair degree of independence when it comes to setting their own priorities and choose how to provide services to the local community. As a result, some municipalities provide services such as care of the elderly, road maintenance and garbage collection themselves while others choose to outsource this to private companies, institutions, and non-profit organisations. The relative share of procurement in a municipality's budget will thus vary significantly. Also, some municipalities have chosen to establish purchasing departments taking care of (or at least overseeing) most of the purchasing, while others have a much more fragmented structure in which technical services, road construction, maintenance, building activities and so on are handled by others than the purchasing department, thereby blurring the overview of a municipality's procurement activities.

The municipalities are also free to decide to what degree environmental criteria are to be incorporated in the procurement process as long as compliance to the Public Procurement Act is ensured. The act is rather vague on the actual demands, and §6 states that "[all] authorities (…) shall when planning each procurement have regard to the resource implications and environmental consequences of the procurement" (The Norwegian Ministry of Government Administration and Reform, 1999). In other words, as long as a purchaser takes the implications into consideration, there are no juridical constraints for giving them zero weight compared to e.g. purely economic aspects of the purchase. Initially this paragraph was to some degree ignored by public purchasers, but in recent years the number of environmental demands in announcements of calls for tenders in Norway has increased substantially. In 2004 some sort of environmental requirement was put forward in 58 percent of the calls for tender, whereas in 2005 this number had increased to 66 percent (Solevåg, 2005). These numbers make Norway one of the front runners in Europe regarding the implementation of GPP (Bouwer, 2006).

Clement et al. (2003) argue that local governments are well suited for introducing green procurement. More than national authorities they have possibilities for more explorative behaviour and can be early movers, also regarding procurement. On the other side, municipalities are not able to take the full benefit of all possibilities in GPP. Most municipalities will, on their own, be too small to trigger innovation and development of new products (Brander et al., 2003).

[1] See also http://ec.europa.eu/environment/gpp/pdf/national_gpp_strategies_en.pdf for a complete overview on the status in EU member countries.

[2] 100 NOK (Norwegian kroner) = 15.8 US$ (July 2009).