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Perspectives of Introduction Sustainable Procurement in Public Procurement in Russia

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Abstract: *The paper is about sustainable public procurement as a new global trend in the development of a sustainable economy. The main question raised is the following: how could sustainable public procurement be implemented in Russia? We aim to answer the question by presenting the findings of survey, covering public procurement practices of 51 contracting authorities and documentation analysis of 400 public tenders, and investigating Russian legislation. The conducted survey aims to identify the aspects of sustainable public procurement already used by public authorities in procuring practices in Russia. The analysis of Russian legislation allows to define in which sections of procurement documentation different aspects of sustainability could be included. This paper provides a unique sur-*

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vey of sustainable procurement practices across the Russian public sector. Research also shows the prerequisites of implementation of sustainable public procurement in Russia.

Introduction

The growth of ecological tension pushed to find a compromise in human activities in the area of production and consumption. A compromise solution was found in the idea of transition to sustainable development, the realization of which eventually formed a variety of mechanisms and their respective tools. One of these mechanisms is sustainable public procurement, which is being actively implemented in the European Union nowadays, and where the first results, for example, the reduction of carbon monoxide emissions by an average of 25%, are already visible (Egorova, 2011).

The purpose of this paper is to assess the prospects of implementing sustainable procurement in Russia. The theoretical part of the study is based on the research articles of Walker (2009), Brammer (2011), Preuss (2009), Perera (2009). The research is based upon legal acts of the Russian Federation, the documentation placed at the federal public procurement portal, and the results of a survey among public customers.

The results of this paper can promote the use of sustainable public procurement in Russia, which will provide an opportunity to receive additional benefits for products and services with improved properties under public procurement. Consequently, the government would not only ensure the needs with products of higher quality, but also promote the development of sustainable production.

Institutional Setting

The concept of sustainable public procurement is inextricably linked with the notion of “sustainable development”, which first appeared in a report “Our Common Future” published in 1987. This report was the result of the work of the UN World Commission on Environment and Development (Our Common Future, 1987). According to the final decisions of the UN Conference on Sustainable Development, the concept of sustainable development is considered to be triune, as it concerns harmonization of social, economic and environmental development.

In this paper, sustainable development is viewed as a development based on a balanced interaction of environmental, social and economic factors of development, which together form the process of effective development.

As a global strategy, the idea of transition to sustainable development was approved in 1992 at the Second UN World Conference on Environment and Development, in which the heads of 179 countries, including Russia, approved the “Agenda for the XXI Century” – a document that calls for national sustainable development strategies.

The concept of Russia's transition to sustainable development was approved by presidential decree in April 1996 (Presidential Decree, 1996). Later on its basis a document called “The main provisions of the sustainable development strategy” was prepared (Shelehov, 2002). As stated in the introduction of this document a “Strategy for Sustainable Development of Russia at its core should become an important public document that defines the development of Russia for many years ahead” (Shelehov, 2002). This document can be considered a political statement on Russia's accession to the policy of sustainable development.

At the World Summit on Sustainable Development in Johannesburg in 2002 new recommendations were adopted: to promote the development and dissemination of sustainable goods and services through public procurement. Public procurement may indeed be an effective mechanism for transition to sustainable development: each year the share of government spending on purchases is a significant part of the budget expenditure. According to the International Institute of Sustainable Development, in most countries public procurement accounts for between 15 to 20% of GDP (<http://www.iisd.org/procurement>). In OECD countries, this figure is 12% on average; countries with developing and transition economies spend about 25 to 30% of GDP on public procurement. Thus, public procurement can be considered as a lever of influence on the private sector: introducing requirements relating to, for example, the parameters of efficiency or environmental safety of the purchased products, the government not only can provide itself with products and services of higher quality, but also indirectly compel producers to improve the products in the energy efficient and environmental directions (Green public procurement: problems and prospects, 2012).

Sustainable public procurement (SPP) – is a public procurement, which is organized with implementing the principles of sustainable development: economic efficiency, social justice and environmental safety.

This approach to the definition of SPP that relates the procurement process and the principles of sustainable development is used by Walker and Brammer (2009). Under sustainable procurement they involve procurement that is consistent with the principles of sustainable development: ensuring a strong, healthy and just society within ecological limits, and promoting effective management.

According to the definition given by the Marrakech Task Force, SPP is a process where organizations meet their needs in a way that is evaluated in terms of money on the basis of the life cycle of a product or service, and is beneficial not only for the organization, but also for the society and the economy, while minimizing damage to the environment (Definition of Sustainable Public Procurement, n.d.).

In this definition, together with the principles of sustainable development, the value throughout the life cycle is also noted, not just the purchasing cost. In the definition given by the International Institute for Sustainable Development, SPP is a set of laws, policies and practices aimed at the integration of economic, social and environmental risks in the processes, and decisions of public procurement, where it comes to achieving the best value for money throughout the life cycle of product (Building accountability and transparency in public procurement, n.d.). In this definition, the emphasis is also placed on the accounting value of the entire lifecycle of products purchased.

Generalizing the definitions, the elements characterizing the SPP's definition are social responsibility, cost-effectiveness, and environmental security.

The processes of implementing SPP policies are gaining pace in the international community. Adjei notes that most countries begin to act with a change in national legislation on public procurement, which, in his opinion, was a guarantee of effective implementation of SPP (Adjei, 2011). Thus, the legal basis of SPP in the European Union are Directive 2004/17 / EC and Directive 2004/18 / EC. The detailed rules for the development of these documents are established at the European and national levels (Fletcher *et al.*, 2009).

In Russia, since January 1, 2014 the system of public procurement is regulated by a new law – the Law of contractual relations (Federal Law №44, 2013). An analysis of this Law showed that it contains some manifestations of sustainable procurement. For example, it states the principle of stimulating innovation, providing preferences to organizations from criminal correctional system, organizations of persons with disabilities, establishes the obligation of procurement from SMEs and socially-oriented non-profit organizations in the amount of not less than 15% of the total annual

supply. With regard to the accounting value of the life cycle, this Law refers to the term “contract life cycle” (Federal Law №44, ch. 16, art. 34).

However, life cycle contracts may be concluded only in the cases stipulated by the Government of the Russian Federation, the list of which is rather narrow and applies only to certain infrastructure facilities and transport. (Resolution of the Government of the Russian Federation, 2013). Articles of the Federal Law №44 that regulate the establishment of the initial (maximum) contract price do not take into account the life cycle costs.

In practice, the implementation of SPP elements happens through integration of certain requirements in the procurement documentation. For example, since 2008 19 common criteria for products and services has been developed in the European Union, which are regularly updated. These criteria are based on existing criteria of eco-labels and on the information gathered from stakeholders representing the industry sector, civil society and states.

An analysis of the Federal Law №44 has shown that the legislation does not contain norms prohibiting the inclusion of the manifestations of SPP into the following sections of procurement documentation: the subject of the contract, technical specifications, terms of performance of the contract. Also no prohibition occurs with the criteria for selecting the winner of the competition, and during a request for proposals stage.

Method of the Research

To evaluate the perspectives of introduction of SPP in Russia, we have developed a piece of research consisting of two parts: a) a survey and b) an analysis in procurement documentation.

As we did not have a single database of procuring specialists, for the survey we used the contacting details of public authorities from the federal internet portal, and used the snowball strategy. In the selection of respondents, we consider the areas to encompass representatives from all federal districts. 519 emails were sent in total. 51 people participated in the survey, including municipal customers (6%), government customers of federal (14%) and regional (80%) levels.

Survey questions were drafted in a manner similar to the questionnaire used by H. Walker, S. Brammer for international comparative study of the practice of implementing SPP. Participants of the survey were given a list manifestations of SPP, widely spread in international practice to ensure that they compare these manifestations with their procurement practices in their

organizations. The questionnaire included both quantitative and qualitative types of questions.

The second part of the research was organized due to the assumption of the lack of awareness of the respondents, which is associated with a deficit of information on SPP in Russian sources. We also consider that it may affect the results of the study. In order to minimize the influence of the human factor the presence of manifestations of SPP was investigated by documentation analysis – procurement records published on the federal portal for posting information on public procurement www.zakupki.gov.ru.

For the analysis of the procurement documentation of Russian public customers posted on federal public procurement portal 400 contracts out of 2437 were selected (50 from each federal district). They were chosen because of their subjects of the purchase, which in accordance with the «Procura+» have the greatest potential for improving sustainability parameters (Procura+ Manual, 2007). They are as follows:

- Transport,
- Cleaning products and services,
- Electricity,
- Food and catering services,
- IT products,
- Building construction/ renovation.

The authors of “Procura+” developed key criteria for each type of products and services listed above (Procura+ Manual, 2007). For the following research we have taken these criteria and adapted them on the basis of normative legal acts of the Russian Federation. Thus, the basic requirements that contribute to sustainable procurement were formulated, and their presence investigated in the procurement documentation.

Results

Manifestations of Sustainable Procurement in the Activities of Russian Public Customers

The respondents’ answers from the conducted survey gave us a list of products and services through which it is possible to promote sustainable development and consumption: the purchase of paper, printed material or printing services, as well as office equipment and spare parts is carried out by 78% of the respondents; 68% procure furniture, industrial goods, handmade goods, goods for special purposes, consumables; vehicles, spare parts and services – 42%; Fuel – 34%; electricity, gas, and other energy sources

– 34%. However, not many manifestations of SPP appear in public customers’ activities(see Table 1).

Table 1. Manifestations of SPP in public customers’ activities in Russia,%

Sustainable procurement items	Absolute ly not true	Not true	Neither true nor not true	True	Absolutely true
Uses a life-cycle analysis to evaluate the environmental friendliness of products and packaging	10,4	37,5	33,3	16,7	2,1
Asks suppliers to commit to waste reduction goals	2,1	47,9	35,4	14,6	0
Reduces packaging material	10,2	42,9	38,8	6,1	2,0
Participates in the design of products for disassembly	26,5	48,9	20,4	4,1	0
Participates in the design of products for recycling or reuse	26,5	51,0	18,4	4,1	0
Purchases from ethnical minority-owned enterprise	22,9	41,7	20,8	12,5	2,1
Purchases from woman-owned enterprise	4,2	6,3	20,8	54,2	14,6
Ensures the safe, incoming movement of product to our facilities	8,2	28,6	26,5	28,6	8,2
Ensures that suppliers’ locations are operated in a safe manner	6,1	44,9	24,5	16,3	8,2
Visits suppliers’ plants to ensure that they are not using sweatshop labour	32,7	51,0	12,2	4,1	0
Ensures that suppliers comply with child labour laws	18,8	22,9	27,1	22,9	8,3
Asks suppliers to pay a “living wage” greater than a country’s or region’s minimum wage	36,7	48,9	14,3	0	0
Donatestophilanthropicorganizations	34,7	51,0	12,2	2,0	0
Volunteersatlocalcharities	22,5	32,7	24,5	16,3	4,1
Purchases from small suppliers	6,1	2,0	6,1	55,1	30,6
Purchases from local suppliers	2,0	2,0	16,3	48,9	30,6

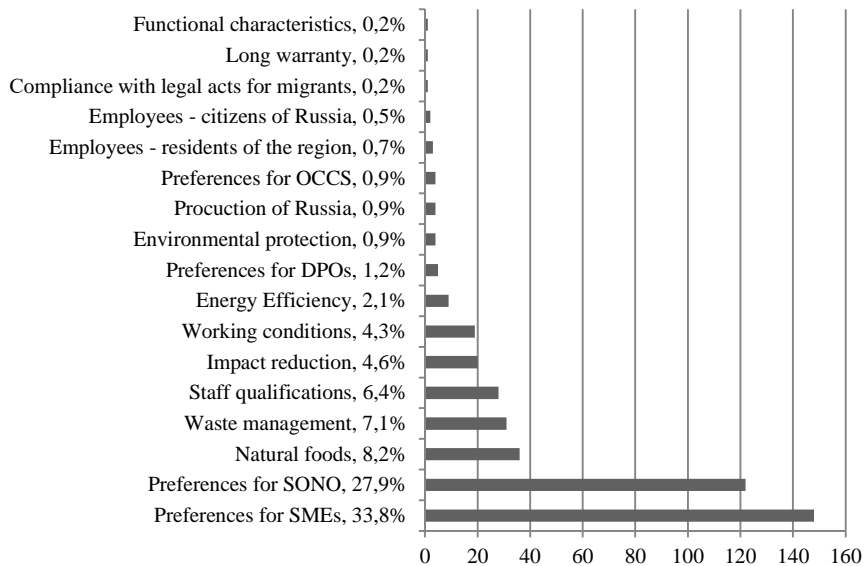
Source: own work.

The table shows that public customers pay much attention to manifestations of SPP that contribute to the development of small and local businesses (30,6% both) and prevention of gender-based discrimination

(14,6%). Other manifestations of SPP represented in the list, do not apply to procurement activities.

The analysis of procurement documentation also showed the presence of individual manifestations of SPP in public customers' activities (see Figure 1).

Figure 1. Manifestations of SPP in the procurement documentation



Source: own work.

Providing of preferences to small businesses is the most common activity (SMEs): 148 manifestations. This manifestation significantly prevails over the others, accounting for slightly more than one-third of the amount of all forms of SPP.

These results are explained by legally established norms about the responsibility of public customer to purchase not less than 15% of the total annual volume of purchases from SMEs (Federal Law №44, article 30). In such cases, restrictions are imposed on the procurement participants; attracting SMEs as sub-contractors is considered equivalent. Similar preferences are set for socially-oriented non-profit organizations (SONO) (Federal Law №44, article 30). That is also reflected in the results obtained: 122 manifestations.

The next most frequently mentioned factor (36 times) is the requirement for naturalness of food provided. Namely requirements for the absence of genetically modified organisms certain chemicals, food additives, dyes, preservatives and flavorings in food.

We also found manifestations of SPP regarding dealing with waste, which can be called sustainable (31 manifestation). Those include the requirements for proper transportation, storage at the site of municipal solid waste, waste management, as well as actions that contribute to, firstly, reduction of the amount of waste: the requirement for suppliers to use multi-turn packaging, purchase multifunction devices; waste generation with less negative impact: the requirement to deliver products using packaging made of cardboard or wood.

The number of requirements for qualification of employees and its improvement (28 manifestations) is nearly 6.5% out of all manifestations of SPP. In particular, qualification of the participants of purchase appeared in several cases as a criterion for assessing applications: availability of the required number of specialists and other employees with a certain skill level, additional requirement was the presence of certificates for professional chefs with category no less than 4th; the requirement to create conditions for advanced training for drivers was included in the terms of contract.

The next most frequently mentioned (20 times) is a manifestation, which consists in activities aimed at reducing the negative impact on the environment and incorporates the following:

- requirement for a dispenser in detergents and cleaners;
- requirements for vehicle emissions;
- requirements for chemical elements in the composition.

Thus, the requirement that the components of the composition should be biodegradable and safe for the environment was established in the technical specification, as well as the requirement of the absence of chlorine-containing components.

Requirements for the establishment of favorable working conditions and giving special attention to compliance with safety regulations (19 manifestations) account for nearly 4.5% of all SPP manifestations. For example, the duty to ensure the installation and operation of the module buildings and composting toilets was included in terms of execution of the contract.

Requirements relating to energy efficiency appeared in the analyzed documentation 9 times, which makes up 2% of the manifestations of SPP. In particular, the purchase of energy-efficient lamps; conformity of the equipment to the parameters of the energy efficiency standard “Energy Star”, and to the energy efficiency classes – not less than Class A. Also, we

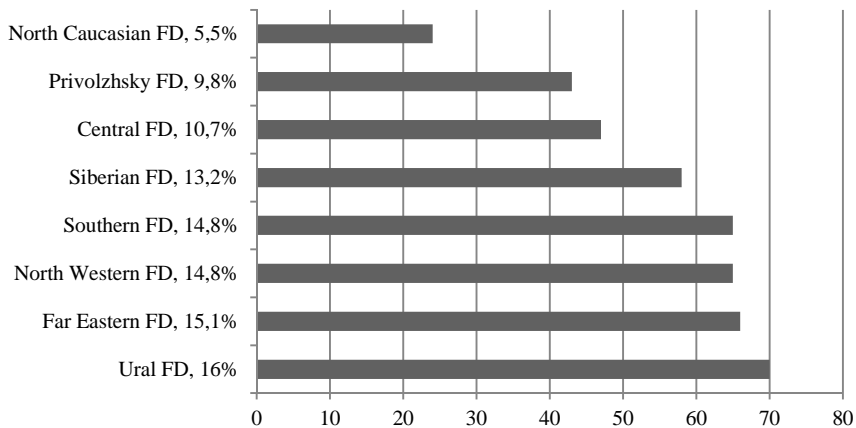
can note the purchase of traffic lights with autonomous operation which are solar powered and have motion sensors that turn on automatically with the appearance of the person.

Preferences for disabled persons' organizations (DPOs) and organizations of criminal correctional system (OCCS) account for just over one per cent, and slightly less than one per cent, respectively. The results are explained by the fact that, despite the legislative consolidation of its benefits regarding the proposed price of the contract (Federal Law №44, article 27), specific commitments on the volume of such purchases (as in the case of SMEs and SONO) are not installed.

Other manifestations of SPP represent less than one percent.

An analysis of the procurement documentation showed that, in general, we are talking about even distribution of the number of manifestations of SPP in the territory of the Russian Federation (see Figure 2). The only exception was in the North Caucasian Federal District. The greatest number of manifestation of SPP was accounted for Ural (70 times), Far Eastern (66), North-Western and Southern (65) federal districts.

Figure 2. Manifestations of SPP based on the federal districts

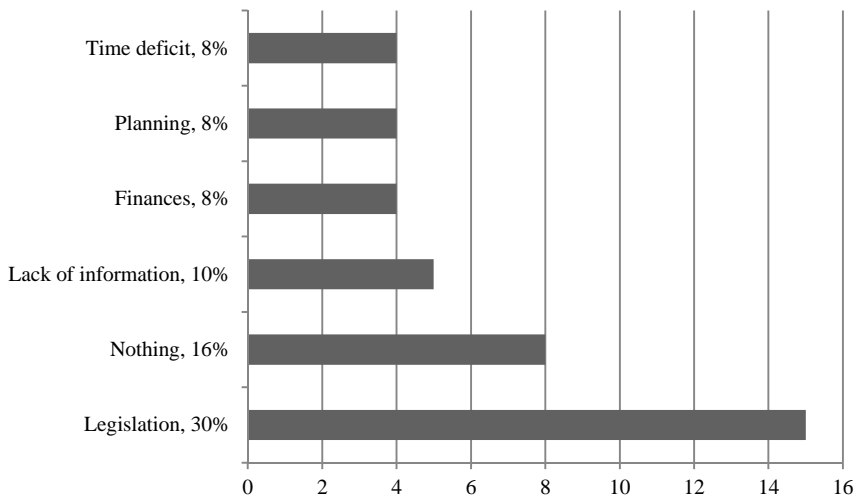


Source: own work.

The procedure for determining the cost of procurement, used by public customers does not match the instrument of introduction of SPP – life cycle cost. The expenses that were included in the calculation of the initial contract price did not take into account the costs associated with the disposal and operating: the cost of utilities and maintenance.

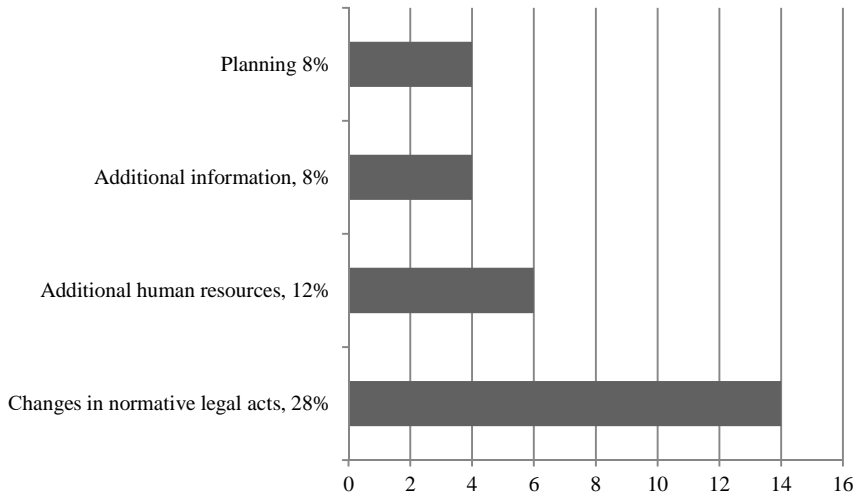
The questionnaire also included questions about the factors that contribute to the implementation of SPP in the system of public procurement in Russia, and the barriers for this implementation. Thus, the main barriers (see Figure 3) are, firstly, the law (30% of respondents); secondly, the lack of understanding of the essence of SPP because of the lack of information about them, lack of knowledge of SPP application and, as a consequence, the lack of competent professionals (10% of respondents).

Figure 3. Factors impeding the implementation of SPP in Russia



Source: own work.

Answers about the factors that contribute to the implementation, correlate with answers about the barriers and come down to the need for changes in normative legal acts, the provision of additional human resources and raising awareness about the nature of SPP and its implementation mechanisms (see Figure 4).

Figure 4. Factors contributing to the implementation of SPP in Russia

Source: own work.

Conclusions

Conceptual ideas of sustainable development are intended to be integrated into national policy. One of the most effective mechanisms for implementing the principles of sustainable development into practice is sustainable public procurement, which brings involved countries significant environmental, economic and social benefits.

Russia was announced to join the sustainable development policy by its government in 1996. Today, legislation on public procurement allows authorities to make purchases bearing in mind the requirements of sustainable development in the individual sections of the procurement documentation. The analysis of public customers has shown that in Russia prerequisites for the implementation of SPP in public procurement do exist. Thus, individual manifestations of SPP are present in the procurement documentation.

From the answers of the respondents, the main obstacle to the implementation of SPP is legislation. Accordingly, change in the legislation would be the main stimulating factor. Investigation of procurement documentation showed that public customers are more likely to use those manifestations of SPP, which are compulsory by law. Thus, indeed, making the appropriate changes to the law on public procurement – namely, the inclu-

sion of obligations to apply manifestations of SPP – could be a major motivating factor.

The results of the survey have demonstrated that the raise of awareness of public customers about the nature of SPP, the process of their implementation and benefits will also contribute to the enhancing of the implementation of SPP in Russia. The issue of implementation of sustainable development policies into procuring practices is relevant for Russia, as well as relevant are studies and bodies of research on this subject. Our research shows the focus areas for state authorities for the implementation of SPP. A number of questions remains relevant. For example, what measures of implementing SPP are the most effective on the basis of international experience and what kind of measures should be taken especially by Russian state authorities?

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