



## Overview of *Draft Guidance*:

# Measuring and Communicating SPP Benefits

May 27, 2015

Prepared for:

SPLC 2015 Summit

Prepared by:

Angela Helman

Industrial Economics, Incorporated

2067 Massachusetts Ave.

Cambridge, MA 02140

617/354-0074

ahelman@indecon.com

# Background on Guidance

- ❖ Funded by UNEP's SPP "2B" working group on SPP benefits, in collaboration with SPLC
  - ❖ IEc is the technical consultant
- ❖ Guidance informed by: literature review, interviews, review of available SPP benefits reporting, expert workshop
- ❖ Guidance designed within the structure of SPLC Guidance Version 1.0
- ❖ Currently piloting Guidance with CA DGS and KEITI Korea



# SPLC Guidance Version 1.0 Structure

*Measurement work happens at each step*



# Key Definitions

## Activities:

- ❖ Spend analysis
- ❖ Policy development
- ❖ Spec development
- ❖ RFP language development

## Outputs/ Embedment Indicators:

- ❖ Sustainability policy, guidance, or specifications in use
- ❖ RFPs have sustainability criteria built in
- ❖ Integration of SPP program into e-procurement, tracking systems

## Intermediate Outcomes:

- ❖ # of contracts that meet sustainability policies

## Longer-term Outcomes:

- ❖ More sustainable goods/services purchased leads to:
- ❖ *Internal Benefits: benefits enjoyed by the purchaser*
  - ❖ *Cost savings, revenue growth, risk reduction*
- ❖ *External Benefits: public good/ social welfare benefits*
  - ❖ *Environmental, social, economic*

# Potential Benefits of SPP

## Potential Benefits of SPP (Partial List)

### Environmental Benefits

- ❖ Reduced greenhouse gas emissions
- ❖ Reduced energy, water, and fuel consumption
- ❖ Reduced waste generation
- ❖ Improved air quality
- ❖ Efficient use of materials
- ❖ Reduced use of hazardous substances
- ❖ Maintains biodiversity

### Social Benefits

- ❖ Creates employment opportunities
- ❖ Improves occupational health and safety
- ❖ Improves social inclusiveness
- ❖ Promotes economic opportunity for indigenous people
- ❖ Promotes equal opportunity employment
- ❖ Promotes fair and ethical trade
- ❖ Supports small and medium enterprises

### Economic Benefits

- ❖ Reduces cost
- ❖ Promotes innovation
- ❖ Promotes regional economic development
- ❖ Develop markets for sustainable products and services
- ❖ Grows revenue
- ❖ Improves reputation
- ❖ Reduces risk

Source: Baseline Review Report: Measuring and Communicating the Benefits of Sustainable Public Procurement

## Types of Potential Cost Savings and Relevance to the Public Sector

- ❖ Reduced initial cost
- ❖ Reduced lifecycle costs
- ❖ Reduced total cost of ownership
- ❖ Reduced operating, maintenance, and replacement costs
- ❖ Reduced energy, water, and fuel costs
- ❖ Reduced waste disposal costs
- ❖ Reduced over-specification
- ❖ Reduced compliance costs
- ❖ Reduced health and safety costs
- ❖ Reduced legal and insurance costs

Source: Baseline Review Report: Measuring and Communicating the Benefits of Sustainable Public Procurement and BuySmart Network's Guide to the Business Case & Benefits of Sustainability Purchasing, March 2007.

# Why We Measure

- ❖ Only way to know if what you're doing is working
- ❖ SPP outcomes be considered by forthcoming SPLC rating system
  - ❖ Rating system is in early stages of development
  - ❖ Measurement challenges are well-known to SPLC
  - ❖ Healthy debate likely on *how* to integrate measurement
    - ❖ How much “credit” is appropriate to assign to, for example:
      - ❖ Policy and specs
      - ❖ RFP criteria integrated
      - ❖ Actual sustainable purchases
      - ❖ Analyzed benefits of actual sustainable purchases
      - ❖ Different types of benefits (environmental vs. economic, internal vs. external)

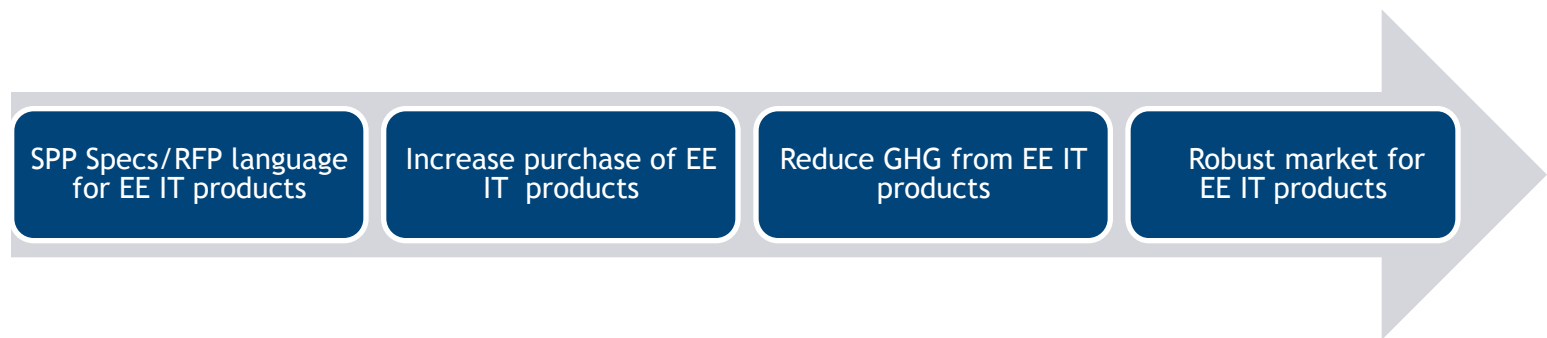
# Program Level: Prepare the Vision

- ❖ Choose benefit categories your organization cares about:
  - ❖ What benefits are relevant to your organization, mission, and stakeholders?
  - ❖ Focus on environmental impacts , or focus on economic or social as well?
  - ❖ Are there already SPP initiatives in place that inform future vision?

# Program Level: Design

- ❖ Logic Model: graphic showing how a program is supposed to work

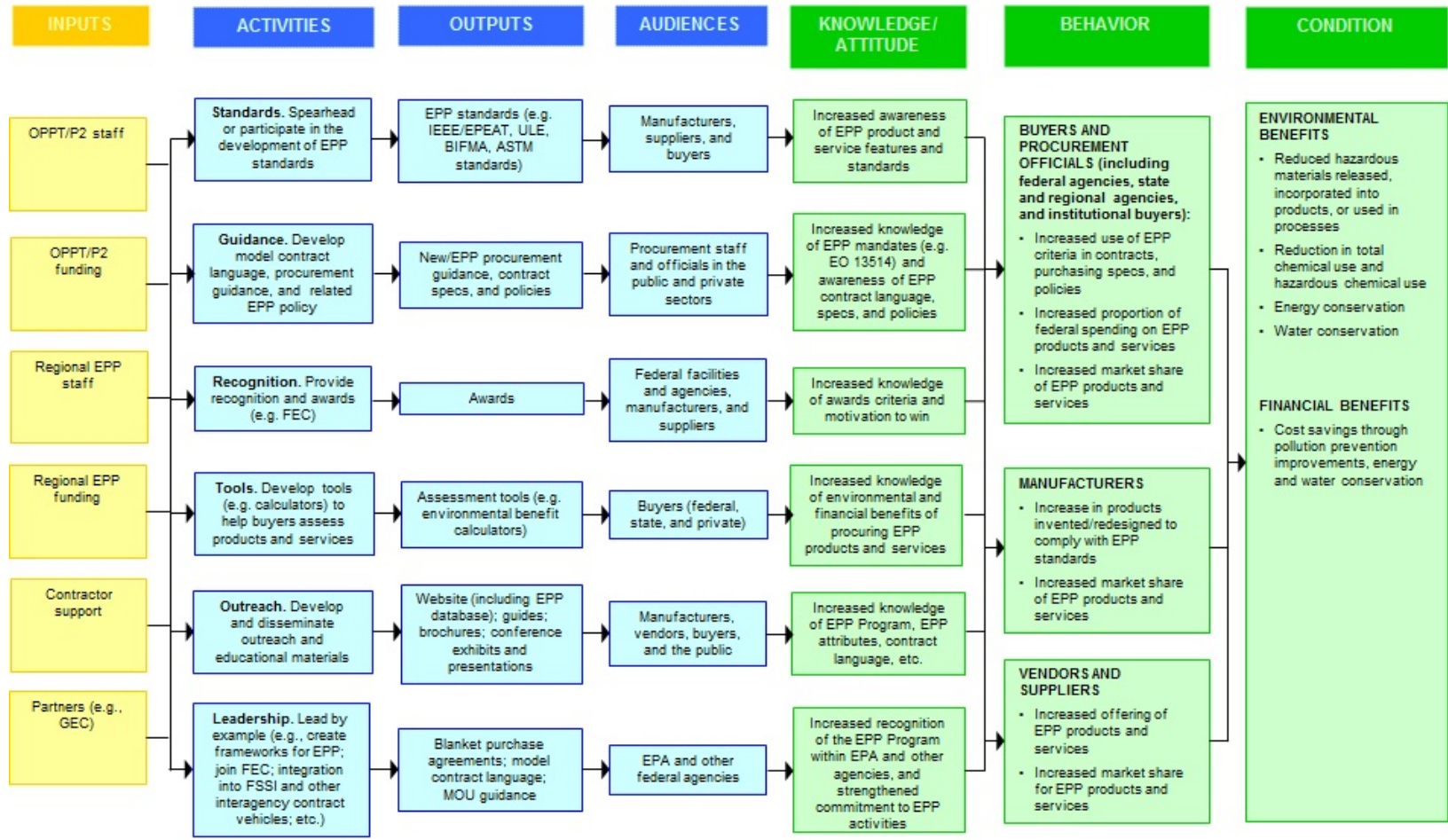
Activities → Outputs → Outcomes





# Logic Model Example (with metrics)

**MISSION:** To reduce the environmental footprint of the federal government and broadly influence the marketplace towards more sustainable products and services.



**External factors:** Political and economic circumstances; available EPA budget to promote EPP; availability of federal agency budgets to buy EPP products and services; level of participation of standards-setting organizations in the development of voluntary consensus standards for EPP.

**Assumptions:** Monitoring and evaluation activities inform learning, knowledge capture and dissemination, and programmatic improvements.

# Strategy Cycle: Spend Analysis and Strategy Selection

- ❖ Review spend analysis options
  - ❖ Product/service category focus or supplier focus
  - ❖ EIO LCA preferred for environmental impacts
- ❖ Collect purchasing data to support spend analysis
- ❖ Conduct analysis to identify priority product/service categories or priority strategies
- ❖ Set a measurement baseline using outcome of spend analysis

# Strategy Cycle: Setting Metrics for Priority Strategies

For each priority strategy:

- ❖ Identify key indicators
- ❖ SMARTT metric for each indicator
- ❖ Absolute vs. relative metrics
- ❖ Baseline for each metric

## Characteristics of SMART Performance Indicators

### Specific

What condition or situation is the program targeting for improvement? How will the program influence the situation?

### Measurable

How much influence or change do you expect to achieve (quantify if possible)? How will you know when you achieve your target?

### Actionable

What steps can your program take to achieve your target? To what extent can your program influence the outcome?

### Results-based

What tangible benefits will result from achieving your target? How will these benefits materially affect the condition or situation you are aiming to improve?

### Realistic

How attainable is the target? What is the probability of success?

### Time-bound

By what date (or how far in the future) do you expect results to occur?

# Preparing for Implementation and Measurement

Address the following:

- ❖ Data needs: Does my organization's e-procurement system track sustainable purchasing? What changes need to be made?
  - ❖ Changes to systems and contracts
  - ❖ Future research needs
- ❖ Training needs: Who needs to be trained around measurement? What do they need to know and do differently?

## Example Reporting Requirements

The contractor/supplier must document that the products supplied under this contract comply with key environmental criteria noted above. On a quarterly basis, the supplier shall submit a Product Worksheet to the Contracting Officer. The report shall include:

- Contractor
- Date of solicitation
- Product or service type
- Model
- Number of sustainable units sold
- Price per sustainable unit
- Number of non-sustainable units sold
- Price per non-sustainable unit
- Total cost - sustainable products
- Total cost - non-sustainable products
- Supporting information for sustainable products (e.g., eco-label certified, and name of the eco-label)

# Communicating Results

## What to Communicate:

- ❖ Progress on each strategy
- ❖ Aggregation to program level
- ❖ Contextualizing benefits
- ❖ Benchmarking
- ❖ Attribution issues/program evaluation

## And to Whom:

- ❖ Within your organization
- ❖ Stakeholders
- ❖ Public

# Using Results

- ❖ Continuous improvement of individual SPP strategies and SPP program
- ❖ Decisions to take on new SPP strategies
- ❖ Management tool to inform broader/higher-level organizational and business planning