

Rebuilding After Disasters: Why sustainable public procurement can be a practical policy

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Rationale

Rebuilding economies following disasters and conflicts is a time of special reckoning. It is a time of great expectation and hope while the emotions of citizens, civil servants and their political leadership are still raw with shock, terror and grief. It is a time when governments are seeking policies for fast but inclusive growth. They are seeking to rebuild infrastructure and housing, energize industries, provide jobs, and improve health and education, and a whole lot more. They are seeking strategies that will increase investor confidence and showcase government leadership. They are seeking incentives that will direct investment to where it is most needed. They are seeking to subsidize activities that will trigger positive externalities across the economy. They are seeking policies that may move the country ahead despite the monetary and economic uncertainties that are characteristic during times of post-disaster/post-conflict national building. One such policy could well be sustainable public procurement (SPP).

The public sector is a very large and diversified enterprise that spends 45–65 per cent of its budgets on procurement. This amounts to 13–17 per cent of GDP in high-income countries and even more elsewhere: 35 per cent in South Africa; 43 per cent in India; and 47 per cent in Brazil. At times of post-disaster and post-conflict rehabilitation, this is even larger. Given the value and volume that this spending represents, public procurement policies give a powerful signal to donors, investors, innovators and industries that there is large and long-term demand for sustainable goods and services and that this demand is here to stay. SPP is, hence, a powerful policy to demonstrate government commitment to nation building and sustainable and equitable development as a whole.

What is Sustainable Public Procurement?

SPP is about laws, policies and practices that integrate economic, social and environmental risks into public procurement processes and decisions. It is about achieving “value for money” across the life cycle by considering the environmental, social and economic consequences of: design; non-renewable material use; manufacture and production methods; distribution and commercialization; operations and/or user life; disposal, reuse and recycling options; and the suppliers’ capabilities to address these consequences throughout the value chain. In other words, sustainable procurement is about doing business with taxpayers’ money in a way that benefits society in the longer term.

The Case for SPP in the Post-Disaster and Post-Conflict Settings

The business case for SPP in the post-disaster and post-conflict setting is compelling. Sustainable procurement deals directly with rebuilding, upgrading and expanding public services—which is *the* mandate on which governments win and lose elections. Governments will be working with investors and donors to build housing, transport hubs, road and rail networks and expanding public services including health, education, agricultural products for distribution to effected areas. To do all this, the public sector will need to increase its purchase of not only “items of frequent spend,” but also commission infrastructure works, which involves products and services with significant supply chains behind them. If all these tenders could be planned and executed in a manner that (1) reduces impacts on the environment; (2) provides preferences to products and services with lower environmental footprints; and (3) provides for the creation of positive externalities such as job creation, technology transfer and skills building, then the entire domestic economy could be remodelled in a sustainable manner.

Table 1 Items of frequent spend in the public sector	
Products	Services
Office and server ICT equipment	Software
Vehicles	Electricity
Indoor lighting	Transport
Outdoor lighting	Couriers and postal services
Paper	Waste handling
Office supplies	Catering: food
Fuel	Catering: beverages
Furniture	
Apparel made with modern fibres and polymers	

Post-disaster and post-conflict are times when large amounts of funds are being mobilized to rebuild and repair. The World Bank estimates that, on average, natural disaster-related recovery and rebuilding costs between 2 and 15 per cent of an exposed country’s annual GDP.¹ (These costs are calculated based on the current prices of replacing physical assets). What excuse is there for not implementing these developments with the environment and society in mind? Given the values and volumes dispersed being properly planned, this massive purchasing power can be large enough to trigger markets for green and socially equitable goods and services.

¹ World Bank. (2004). *Costs of Disasters*. Washington, D.C.: World Bank.

Country	Percentage of GDP
Fiji	12
Argentina	2
Bangladesh	5
China	3
Jamaica	13
Nicaragua	15
Zimbabwe	9

Source: World Bank. (2004). *Costs of Disasters*. Washington, D.C.: World Bank.

These are also times when the private sector (which would have suffered severe set-backs during the times of conflict and disaster) will be well served with positive policy signals that development and sustainable development are government priorities. Innovation and long-term demand are the biggest incentives for enterprises seeking investment—and SPP provides both. Public tenders are large enough for enterprises to take the risk to innovate, achieve economies of scale, reduce costs and plan the wider commercialization of green goods and services.

SPP can also be used to build the capacity of domestic enterprises to produce and deliver green goods and services. This need not be strictly for domestic consumption, but could be targeted for export markets as well. In North America, the domestic market for green electronics, including computers and mobile telephones, was born when the federal government began buying green in the early 1990s. Indeed, the U.S. Environmental Protection Agency's eco label, Energy Star, was created to support federal public procurement mandates on energy-efficient electronics and appliances in 1992. Similarly, in Europe, public procurement served to launch markets for organic food and drink, fuel-efficient vehicles and sustainable timber products. Fair Trade Foundation reports that in the U.K., The Netherlands, Germany and Belgium, the public sector demand for Fair Trade Mark foods has increased demand by 11 per cent per annum from 2003 to 2008.

There is also rising anecdotal evidence to indicate that if post-disaster rehabilitation and associated procurement are executed in an environmentally and socially sound manner, they can contribute to disaster risk reduction in a meaningful manner. The Centre for Research on the Epidemiology of Disasters (CRED) databases² provides the following examples:

- Following Hurricane Gilbert in 1998, Hurricane Mitch in 1998 and Hurricane Michelle in 2000, the Cayman Islands rebuilt their infrastructure based on the principles of integrated coastal zones management, incorporating the findings from environmental and social impact

² <http://www.cred.be/publications>

assessments. They also changed the rules and governance of hurricane risk, upgraded early warning systems and the promoted self-mobilization across civil society. As a result, the economic and ecological impacts of Hurricane Ivan (2004) were reduced through the dramatically improved resilience of the islands.

- In China, the World Bank estimates that US\$3.15 billion spent on flood resistant infrastructure, mangrove and dune conservation from 1970 to 2000 actually averted losses of about US\$12 billion.³ These statistics provide a compelling case for incorporating sustainability perspectives into disaster risk reduction.
- A hypothetical evaluation of the benefits of retrofitting a port in Dominica and 30 schools in Jamaica (in 1992) based on the principles of eco-design and vernacular/hurricane resistant architecture indicates a cost-benefit ratio of 2.2:3.5.
- An appraisal of green infrastructure built to resist floods and lahars in the Philippines in 1994 indicates a cost-benefit ratio of 3.5:30.
- An ex-post evaluation of a mangrove conservation project in Vietnam for protection of coastal population against typhoons and floods is estimated to have brought annual net benefits of US\$7.2 million (with a cost-benefit ratio of 5:2 over the period 1994 to 2001).
- An ex-post evaluation of the Rio de Janeiro Flood Reconstruction and Prevention Project, which commissioned the construction of vernacular housing and drainage infrastructure, is reported to have greatly curbed annual residential flooding, yielding an internal rate of return higher than 50 per cent.

Challenges in Implementing SPP in the Post-Conflict and Post-Disaster Setting

SPP requires concerted and coordinated action across several government departments, including public treasuries. To provide for such coordination and to empower procurers to award tenders based on the most cost-effective alternative across the product/service life cycle, the value of dedicated SPP laws and policies cannot be overemphasized. In lower income economies, such laws and policies are largely missing.

Rolling out SPP policies also requires a substantial level of leadership and public accountability, which can only be expected in politically stable economies. The problems faced by countries that are frequent victims of disasters and conflict are often compounded by political instability.

³ World Bank (2004)

It is also true that SPP, including the life-cycle mindset, needs to be integrated into not only public-sector procurement laws policies and processes, but also into disaster and conflict risk reduction strategies. In the case of disasters, life-cycle thinking would need to be built into:

- Policy and planning to increase the ability of countries to lower disaster risks
- Physical prevention strategies that range from durable and environmentally designed infrastructure to the conservation of natural defence barriers such as forests, dunes, lagoons and mangroves
- Physical coping and adaption strategies, including the strengthening of natural defence barriers and the building of disaster-resistant shelters
- Capacity building for procurers and disaster preparedness committees

In post-conflict situations, SPP and life-cycle thinking would also have to be introduced within policies addressing the socioeconomic and environmental causes of conflict and, when practical, in peace building.

IISD is exploring stakeholders' perspectives on whether SPP is a feasible policy for incorporating sustainability into disaster risk reduction and post-conflict rehabilitation. Get in touch with your views: Oshani Perera: operera@iisd.org.