

# Application and Practice of Sustainable Procurement in Kenya

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## ABSTRACT

Sustainable procurement isn't simply about being "green" but it's also about; socially and ethically responsible purchasing, minimizing environmental impact through the supply chain, delivering economically sound solutions and good business practice. Sustainable procurement is rising on the policy agenda for many countries but knowledge remains limited. In Kenya, the government has put in place a wide range of policy, institutional and legislative to govern all business activities in a move towards green procurement. These include; Environmental Management and Coordination Act (EMCA) 1999, Kenya Solid Waste Management by laws of 2007, The Factories Act (Cap 514 of the Laws of Kenya), The Environmental Management and Co-ordination Regulations, 2006. However, with all these acts and legislations, adoption of green procurement has been slow resulting in lower diffusion rate in Kenya. This study therefore sought to establish the status of green procurement in Kenya while guided by the following objectives: To evaluate the steps made towards sustainable procurement in Kenya, to establish the advantages accrued to a firm which embraces sustainable procurement and to establish the challenges facing a firm which embraces sustainable procurement. The study relied on published secondary data from three sampled industries in Kenya and reports by bodies such as PPOA, CIPs and UNEP. Purposive / selective sampling design was employed in selecting the three industries under study. The study established that though the drive towards pollution prevention and minimization of environmental impacts at all stages of the product lifecycle from sourcing of raw materials, through manufacturing, transport, use and disposal has not been embraced by the sampled industries, there was evidence of allegations of irregular procurement at some companies, including non-adherence to environmental issues. Advantages associated with sustainable procurement included; minimizing risks, gaining market share and delivering better service provision. Challenges encountered were: employees resistant to change, the initial cost incurred, poor policy communication among others

Key words: *Sustainable procurement, Green procurement*

## 1.0 Introduction

Green procurement is the purchasing of products or services which have a lower impact on the environment over their whole life cycle than the standard equivalent. It involves the integration of environmental issues into purchasing decisions based on price, performance and quality. According to CIPS (2011), Sustainable procurement isn't simply about being "green" but it's also about; socially and ethically responsible purchasing, minimizing environmental impact through the supply chain, delivering economically sound solutions and good business practice.

Globally, green procurement (GP) has taken over as the new competitive frontier (Rao & Holt, 2005). A study undertaken by the Green Public Procurement in Europe in 2003 on the 'State of Play of Green Public Procurement in the European Union' revealed the wide variation in achievement in this area within Europe. Denmark showed an impressive amount of commitment to green public procurement with 40% of administrations that include environmental criteria for more than 50% of their purchases. Similarly in Sweden 50% of administrations include environmental criteria for more than 50% of their purchases. Germany rated third with 30% and the UK at 23% still beat the average of 19%. In another illustration, on October 2005, Wal-Mart President and CEO announced that Wal-Mart was launching a sweeping business sustainability strategy to dramatically reduce the company's impact on the global environment and thus become "the most competitive and innovative company in the world." He set three ambitious goals to achieve this: To be supplied 100 percent by renewable energy; to create zero waste; and to sell products that sustain Wal-Mart's resources and the environment.

Leading international agencies that have included environmental issues in their procurement guides include the International Bank for Reconstruction and Development (IBRD), African Development Bank (AfDB) and United Nations (UN). United States of America (Swanson, et al 2005); South Africa (Bolton, 2006; 2008) and Asia (Ho, Dickinson & Chan, 2010) are some specific countries that have mainstreamed environmental agenda in their procurement.

In Kenya, the government has put in place a wide range of policy, institutional and legislative to govern all business activities to ensure there is protection of the environment (Odhiambo, 2008). The Public Procurement and Disposal Act (PPDA) of 2005 and the Procurement Regulations of

2006, for example has introduced new standards for public procurement in Kenya. However, as Brammer and Walker (2011), notes, Kenya as one of the developing countries has been slow in taking up structured and policy driven approach to enhancing adoption of green procurement the benefits accruing notwithstanding.

## **1.2 Statement of the problem**

Sustainable procurement is rising on the policy agenda for many countries but knowledge remains limited. In Kenya, the government has put in place a wide range of policy, institutional and legislative to govern all business activities in a move towards green procurement. These include; Environmental Management and Coordination Act (EMCA) 1999, Kenya Solid Waste Management by laws of 2007, The Factories Act (Cap 514 of the Laws of Kenya), The Environmental Management and Co-ordination Regulations, 2006 among others. However, with all these acts and legislations, adoption of green procurement has been slow resulting in lower diffusion rate in Kenya. Researches have been carried out to establish the level of adoption of sustainable procurement by different scholars such as ‘Green supply chain management’ (Zhu et al., 2005); ‘Corporate social responsibility’ (McWilliams & Siegel, 2000) and ‘Purchasing social responsibility’ (Carter, 2005). In Kenya, Nasiche (2014) and Sasaka (2014) are examples of scholars who have researched on sustainable procurement. Scholars indicate that though sustainable procurement would help curb a number of vices such as climate change and global warming, not all companies have warmed up to the idea of embracing sustainable procurement.

## **1.3 Research objectives**

The research was guided by the following objectives:

- 1) To evaluate the steps made towards sustainable procurement in Kenya
- 2) To establish the benefits accrued to a firm which embraces sustainable procurement
- 3) To establish the challenges facing a firm which embraces sustainable procurement
- 4) To suggest opportunities for improving the use of sustainable procurement in Kenya.

## 2.0 LITERATURE REVIEW

An increasing number of companies are rightly recognizing corporate responsibility and, in particular environmental consciousness as mandatory business imperative. Hollos and Reuters (2012) noted that rather than being costly and inconvenience environmental initiative has become source of competitive parity. In government entities especially, sustainable procurement is one of the most important areas of environmental improvement as government entities purchase all kinds of good and services, ranging from small objects to large investment for fulfillment of their public responsibilities (Van Der Grijp, 1998). Therefore the government entities should put in place environmental consideration which may include reduction of greenhouse gas emission and air pollutants reduced waste, support for re-use and recycling, use of renewable resources, reduced hazardous substances and reduced toxic substances (UNDESA, 2006). This would strengthen the idea of green supply and chain management which is to eliminated or minimize waste along the supply chain (Sarkis, 2003).

If companies are legally required to purchase sustainably then it will compel them to look at their supply chain at least to meet the specifications of legislations (Belfitt, 2001). With these benefits however, there are challenges to sustainable procurement as noted by Morgan (1986). Conflict of incentives is termed as the major challenge where the staff member involved may feel compelled to make decisions that are not in line with the sustainable procurement strategy. Bel fit (2011) also notes that resistance may be experienced and if new practice are to be accepted and implemented then employees need to be motivated.

Given the wide range of policy, institutional and legislative put in place in Kenya to govern all business activities to ensure there is protection of the environment as noted by Odhiambo, 2008, Nasiche (2014), points out that in Kenya, adoption of green procurement has been slow resulting in lower diffusion rate.

### **3.0 METHODOLOGY**

#### **3.1 Research Design**

The study is descriptive research which relied on secondary data. Information regarding sustainable procurement in three main industries namely: Sugar industry, pipeline industry and Unga limited in food industry of Kenya was studied and obtained. The three industries were purposefully selected where according to Aina and Ajifuruke (2002), purposive sampling is judgmental and allows the researcher to base his knowledge of the population and handpicks certain groups or individuals for their relevance to the issue being studied.

## **RESULTS AND FINDINGS**

### **Steps made towards sustainable procurement in Kenya**

Green procurement is rooted in the principle of pollution prevention which strives to reduce risks to human health and environment (Bolton, 2012). Regardless of the different Acts established by the government in a move towards Green procurement, the Kenya Solid Waste Management (2013) indicated that Industrial wastes constitute about 23% of the total waste generated in Nairobi city while only about 25% of estimated 1500 tonnes of solid waste generated daily get collected. Review on the three industries;

#### **SUGAR INDUSTRY**

Of interest in the findings in the sugar industry was that while some companies (79%) consider climate change to present a commercial risk, 82% regard it as a commercial opportunity for both existing and future products (MOEF,2010). The implication is that as much as the government and other stakeholders may want to adopt Green procurement, some companies may be reluctant given that they see an opportunity in non-conformance.

#### **Actual findings**

In the sugar industry, it was evident that a high number of respondents (84%) admitted to the fact that their companies were following environmentally conscious strategies.

Notably, the industry was ISO certified and obtained other certifications such as from KEBs and NEMA.

To achieve Green procurement, the use of paper need to be reduced to a great extent. The sugar industry has achieved this with a 15.9% paper based activities. Though it is recommendable, there is still room for improvement. The industry however indicated that the percentage could be attributed to the fluctuating power supply in Kenya which could highly tamper with the procurement system.

Further, respondents demonstrated a clear understanding of green procurement in their companies citing benefits such as improved brand are reaped.

#### KENYA PIPELINE COMPANY

##### Preamble;

Though tremendous financial gains were reported in the 2012/2013 financial year to Ksh. 5.5b up from Ksh. 3.8b resulting into an 81% increase, auspicious non-conformance to green procurement has been reported. For instance, Kenya anti-corruption commission 2009/2010 report showed that the company was investigated for allegations of irregular procurement and award of a tender for rehabilitation of a line costing 7600m (KACC, 2011)

Other case include the pipeline leak leading to fire in Mukuru – Sinai slums in 2012 and a burst of pipeline that led to halt of supply through Nakuru in June 2012.

##### Findings;

A green procurement move is a collective action by all the firms' stakeholders. The green procurement policy need to be adopted and communicated to all for efficient implementation. However, out of the sampled respondents in Kenya Pipeline Company, 16% thought that KPC had a green procurement policy with just 10% indicating that it had been communicated to them. Further, only 10% agreed on being trained on green procurement policy.

Notably also was that KPC had not documented clear green procurement guidelines and policies as only 17% staff rated the organization to have achieved much in this regard. This consequently

meant that KPC's internal green procurement capacity was low and was likely to affect adoption of green procurement in the industry

On the issue of cost, 70% of the respondents indicated that green products, services and works did not cost more than non – green ones. Therefore cost was not a factor to hinder or encourage a move towards green procurement.

It was also documented as evidenced by a 22.6% response that KPC did not have a specific department dealing with environmental issues.

Lastly, on the issue of green supply capacity, 20% of the respondents indicate that KPC suppliers have been resistant to green procurement with tenders standing at 12.9%, which on a brighter note however has not prevented KPC from going green.

#### UNGA LIMITED

Findings on Unga Limited indicated that cost of green procurement had a negative significant effect on implementation. This means that the industry may shy away from going green due to added cost. These findings are contrary to the Pipeline Company which felt that without green procurement, cost remained the same.

The organizational structure was also indicated to pose a challenge on implementation of green procurement where a need for reconfiguring needed to be established in order to enable different kinds of skill sharing and professional relationship to emerge.

On legal and regulatory framework, the study established a notable absence of regulation to mandate government and business green procurement activities.

#### **Benefits accrued to a firm embracing green procurement**

Economic benefits. A company that embraces green procurement reduces supplier-generated wastes and surpluses. Companies decrease handling expenses and risks associated with waste disposal. In addition, a supplier's savings from improved efficiencies may be passed along to buyers in the form of reduced prices

Competitive advantage through innovation. Competitive advantage is acquired through innovation for example efficient production may be enhanced through suppliers' use of cleaner technologies, process innovation, and waste reduction. This is especially true when suppliers and customers work together to find new ideas.

Improved public image. A company's improved image, brand and good will, will enhance improved employee and community health through cleaner air and water, less demand for resources and increased shareholders value. Greening its suppliers can contribute to a company's overall reputation among customers, investors, employees, and other stakeholders.

Tangible benefits. These include cost avoidance, lower waste management fees, lower hazardous material management fees, less time and costs for reporting; Savings from conserving energy, water, fuel and other resources. Easier compliance with environmental regulations. These will lead to demonstration of due diligence; Reduced risk of accidents, reduced liability and lower health and safety costs; support of environmental/sustainability strategy and vision.

Cost sharing and risk reduction are perhaps the most universal across all types of industries and organizations even though there are other quantifiable benefits measured from green procurement.

There are also qualitative benefits such as improved image, brand or ability to meet policy commitments is another key benefit and is of note in a business and public sector climate that is increasingly influenced by the public, nongovernmental organizations and employees that are well informed and educated around the environmental and social issues related to products and services. How both public and private sector organizations measure these benefits varies. They often quantify direct costs savings, environmental benefits, money spent or estimate hidden or indirect savings.

### **Challenges facing a firm which embraces sustainable procurement**

Challenges in companies are inevitable, for instance resistance to change whereby environmental managers may encounter initial resistance to change from within their own company's procurement department as well as the employees. Some environmentally preferable products aren't as readily available, may not meet performance specifications, or may not be cost-

competitive. However, these products often outperform their less-green counterparts through improved efficiencies or favorable life-cycle costs.

Poor policy communication. Well-intentioned environmental groups may not understand the full picture and will send conflicting messages. This can lead to frustration on the part of procurers and undermine the effort. There appears to be a need to facilitate communication among environmental groups to ensure that their advocacy efforts send a consistent message to procurement officers (i.e., education on what is an environmentally preferable car, paper, etc.)

Lack of clear definitions. Many procurement professionals and their organizations are still unaware, uncertain or struggling to define the term “environmentally preferable.” This becomes particularly difficult when organizations need to balance multiple environmental attributes in their decision-making.

Integration into management systems. Decentralized organizations require consistent management systems to ensure consistent application of environmental initiatives. Many green procurement activities in the public sector have been bottom-up, initiated by small groups or individuals. Integrating green procurement activities within a quality or environmental management system can help ensure objectives, targets and measurement procedures are established throughout an organization.

Estimating hidden costs and potential savings. Total cost of ownership and life-cycle costing tools provide a means towards estimating potential benefits e.g., reporting, material handling, and disposal, however, purchasing departments are often ill equipped to conduct such calculations. These calculations often require an in-depth knowledge of the products being procured and how they are used and disposed off.

### **The way forward**

In order to mitigate these factors and encourage a move towards green procurement, the study recommends the following;

1. Communicate the policy to all stakeholders
2. Involve stakeholders in decision making to allow easy and quick diffusion rate

3. Encourage and have training sessions in order to guide on performance measures and what is expected of the employees
4. Reward / motivate accordingly. This may be the employees or the award of contracts where there is effectiveness, transparency and green concern
5. Strictly make the move towards green procurement a routine
6. Encourage technology adoption where for instance, to avoid power black outs, encourage automation and eliminate manual processing.

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