



# Walk the talk

**Ensuring socially responsible  
public procurement**

**States should promote respect for human rights by business enterprises with which they conduct commercial transaction (Guiding Principle 6, UNGP):**

The UN Guiding Principles on Business and Human Rights were unanimously endorsed in May 2011 by United Nations Human Rights Council. Public procurement is specifically addressed in the commentary to the Guiding Principle 6:

*States conduct a variety of commercial transactions with business enterprises, not least through their procurement activities.*

*This provides States – individually and collectively – with unique opportunities to promote awareness of and respect for human rights by those enterprises, including through the terms of contracts, with due regard to States’ relevant obligations under national and international law.*



This guide is developed by the Norwegian Agency for Public Management and eGovernment (Difi), on request from the Norwegian Ministry of Children, Equality and Social Inclusion.

# Socially Responsible Public Procurement (SRPP)

The aim of this guide is to help public organisations to integrate and mainstream SRPP criteria in the procurement process. This will aid in the promotion of workers’ -and human rights protection in the manufacturing of goods for public organisations. The function of the SRPP criteria is to request and verify that suppliers, to public organisations, have socially responsible supply chain management systems in place.

Why include SRPP criteria in the procurement process?

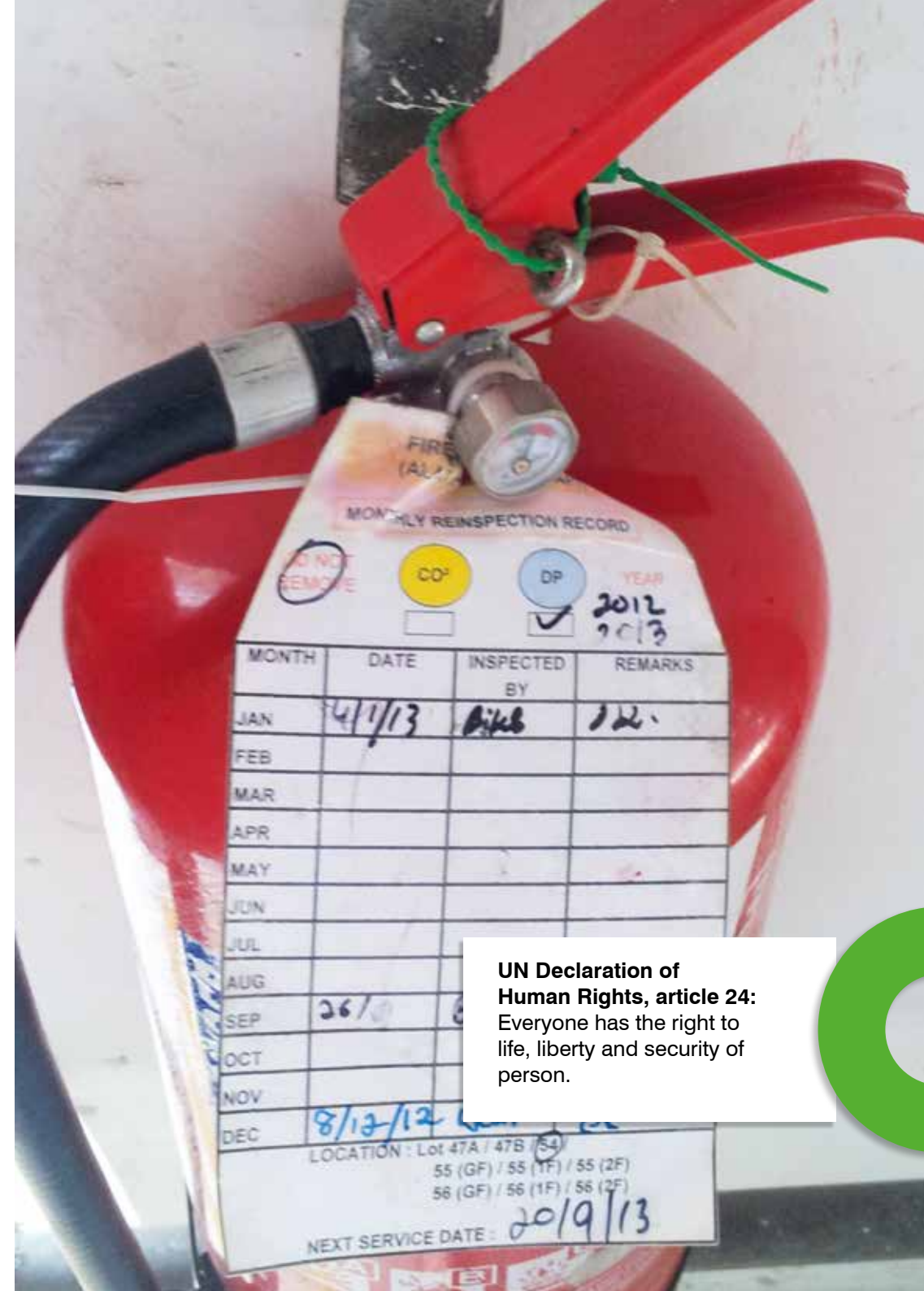
- Both international and national guidelines emphasise that the state should promote respect for workers’ - and human rights with whom they conduct commercial transactions.
- Public procurement can be a significant leverage due to its economic impact in society (19% of European GDP and 12% of

the average OECD countries GDP). It can thus stimulate sustainable and responsible business practises, contributing to a more level playing field globally.

- Without SRPP requests and verifications, public organisations may buy products that have been produced under illegal circumstances, which can lead to the risk of being scrutinised and held accountable by stakeholders. This also implies that fundamental public procurement principles of fair competition, equal treatment and non-discrimination are not being taken into consideration.
- Awarding suppliers who are able to demonstrate efficient and functioning socially responsible supply chain management has a number of positive effects. It contributes to the reduction of poverty and improving living- and working conditions in the production country. Further, suppliers with advanced supply chain management systems will have a competitive advantage, becoming more capable of ensuring high quality products, delivering products on-time and assuring general traceability and transparency in the supply chain.

## Can public procurement put an end to the race to the bottom?

Intense competition naturally leads to a downward pressure on prices. In the global trade economy this, in turn, has proven to cause harsh working conditions, especially among producers



**UN Declaration of Human Rights, article 24:**  
Everyone has the right to life, liberty and security of person.

offering labour intensive industrial production at a low cost. Cost becomes a higher priority rather than the health, safety and standard of living of the workers.

Reports reveal workers frequently being forced to work excess number of hours without appropriate compensation; being denied freedom of association; subject to unsafe workplaces, and paid salaries that do not allow them to cover basic living costs. When producers are forced to lower prices below a profitable level in order to stay in the market, this creates a race to the bottom, at the expense of workers' and human rights.

Secure and decent working conditions imply higher production prices compared to those at facilities not bearing necessary costs such as, workers' safety, correct overtime compensations and legal working hours. The incentives to pay the true production costs therefore seem to be scarce. Even though studies indicate that consumers wish to buy products that are manufactured under decent working conditions, it is ultimately the low price that matters the most. There is thus a discrepancy between individuals' ideals and actions.

The state as a responsible customer can and should show more consistency in its words and actions than individuals - i.e. to walk the talk and be prepared to pay the extra premium it takes for socially responsible production.

## A win-win situation – a race to the top

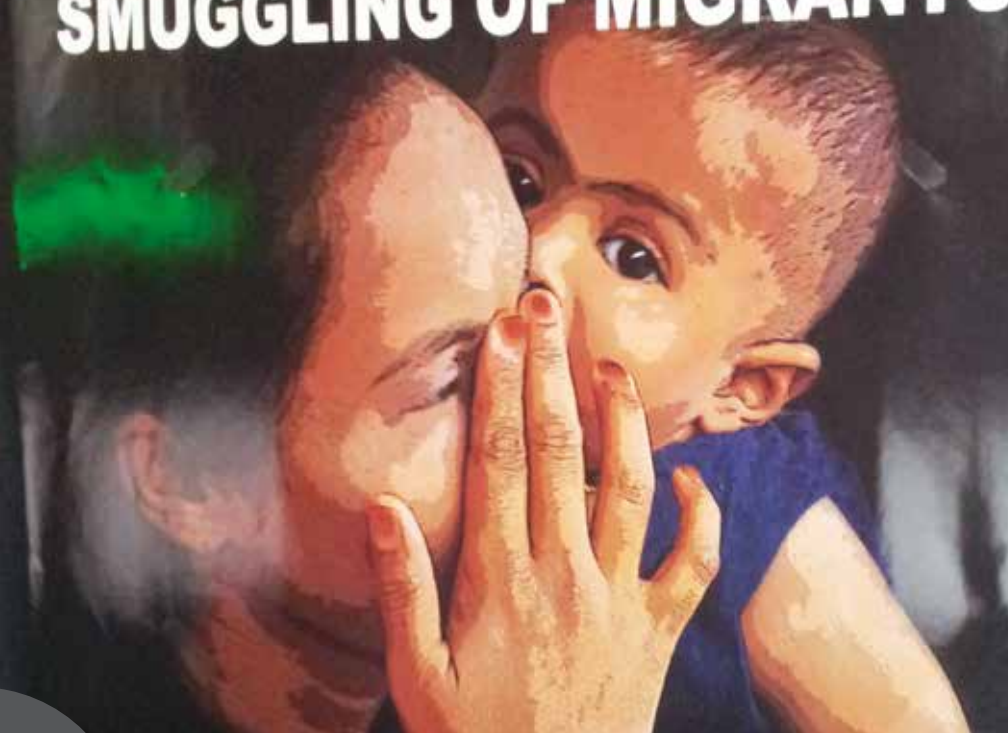
The political will to pay the real price for decent working conditions has the potential to act as leverage towards an improved situation for millions of workers in the labour intensive commodity production globally. The state, through public procurement has a significant influence on market conditions.

When public organisations use the SRPP criteria in the procurement of high risk products, this includes respecting the principles of fair competition, non-discrimination and best value for money. Fair competition is when suppliers, who actively control that their production is done legally, securely and decent, are given a priority to win public contracts over suppliers who do not do so. This is a non-discriminatory procurement process, as it calculates the legal cost of production into the equation of best value for money.

Using SRPP criteria therefore creates a competitive advantage for businesses with socially responsible supply chain management systems in place. Being able to document that control systems function to ensure legal, safe and decent working conditions grants the supplier a greater probability of winning the tender. Then there is not only a moral, but also a financial trigger for business to ensure legal and decent working conditions in the production facilities. Using SRPP criteria in public procurement is in other words a win-win situation.

# 1 AGAINST

## HUMAN TRAFFICKING AND SMUGGLING OF MIGRANTS



### UN Declaration of Human Rights, article 4:

No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

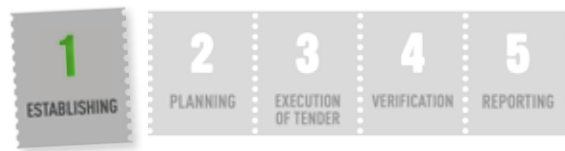
## SRPP criteria along procurement process – a 5-step approach

Integrating SRPP criteria into the daily procurement practise will facilitate the development of constructive routines and enable social responsibility to become a natural and integrated part of the procurement process.

The incorporation of the SRPP criteria within the public procurement can be illustrated with a five step activity process: Starting by (1) including SRPP missions, visions and goals in the relevant guiding documents of the organisation, then (2) planning which type of SRPP requests to include in the (3) tender document. Finally, when having awarded the contract, the (4) verification process begins. The results should be (5) integrated in the organisation's annual report.



## Establishing



To ensure systematic and structured work on socially responsible procurement, it is vital that SRPP is soundly anchored within the organisation through a project plan and sufficient budget resources.

### Use existing processes

A good way to integrate SRPP in the organisation is by merging it with the day to day procurement routines. By incorporating SRPP requirements into existing procedures, checklists, guidelines, reporting systems, communication routines, etc. SRPP is likely to become a mainstreamed, integrated and natural part of the procurement process.

When establishing SRPP in the procurement process, a number of issues should be considered. The organisation must not only decide its SRPP strategy, but must also clearly define roles and responsibilities which should be stated in:

- A **decision memorandum** can be brief and general, but must provide an overview of organisational commitments.
- A **strategic plan** should explain how the organisation intends to work on the issue.
- An **implementation plan** should then focus on mapping the necessary steps to implement the action plan.

Setting specific objectives and time frames can be useful as this will give further strength to the process.

## SRPP communication

Sound communication can have a number of benefits for the organisation:

**Engagement.** Informing and engaging employees. It ensures that policies and strategies are followed, i.e. that the organisation is complying by the SRPP strategy- and implementation plan. When everyone in the organisation is informed and understands the SRPP policies and strategy, it enhances SRPP mainstreaming in the procurement process.

**Visibility.** Making the SRPP commitment visible to stakeholders. Where SRPP commitment is a result of political statutes or strategic plans, the SRPP communication will show how the organisation works to comply by these. As a public organisation, the focus on SRPP may be of interest to a number of stakeholders. Openness and transparency. Be transparent about the entire SRPP process. Transparency is the key to gain credibility among stakeholders.

**Reputation.** The organisation can demonstrate systematic work and sound processes by means to safeguard good working conditions at the production sites. The visibility of the work has positive effects on reliability and trustworthiness.

**Influence.** Positive influence on suppliers and the supplier market. The aim of SRPP is ultimately to strengthen the public sector's role as a demanding customer, influencing the social conditions throughout global production chains. It is, therefore, significant that the information about SRPP and the specific SRPP requirements is communicated externally. Consequently, socially responsible production will become a positive competitive advantage among public sector suppliers.

## Planning



SRPP in the planning stage of the procurement process includes two main tasks; a risk assessment prior and a dialogue with existing and potential suppliers.

### Risk assessment – high risk products

To make the risk assessment process more manageable, Difi has developed an overview of product categories where the documented risk of workers' rights and human rights violations is high and systematic. Among these products are: building materials (wood products, natural stones etc.); catering equipment and cooking utensils; electronics; food products (coffee, chocolate, bananas, sugar etc.); furniture and inventories; garments (clothes, shoes etc.) and textiles (bed linen, towels etc.); ICT equipment (computers, telephones etc.); medical equipment (disposable medical supplies etc.) office – and school supplies (pens, staple machines etc.), sports equipment and toys.

This is not an exhaustive list and it is continuously be updated. When procuring goods involving a labour intensive production, and this product is not on the list of high risk products, it is advised to undertake market research and liaise with expert organisations on the state of the working conditions in the production.

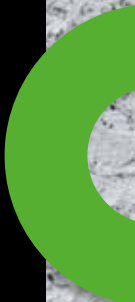
### Dialogue with suppliers

An on-going dialogue with existing and potential suppliers is a good way to communicate SRPP requirements to the market. It is essential to focus on supplier cooperation and information sharing when implementing SRPP. Public contracting authorities should also take the opportunity to include information on SRPP requirements in Prior Information Notices (PINs) announcing to the market that SRPP requirements will be included in future tenders.

By including SRPP requirements in e.g. a tender conference, the expectations are clearly communicated to suppliers. The concept of SRPP is new for many suppliers and therefore a tender conference will give them the opportunity to ask questions. In order to further anchor the concept of social responsible procurement in the supplier market, inviting suppliers and industry organisations to SRPP seminars and workshops is suggested.



**April 24th 2013:** One of the worst industrial disasters in modern times occurs when the Rana Plaza factory in Dhaka, Bangladesh, collapses. 1133 workers lost their lives and over 2500 were injured after having been forced to go back to their work stations even though cracks in the building structure appeared hours before the building collapsed. To contribute to the prevention of this type of work related catastrophes in the future, public sector organisations should use their market power and request suppliers to verify that the legal safety standards are met at the production facilities of goods produced for the public sector.





## Execution of tender



This step includes both how the requirements can be formulated, and at what stage of the procurement process it is appropriate to introduce SRPP requirements.

### SRPP contract performance clauses

SRPP contract performance clauses are included in the main contract and are mandatory requirements that must be met by the supplier during the contract period. SRPP contract performance clauses include the ILO core conventions and the national legislation of the production country in relation to minimum wage, overtime and EHS. SRPP contract performance clauses should also include the verification procedures, transparency and sanctions that the supplier has to agree upon when signing the contract.

Difi's example of SRPP contract performance clauses can be downloaded here:

<http://www.anskaffelser.no/anskaffelser/dokumenter/sosiale-kontraktsvilkaar>

### SRPP selection criteria

SRPP selection criteria can be used to control that the suppliers interested in taking part in the public tender have the necessary routines in place in order to meet the SRPP contract performance clauses. An example of SRPP selection criteria is to request the supplier to document that their code of conduct ensures legal and decent working conditions. Another example is to ensure that the supplier communicates the code of conduct to all production facilities throughout the supply chain.

### SRPP Award criteria

Once the suppliers have passed the selection phase, SRPP award criteria can be used to stimulate the suppliers' competitive ability to safeguard and sustain legal, secure and decent working conditions during the production. The SRPP Award criteria, hence give extra scores to suppliers being able to demonstrate various key aspects of how an advanced socially responsible supply chain management system. Documentation of how freedom of association at the production facilities is secured, or how the producer is controlling that no illegal chemicals are used during the production process, can be examples of SRPP award criteria. Besides controlling for working conditions, another positive result from an advanced socially responsible supply chain management system is that the quality and accurateness of orders can be improved due to reduced risks of production failures resulting from accidents, workers' going on strikes, or use of illegal input material in the products.

Read more about how SRPP criteria have been used in the various countries in the following reports:

THE LANDMARK PROJECT:

[http://www.landmark-project.eu/fileadmin/files/en/latest-achievements/LANDMARK-legal\\_guidance-www.pdf](http://www.landmark-project.eu/fileadmin/files/en/latest-achievements/LANDMARK-legal_guidance-www.pdf)

[http://www.landmark-project.eu/fileadmin/files/en/latest-achievements/LANDMARK-good\\_practices\\_FINAL.pdf](http://www.landmark-project.eu/fileadmin/files/en/latest-achievements/LANDMARK-good_practices_FINAL.pdf)

THE RESPIRO PROJECT:

[http://www.respiro-project.eu/fileadmin/template/projects/respiro/files/RESPIRO\\_Guides/RESPIRO-Textiles-final-www.pdf](http://www.respiro-project.eu/fileadmin/template/projects/respiro/files/RESPIRO_Guides/RESPIRO-Textiles-final-www.pdf)

THE MAKEITFAIR PROJECT:

<http://makeitfair.org/en/procure-it-fair/best-practices>



## Verification



**Verification.** Presidential case law from the European Court of Justice implies that public contracting authorities cannot impose requirements that they have no intention or ability to follow up. In addition to the legal aspect, verification of compliance is also useful for the organisation itself to ensure credibility and equal treatment. To make the verification process more feasible, it can be executed on a randomised basis.

### Supplier self-assessment questionnaire

The goal of the supplier self-assessment is to ensure that the supplier's socially responsible supply chain management system meets the requirements of the social contract performance clauses. If the self-assessment is satisfactory and complete with all requested documentations supplied, no further action is needed.

If the self-assessment, however, proves practices that do not meet the required standards, a corrective action plan must be created. This action plan encourages and prompts the supplier to make improvements in their system for socially responsible supply chain management. It is recommended that a given time frame within which the supplier must have fulfilled the requirements of the corrective action plan is agreed upon.

Difi's example of SRPP self-assessment questionnaire can be downloaded here:

<http://anskaffelser.no/tema/sosialt-ansvar/dokumenter/egenrapportering>

## On-site inspections

Inspections may be carried out on a randomised basis or when proven necessary where unsatisfactory results from the self-assessment corrective action plan are present for example.

The on-site inspection of the production sites should be carried out by a qualified inspector, with experience from inspections in the context and country of the production sites. Ideally, inspections should be performed by someone who speaks the local language and is familiar with the local culture.

### AN INSPECTION VISIT SHOULD INCLUDE:

- A guided tour of the workplace
- Disclosure of wage slips, work contracts, time sheets
- Access to procedures, practices and documentation of training
- Off-site interviews with employees
- Interview with union representatives  
(or worker representatives when there are no unions)

Where deviations from the social contract performance clauses are detected, the inspection should lead to an agreement about a corrective action plan for the producer.

## Reporting



Reports can be used to show progress for external and internal stakeholders. Producing an annual SRPP report will help the organisation communicate the current SRPP results as well as the SRPP goals.

## Organisations with external reporting requirements

As a member of an initiative that promotes SRPP, the organisation may be required through its membership to report on social responsibility. These organisations may pose requirements on the frequency of reports, and some will also specify what the report must cover. The UN Global Compact, for example, requires public organisation signatories to undertake regular reporting.

## Organisations with no reporting requirements

For organisations without external requirements to comply by, it is still recommended to develop a report including SRPP commitments and goals.

Reporting can be useful in a variety of ways and help the organisation meet many of its important objectives:

- Communicate SRPP progress.
- Establish a basis for comparison and measurement of progress.
- Consider how the work has developed in relation to the target.
- Provide a basis for reassessment of the SRPP strategy.

## Integrated reporting

The advantage of integrated reporting is that it mainstreams SRPP, including it within the context of other activities and priorities in the organisation. Integrated reporting can therefore be beneficial for the organisation in terms of effectiveness. An example of integrating the SRPP report with other reports would be to include it in the general annual report.



**UN DECLARATION OF HUMAN RIGHTS, ARTICLE 23(4):**  
Everyone has the right to form and to join trade unions for the protection of his interests.

