

APPLICATION AND PRACTICE OF SUSTAINABLE PROCUREMENT IN KENYA

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Introduction

- According to CIPS (2011), Sustainable procurement isn't simply about being "green" but is 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 of the 'State of Play of Green Public Procurement in the European Union' revealed the wide variation in achievement in this area within Europe. Example is also given of countries such as Denmark, Sweden and Germany.
- 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 America (Swanson, et al 2005); South Africa (Bolton, 2006; 2008) and Asia (Ho, Dickinson & Chan, 2010) are some specific countries that have mainstreamed environmental agencies 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, 2006). However, Kenya as one of the developing countries has been slow in taking up structured a policy driven approach to enhancing adoption of green procurement the benefits accruing notwithstanding (Bolton, 2006; 2008).

Problem statement

- 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.

Research objectives

The research was guided by the following objectives:

To evaluate the steps made towards sustainable procurement in Kenya

To establish the benefits accrued to a firm which embraces sustainable procurement

To establish the challenges facing a firm which embraces sustainable procurement

To suggest opportunities for improving the use of sustainable procurement in Kenya.

Literature Review

- An increasing number of companies are rightly recognizing corporate responsibility and, in particular environmental consciousness as mandated business imperative. Hollos and Reuters (2012) noted that rather than being costly and inconvenient 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 goods and services, ranging from small objects to large investment for fulfillment of their public responsibilities (Van Der Graaf, 1998). Therefore the government entities should put in place environmental consideration which may include reduction of greenhouse gas emissions, 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 eliminate or minimize waste along the supply chain (Sarkis, 2003).

METHODOLOGY

- 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.

Findings

Steps made towards sustainable procurement in Kenya

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

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KENYA PIPELINE COMPANY

- Though tremendous financial gains were reported in the 2012/2013 financial year to Ksh. 5.5b up from Ksh. 3.8b resulting to 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.
- 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.
- KPC had not documented clear green procurement guidelines and policies as only 17% staff rated the organization to have achieved much in this regard.
- On the issue of cost, 70% of the respondents indicated that green products, services and works did not cost more than non – green ones. 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%,

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- Findings on Unga Limited indicated that cost of green procurement had a negative significant effect on implementation. This meant 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 – Reducing supplier generated waste and surpluses, reducing companies handling expenses and risks, reduced prices to customers
- Innovation benefits - use of cleaner technologies, process innovation, and waste reduction. Enhanced through buyer supplier relationship
- Improved public image - Improves company's overall reputation among customers, investors, employees, and other stakeholders
- Tangible benefits – Include cost avoidance through lower waste management fees, lower hazardous material management fees, less time and costs for reporting
- Improved employee and community health through cleaner air and water, less demand for landfill and less demand for resources and increased shareholder value.
- Improved ability to meet policy commitments 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.

Challenges facing a firm which embraces sustainable procurement

- Resistance to change
- Poor policy communication
- Some environmentally preferable products aren't as readily available, may not meet performance specifications, or may not be cost-competitive.
- Lack of clear definitions - 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.
- Integration into management systems.
- Estimating hidden costs and potential savings - e.g., reporting, material handling, and disposal

The way forward

- Communicate the policy to all stakeholders
- Involve stakeholders in decision making to allow easy and quick diffusion rate
- Encourage and have training sessions in order to guide on performance measures and what is expected of the employees
- Reward / motivate accordingly. This may be the employees or the award of contracts where there is effectiveness, transparency and green concern
- Strictly make the move towards green procurement a routine
- Encourage technology adoption where for instance, to avoid power black outs, encourage automation and eliminate manual processing.

THE END
THANK YOU