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Sustainable public procurement: A lever for achieving the Sustainable Development Goals

Due to its significant role in the national economy,[1] public procurement is a powerful lever for achieving the Sustainable Development Goals (SDGs), especially SDG12, point seven: "Promote public procurement practices that are sustainable, in accordance with national policies and priorities." Nonetheless, funneling public spending toward a more sustainable economy remains a deliberate effort — one that requires the implementation of a proactive policy.

The United Nations Environment Programme (UNEP) defines sustainable public procurement as a "process whereby public organizations meet their needs for goods, services, works, and utilities in a way that achieves value for money on a whole life-cycle basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst significantly reducing negative impacts on the environment."

Purchasing goods and services that meet higher environmental and social standards is thus a powerful public policy tool that governments can use to significantly reduce their environmental footprint and improve their social impact. The intentional adoption of sustainable public procurement has a decisive role to play in achieving the SDGs, in supporting the Paris Agreement, and in nurturing the transition to a green economy. Governments have a variety of levers at their disposal and can put measures in place at various levels. For example, they can adopt an approach to the acquisition of government buildings that prioritizes sustainability, energy-efficiency, and resistance to climate change. They could also prioritize purchasing supplies that have a lower carbon footprint, such as LED bulbs, which consume up to 80% less energy than traditional bulbs, as well as lasting longer. Thus, having demonstrated the potential impact of sustainable public procurement (SPP) in terms of reductions in carbon emissions and efficient allocation of resources, they will then be able to catalyze a wider trend and facilitate the development of more sustainable procurement and purchasing behavior for all categories of consumers nationwide.

[1] Public procurement is estimated to account for an average of 13 to 20% of national GDP.

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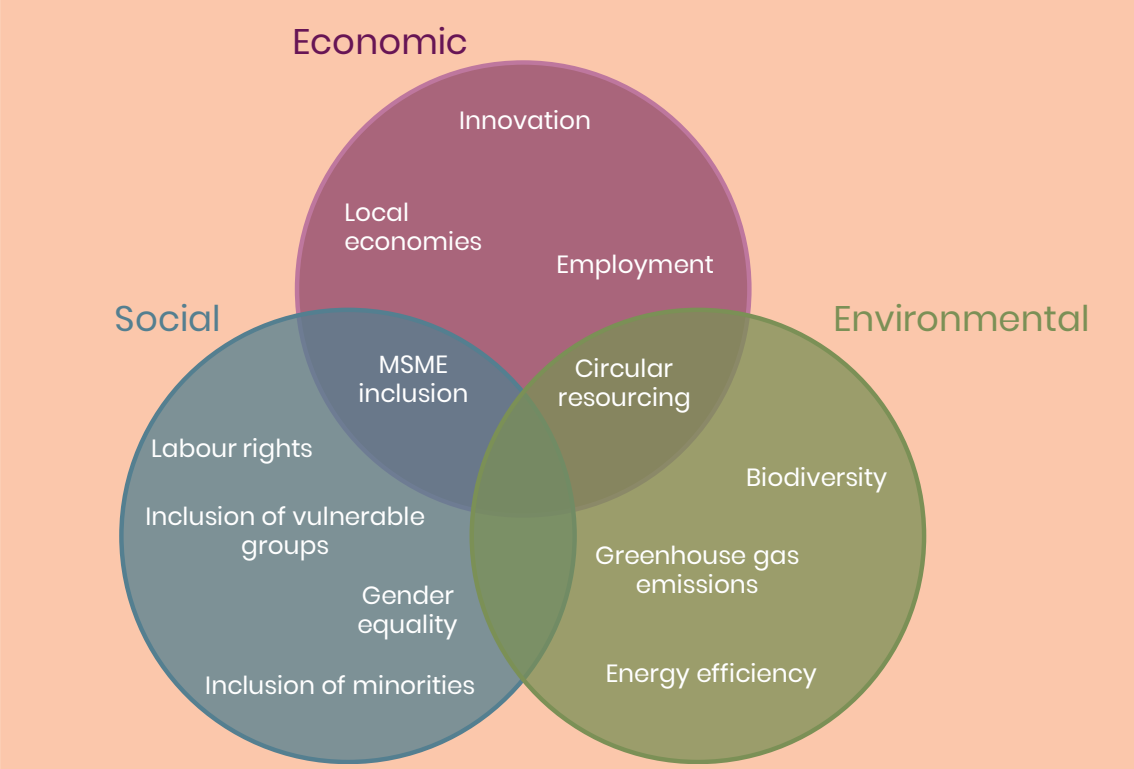
Figure 1 - Aspects of sustainability impacted by sustainable public procurement



Source: adapted from MAPS.

An emerging approach

When the Paris Agreement was signed, the SPP lever was still largely under-utilized: "Despite the potential of LCPP [low carbon public procurement], only 10% of the 194 Parties to the Paris Agreement have used SPP as a strategic policy instrument to support their NDC [Nationally Determined Contributions]" (Molino 2023). Today, with the 2030 Agenda deadline approaching, the overall picture shows a sharp acceleration in SPP implementation. According to the *Sustainable Public Procurement 2022 Global Review* (UNEP 2022), the number of countries with legal and institutional frameworks incorporating provisions promoting SPP has increased considerably since 2015. As an example, 100% of the forty-five countries studied in the report stated that they had policies and strategies involving SPP and 82% included SPP in their procurement regulations.

In France, public procurement sustainability measures have been set out in a series of government plans published since 2015. The most recent (2022–2025)[2] sets ambitious targets: by 2025, 100 percent of public procurement contracts must incorporate at least one environmental measure, and 30% must incorporate a social measure. Many other countries are following suit, among them countries not featured in the UN report. In 2021, Lebanon enacted a public procurement law with sustainability as one of its guiding principles. Morocco updated its public procurement legislation in 2022, with the new decree incorporating sustainability considerations. More recently, Uzbekistan also began a revision of its legal framework, and Rwanda has adopted a sustainable public procurement policy, with a view to the national implementation of SPP.

Further evidence, if more were needed, that this trend has now taken root can be found in the Methodology for Assessing Procurement Systems's (MAPS) launch of a supplementary module on "Sustainable Public Procurement" in April 2024, after a pilot phase in 2023. Countries that are sufficiently advanced in their implementation of SPP now have a standardized tool to evaluate sustainability in their procurement systems.

At country level, the implementation of SPP can only succeed through a gradual, stepwise approach. Timescales must be long enough to enable, among other things, the prioritization of categories of products, the compilation of manuals and standardized documents for calls for tenders, capacity-building for public procurers, appropriate updating of information systems, etc. This iterative process, which requires a continuous improvement approach, still faces a certain number of obstacles.

Among the most common are: the perception, and often the reality, that sustainable products and services involve greater initial outlay than their non-sustainable equivalents; the absence of a suitable regulatory framework; the lack of strong political support at the highest level; other competing procurement priorities; insufficient skills and experience in sustainable public procurement; and so on.

[2] *Plan National pour des Achats Durables 2022-2025*, Commissariat général au développement durable (France).

Issues to consider in the deployment of an SPP approach

The work the *Agence française de développement* (AFD) has undertaken to support international partners has revealed the key issues[3] surrounding the implementation of a sustainable public procurement approach.

Looking beyond the lowest bid

In the context of the tendering process, seeking products with better environmental and social credentials means abandoning purchase price or cost as the sole criterion for awarding contracts. A number of criteria must be considered, in order to evaluate which bid offers the best value for money in the long term.

To this end, thinking in terms of the life cycle cost of a product allows costs connected with use, maintenance, and disposal to be taken into account, as well as a monetary value to be placed on any negative externalities inflicted on society as a whole, such as environmental harm or pollution (see figure 2).

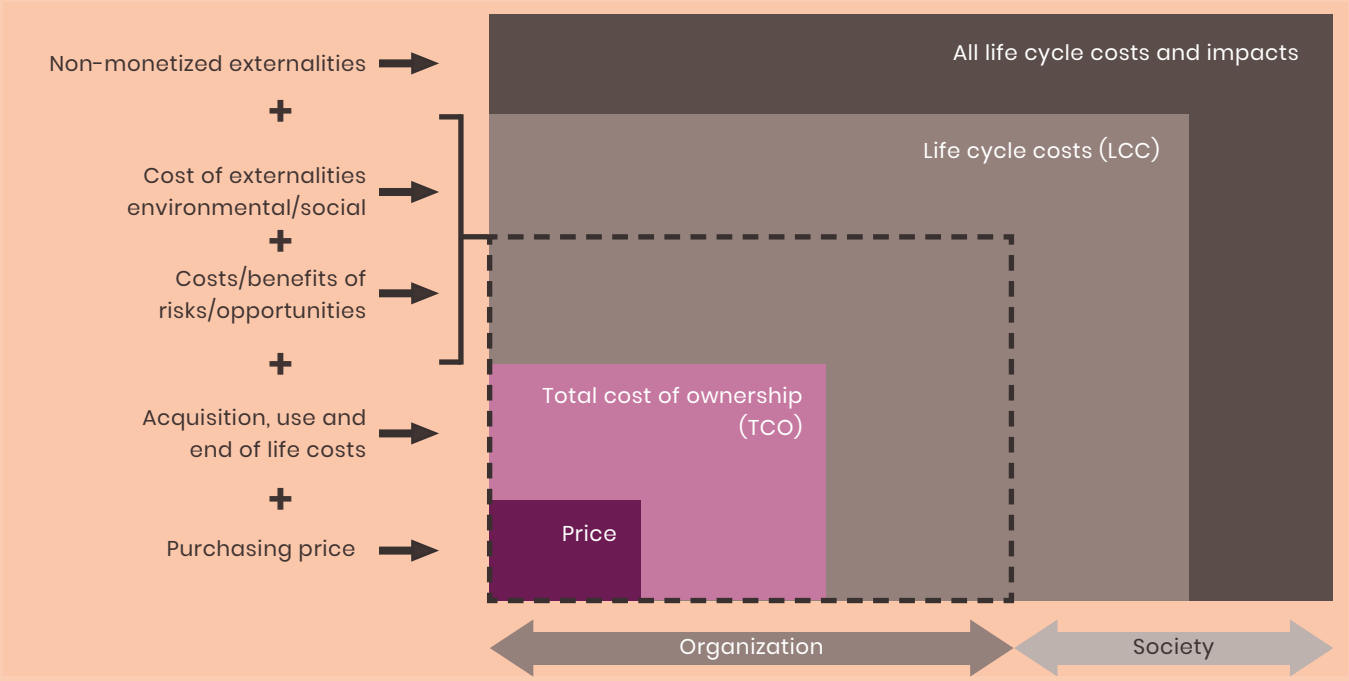
Once again, LED bulbs are a good example. A sixty-watt incandescent bulb costs less to buy than the equivalent LED bulb. But if we take into account the cost of the energy each would consume over a total estimated lifespan of ten years, the LED bulb would work out around five times cheaper.[4] Goods and services that are more expensive to purchase but often cheaper over their entire life cycle require suitable budgetary provision at the time of purchase.

Analyzing the maturity of the local market and private sector in terms of sustainable goods and services

It is important to check that local companies are capable of providing goods and services that meet higher environmental and social standards, and that their sustainability credentials can be verified. The existence of eco-labels or environmental standards can facilitate this. Market analysis of the private sector's capacity to respond to public-sector calls for tenders that include sustainability criteria and the relative position of local versus international suppliers can inform decisions about the gradual deployment of a sustainable public procurement approach. This kind of research can also help to identify a few pilot products for which a suitable offer exists locally, and which would make a good starting point for a sustainable procurement policy.

Some such studies have revealed that a particular green product is already being produced locally, but primarily for the export market. This was found to be the case for furnishings and IT equipment in Morocco, textiles and detergents in Uzbekistan, and LED lightbulbs in Rwanda. However, these studies have emphasized the generally higher price of these green alternatives and the limited range of methods for verifying sustainability claims. One of their findings has been that private demand alone is insufficient to support the development of eco-label systems. Public procurement must play a full role in creating opportunities for products that are kinder to people and to the environment, and in orienting markets toward greater sustainability.

Figure 2 - Illustration of the concept of life cycle cost



Source: adapted from UNEP, ISO 20400.

[3] This section details the main issues but is not in any way exhaustive.

[4] The cost of the energy used over a ten-year period is estimated to be 90 USD for an incandescent bulb, compared to 18 USD for an equivalent LED bulb, while the extra cost of buying the LED bulb is relatively small.

Supporting the transition

The implementation of a national sustainable procurement policy requires dedicated resources to manage and deliver the policy, and to educate various actors in the process. First, the bodies that oversee and regulate procurement are among the primary actors in revising the legal framework and ensuring provisions relating to sustainable public procurement are properly applied, and as such awareness-raising and training within these organizations must occur early in the process. Second, public procurers need to be supported via the circulation of procurement guides, and/or model tender specifications that include environmental and social criteria, so that they can then include more stringent environmental performance criteria when issuing calls for tenders. Another option is running information and awareness campaigns for businesses in order to enable the private sector to adapt to the new requirements for public contracts.

Uzbekistan, Morocco, and Rwanda have all taken an integrated approach. After analyzing their markets, these countries developed procurement guides and model tender specifications that were then gradually adopted by procurers, supported by a capacity-building program and a pilot procurement tool.

Updating tendering information systems

Globally, the ongoing digitalization of public procurement improves the efficiency and transparency of tendering processes and helps to fight corruption. Certain countries are playing a leading role in the implementation of specific modules within digital platforms to organize and identify procurement involving environmental or social provisions (OECD 2016). South Korea is a prime example: Since the mid-2000s, the country has incorporated environmental considerations into its online procurement system, KONEPS (Korea ON-line E-Procurement System). Updated information systems also make reporting easier and enable any progress in the sustainability of public procurement to be assessed. In 2024, Uzbekistan developed modules to identify green procurement on public procurement platforms, and Morocco plans to do the same in 2025.

Public procurement within an overall approach of aligning public finances with sustainability

The implementation of sustainable public procurement is one of the tools that states can use to bring their public policy into alignment with the trajectory set out in the Paris Agreement and make it more socially responsible. Such an approach is all the more effective when deployed in tandem with other public finance levers, such as the sustainable management of public investment, green budgeting, and approaches to carbon pricing (Dechery *et al.* 2022). Taken together, these tools help to mobilize public money and orient private behavior toward the achievement of the Sustainable Development Goals.

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