

Open, Sustainable Government Procurement

For People, Planet and Prosperity.



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What's at stake

Growing concern over climate change and sustainability has encouraged governments across the world to make commitments to achieve net zero carbon emissions, reduce deforestation, and to promote greener, environmentally- and socially- responsible supply chains. Governments will need to source and buy things in a fundamentally different way to meet these objectives.

Currently, public procurement represents around 15% of global GDP - one in every 3 dollars that they spend - adding up to an enormous \$13 trillion of spending every year. The Boston Consulting Group estimates that spending is also responsible for [15% of all greenhouse gas emissions](#) each year: seven times as much as the entire aviation industry.

We commissioned research talking to dozens of frontline procurement practitioners, often in lower technology contexts.

We heard time and time again that people were struggling with:

- Where to get started
- How to break the tyranny of lowest price
- How to set out a clear plan and direction
- How to engage stakeholders
- How to measure progress

We've attempted to answer these questions in this brief.

The opportunity

Done better, procurement can be one of the most important drivers in our global effort to make the world fairer, greener and cleaner. Done poorly, or left unchanged, it also risks being a brake on climate and environmental action.

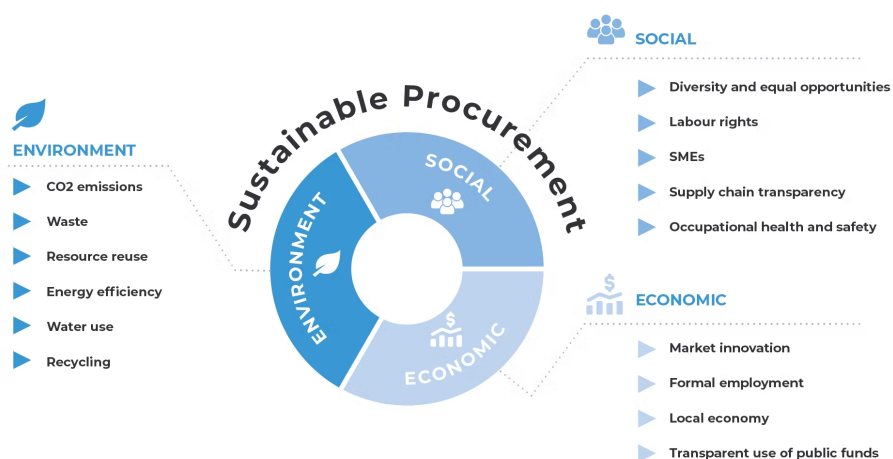
Rethinking procurement that works both for people, the planet and for prosperity will require better planning, purchasing and delivery of goods, works and services across government. It will require engaging with stakeholders across the private sector, academia, and civil society to understand what solutions are available. It will require better information and data across government purchasing to understand what is being bought and what the climate, environmental and social impacts of that spending are.

To meet those needs, we have to shift public procurement from a paper-based, compliance-driven chore to an open, results-driven, digital service that delivers value for people and the planet.

The lessons and insights below are based on extensive desk research of best practices in sustainable public procurement as well as 30 interviews with experts in national procurement authorities, often in lower tech and more challenging procurement environments. They are a summary from a full [Open and Sustainable Procurement Toolkit](#) that we produced with funding from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). [You can see the toolkit and a set of detailed case studies here.](#)

What is Sustainable Public Procurement?

Sustainable public procurement is commonly [defined](#) as a process whereby public sector organizations meet their needs for goods, services, works and utilities in a way that achieves value for money by generating benefits not only to the organization, but also to society and the economy, whilst minimizing, and if possible, avoiding, damage to the environment (and, ideally achieving positive benefits).



It has three key dimensions: Planet, People and Prosperity.

- **Green procurement:** procuring goods, services and works in a way that is good for the planet
- **Socially responsible procurement:** procuring goods, services and works in a way that is good for people e.g. reduced poverty and improved health
- **Inclusive procurement:** procuring goods, services and works in a way that drives economic inclusion and prosperity e.g. job creation and business opportunities.

For the purpose of this policy brief, we are focusing the discussion and examples primarily on the planet - ie. on climate and the environmental outcomes. That said, our experience from supporting impactful procurement reforms in 30+ countries is that strategies and

approaches that work to improve stakeholder engagement, collaboration, information and agency can be applied across each of the different dimensions of sustainability.

Barriers & challenges

Governments are not monoliths, and different agencies, departments and units can be at very different stages on their journey towards climate and environmental action.

Nonetheless, these were some of the common challenges we hear from partners and which came up time and time again in our research:

- **An insufficient enabling environment.** While some governments and regional and supranational bodies like the European Commission [are considering making green public procurement mandatory](#), in most countries, the existing laws and policies do not establish explicit provisions for considering green criteria in the procurement process.
- **Lowest price bidding.** In many countries, contracts have to be awarded to the lowest price bid. This means that without explicit inclusion of quantifiable green criteria in tender evaluations criteria, bids will not price-for the desired climate, environmental or social impact. In 2019, in the EU, around half of the procedures used lowest price as the key criterion for awards. [A study in Germany by KPMG](#) showed that this may lead to longer term costs and the use of green criteria in purchasing could save 3.5% of Germany's E40bn annual purchasing.
- **Risk aversion.** Public procurement rules are inherently risk-averse and compliance-based. They focus on achieving the lowest price and often on loading risk onto vendors. None of which encourages the innovation needed to shift our economies to be more sustainable. And even when the rules encourage risk-taking and experimentation, there is often career risk attached to the individuals who do so.
- **A lack of capacity** Governments buy a huge range of materials but most procurement practitioners don't have the specific expert knowledge, or resources, to know the most current approaches to climate mitigation, adaptation and environmental risk management. For example, which environmental standards should be applied across different industries and categories. More generally, public procurement agencies tend to be stretched in terms of budget and human resources, despite their critical role in government, the more so for buyers in smaller institutions, especially in local government.
- **A lack of data and performance measurement.** Public procurement data overall is still patchy - even within a government itself - and most procurement is still paper-based. A leading benchmark on the quality of public data, the [Global Data](#)

[Barometer](#), found that whilst most countries surveyed (91%) share some data on the billions spent on public contracts, less than half (46%) release it in machine-readable formats. The Barometer also found critical gaps in the available data that would enable someone to [analyze](#) value for money, efficiency, and competition. Only 38% of countries publish a description of the goods, services or works being procured.

What is true for public data, is also true for government agencies themselves: our research highlighted that obtaining quality data was a major challenge to the procurement process and evaluation, be it data on the use of green criteria, ecolabels or other certifications, planning pipelines for future spending, or the performance of suppliers.

Policy options for change

Now for the good news, these challenges are all fixable. Here are eight key policy and practical interventions that can help.

1. Change the rules to favour planet-friendly procurement

Overarching legislation or policy that defines the key climate and environmental objectives that a government wants to achieve through its procurement helps set the mandate and goals for all buyers to buy greener, cleaner and fairer.

Lithuania launched an ambitious public procurement [reform](#) last year (2021) via a Ministerial Decree to reduce the country's carbon footprint and ensure that environmental impact is a part of every public procurement decision. The targets are raised over time. The procurement and environment authorities also operate a national dashboard tracking progress.

Another example is wider legislation prioritizing sustainability across government. For example, the Welsh Government in the UK's Wellbeing of Future Generations Act (2015) sets out the accountability and reporting for people and planet across every aspect of their regional government, including for their [procurement](#).

[Here is a handy checklist](#) to get you started evaluating your current sustainable procurement regime and what you can then do to change it.

2. Using green criteria

There is a huge amount of guidance on green criteria out there. In fact, the volume of guidance can be a bit overwhelming but there are [three basic ways of applying green criteria to procurement](#).

- i. *Selection criteria* where a potential supplier's ability to perform the contract for which they are tendering is assessed, which could include their climate credentials, their operational performance, whether they follow an [Environmental Management System](#), or particular code of conduct etc.
- ii. *Technical specifications*, which set out the minimum standard or environmental criterion against which suppliers will be evaluated such as an ecolabel;
- iii. *Award criteria*, typically a weighting in the award decision to favour suppliers proposing the greenest, cleanest ways of meeting the objectives of the contract.

The EU's [Green Public Procurement \(GPP\) criteria](#) are perhaps the best global reference source for both selection and technical criteria, designed for a “good balance between environmental performance, cost considerations, market availability and ease of verification”. Helpfully, they are also broken out into key categories from construction to catering to ICT to cleaning products.

One innovative approach to applying award criteria is the Dutch government's [CO₂ Performance Ladder](#), which is both an instrument which organizations can use to reduce their carbon emissions, and which is also used to give higher performing companies an award advantage for public tenders.

3. Break the ‘tyranny’ of lowest-price contract awards

Clearly, the best way to overturn the status quo of awarding contracts to the lowest bidder, is to include explicit provisions for planet friendly outcomes along with green scoring as part of tender requirements and evaluations.

But, even if your current procurement regime only allows contracts to be awarded to the lowest-price bid, there are still ways to address this:

- i. Applying minimum technical or selection criteria to the procurement. You can explicitly apply climate and environmental criteria as essential requirements for suppliers, allowing bidders to price in the costs of meeting the criteria to their bids. Importantly, the criteria requested have to be clearly linked to the subject matter of the contract and you also allow for equivalent

ways that the objectives could be met or equivalent standards that could be used.

- ii. Consider applying Life Cycle Costing (LCC) calculations. When costs beyond just the acquisition price are considered, such as operation costs, maintenance costs and disposal costs of goods purchased, the cheapest option could be the greener, cleaner option. [The EU has some helpful guidance on LCC here.](#)
- iii. Ensure compliance with existing climate and environmental regulations (beyond public procurement), such as national waste management regulations, or through ratified international conventions such as those of the [International Labour Organisation](#).

4. Training and support

Training, capacity building and market engagement will be vital for any sustained change in practice including:

- i. Capacity-building workshops with procurement practitioners
- ii. Capacity building workshops with suppliers
- iii. Targeted outreach and engagement with civil society, academia and other civic actors to foster best practices.

One key strategy that helped many governments make progress is to offer a dedicated unit or helpdesk function to give advice to procurement practitioners and help them use green criteria or benchmarks etc.

This need not be a one-way conversation. Talking to buyers, suppliers and other experts will help provide insights and information to inform better advice and guidance. It will give you insights into the market, what is working and what isn't. This is especially important on complex issues like climate and environment where many solutions are yet to be developed.

5. Premarket consultations, frameworks and competitive dialogues

We are all still learning what works for climate or environmentally friendly procurement and new technologies and approaches are emerging all the time.

One strategy that can make a big difference to better procurement is better pre-market engagement with suppliers to solicit ideas of the best approaches to solve a particular sustainability (or other) issue. This has to be done transparently, fairly and equitably but it is a very powerful tool to shape the best procurement outcome. [Mexico City recently used this strategy very successfully to extend their](#)

[Ecobici city-wide bike sharing scheme](#). By speaking with vendors and encouraging them to coordinate, it was able to expand the service from 6,500 to 9,300 bikes, from 480 to 687 bike stations, upgrading the city's bike share technology and design to be more user-friendly, all at approximately half the operating costs of the old service.

Within your procurement regime, there will be certain policy vehicles, such as framework agreements or competitive dialogue procedures, that can also play a major enabling role to deliver sustainable procurement.

6. Setting targets

It can be highly motivating to set clear targets for tracking and delivering sustainable outcomes across government procurement. These can be:

- i. Procurement system targets, such as 100% of tenders to include GPP criteria;
- ii. Category targets, such as 90% organic food in municipal canteens; or [X%] of tenders to include zero-emission deliveries; and
- iii. Outcomes targets, such as energy or CO₂ savings from procurement.

Countries in the early stages of building institutional knowledge of GPP generally set broad green procurement goals. For example, Lithuania has committed to having 100% of procurements including green criteria by the end of 2023, i.e. an output target. Countries with more mature GPP practices, for example the Netherlands, generally move towards more comprehensive impact measurement, looking at how procurement affects the environment, i.e. an outcome target.

Three comprehensive resources to help with target settings are:

- i. [UN Global Marketplace guidance on sustainable procurement indicators](#); and
- ii. The OECD's Methodology for Assessing Procurement Systems ([MAPS](#)) [Sustainable Public Procurement Supplementary Module](#)
- iii. [OCP's Green Flags guidance to measuring SPP targets](#).

7. Be data driven

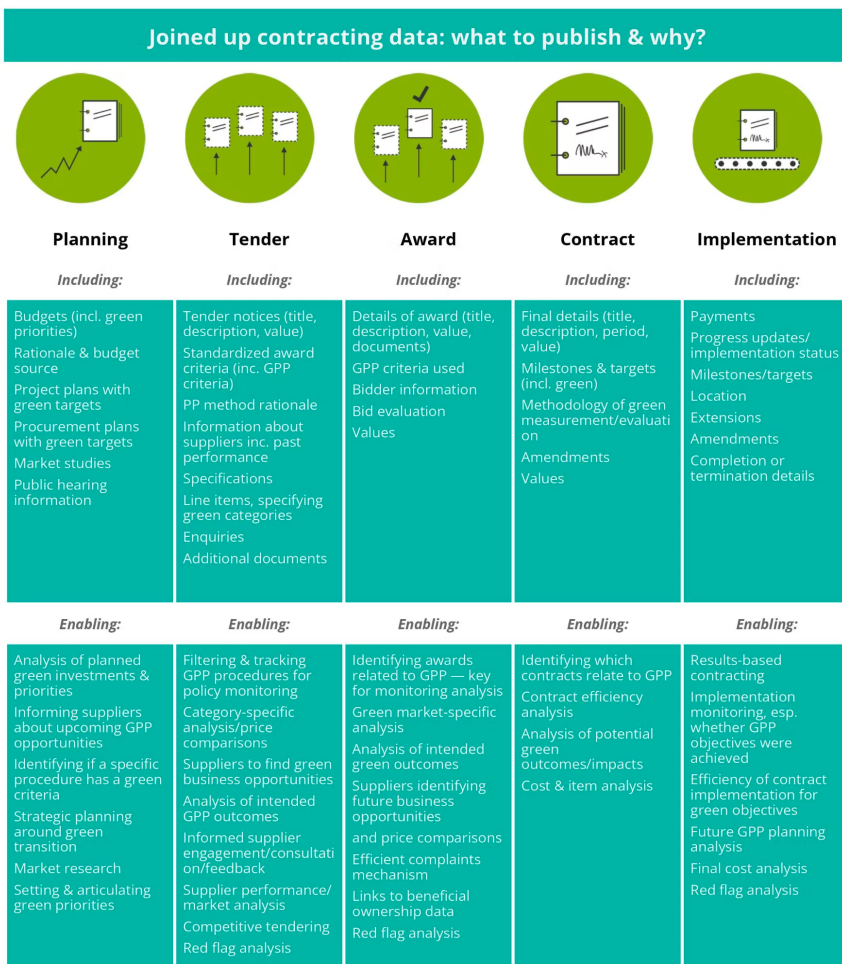
You can't manage what you can't measure. Key data categories – such as '[green flags](#)' – can help you track specific policy measures for SPP. "Tagging" procurements that include green criteria can be a key first step towards measuring SPP outcomes. This is only possible if you have good quality contracting data, with clear contractual identifiers.

The sheer scale of procurement spending means that manual data collection will struggle and likely be out of date by the time it is collated. So collecting [standardized data](#) in an open, machine-readable format from across the market - such as through the global best practice schema, the [Open Contracting Data Standard](#) (OCDS) - can be a game-changer for measuring and monitoring progress.

- i. ["How to calculate sustainable public procurement indicators with OCDS data?"](#)
- ii. [OCDS SPP extension](#)

Identifiers enable you to link data together from different systems across the government. Central to the OCDS is a unique, non-proprietary ID for every public contract that allows it to be tracked across its commercial life cycle – and track the results of sustainable public procurement at every stage of the process.

The graphic below illustrates some of the key data points that you can capture across the stages of planning, tendering, awarding and delivering public contracts, and how they help tracking, reporting and analysis of procurement.

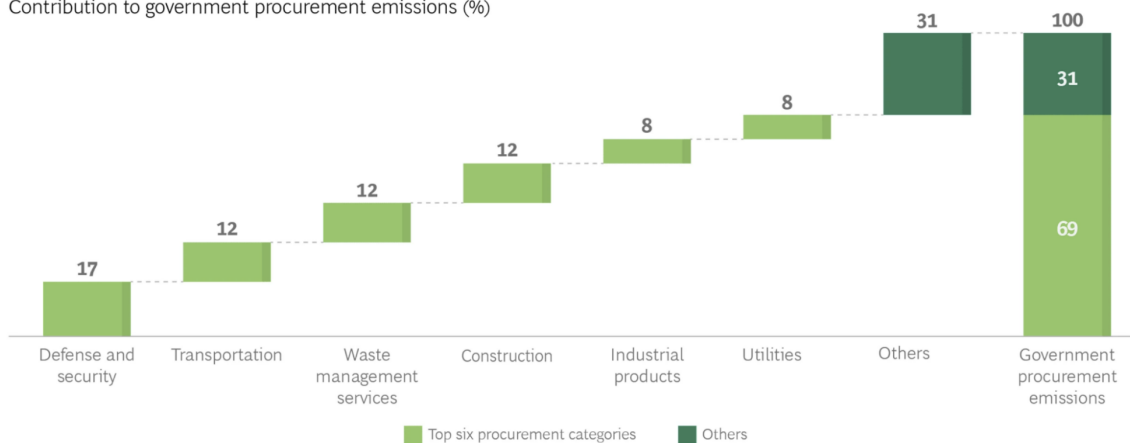


8. Go sector-by-sector

You don't have to try to do everything at once. You can go sector-by-sector. Analysis by Boston Consulting Group suggests that over two-thirds of carbon emissions from government procurement are concentrated in just six sectors, all of which have relatively defined stakeholder communities. Any or all of these sectors could be a good place to start. Stakeholder engagement and action planning are also likely to propagate faster in specialist sectors.

Six Industries Account for Almost Three-Quarters of the 7.5 Billion Tons of Public Procurement's Emissions

Contribution to government procurement emissions (%)



Sources: IEA; Our World in Data; Gartner; Statista; government reports; BCG analysis.

You can also focus on priority products or categories across government such as catering, IT or [concrete](#) and [steel](#). The EU GPP's criteria also covers a host of specific sectors and gives some excellent advice on how to get started.

Putting it all together & managing change

Change management and stakeholder engagement will be key to successfully delivering a transformation in government procurement.

To do that, you need an overarching strategy, shaped with key stakeholders, that brings all these policies and approaches together into a coherent whole. Change is hard, especially in public procurement which has so many stakeholders, so you should think how you can engage allies, mobilize resources, communicate with your many stakeholders and overcome inertia and blockers.

This goes beyond business as usual and can be challenging and requires a number of different skill sets across the reform team(s) leading the change.

Fortunately, we can help. First of all, Open Contracting Partnership runs [a global impact accelerator program called Lift](#) that is designed precisely to deliver this kind of change program. Second, we've also elaborated this whole strategy and planning process in our new [Open SPP Guide](#) that anyone can pick up and adapt for their own change program.

The [Dutch Government's Procurement with Impact](#) strategy can also serve as inspiration: clearly framed around values and principles with clear targets and stakeholder input.

Case studies

➤ LITHUANIA

Challenge

In 2020, only 3% of public procurement spending by value used green award criteria favouring environmentally-friendly products and services in Lithuania. The government wants to shift that to 100% by the end of 2023.

Open contracting approach

Lithuania launched an ambitious public procurement reform in 2021 to reduce the country's carbon footprint and ensure every public procurement decision considers its environmental impact.

The Environment Ministry created a roadmap for this reform, with a ministerial decree setting the criteria for what counts as green procurement and which includes regular reporting milestones. The Lithuanian Public Procurement Office (LPPO) created a new sustainability unit to lead the charge, encouraging the use of green award criteria with training, a helpdesk to assist buyers, and with specific guidance for high-impact sectors. The LPPO is also using open procurement data to track the status of its 'green targets' through a user-friendly public dashboard, nudging authorities if they lag behind. Green fairs, catalogs, and other vendor outreach events encourage government buyers to change their purchasing habits.

Results

Levels of green procurement uptake across Lithuanian public institutions have increased to 59.7% by value and 32.6% by total procedures for 2022. The LPPO is now keen to move beyond measuring outputs like the use of green criteria to focus on the outcomes from better procurement, such as reducing Lithuania's carbon footprint.

About Open Contracting Partnership

The Open Contracting Partnership is a silo-busting collaboration across governments, businesses, civil society, and technologists to open up and transform government contracting worldwide. We bring open data and open government together to ensure public money is spent openly, fairly, and effectively. We focus on public contracts as they are the single biggest item of spending by most governments. They are a government's number one corruption risk and they are vital to ensuring citizens get the services that they deserve. Spun out of the World Bank in 2015, the Open Contracting Partnership is now an independent not-for-profit working in over 50 countries. We drive massively improved value for money, public integrity, and service delivery by shifting public contracting from closed processes and masses of paperwork to digital services that are fair, efficient, and 'open-by-design'.

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