

The future of public spending

Why the way we spend is
critical to the Sustainable
Development Goals

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About this essay

“The future of public spending: why the way we spend is critical to the Sustainable Development Goals” is an essay written by The Economist Intelligence Unit (EIU) and supported by UNOPS, the UN organisation with a core mandate for infrastructure and procurement. The research investigates the potential for less wasteful, more efficient government spending practices to help address a critical spending gap that countries face in achieving the Sustainable Development Goals (SDGs), and how social, environmental and economic sustainability objectives can be achieved through procurement.

The EIU wishes to thank the following experts, who kindly agreed to participate in the interview programme for this essay:

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- **Erika Bozzay**, senior adviser for public procurement, OECD
- **Matthieu Cahen**, senior policy analyst, OECD
- **Ana Cristina Calderón**, public procurement sector specialist in the Fiscal Management Division, Inter-American Development Bank (IDB)
- **Liesbeth Casier**, policy adviser on public procurement and infrastructure finance, Economic Law and Policy Programme, International Institute for Sustainable Development
- **Connie Hedegaard**, former European commissioner for climate action and chairperson, OECD Roundtable on Sustainable Development
- **Raymond Johansen**, governing mayor, Oslo municipality
- **Irina Lonean**, project manager and Integrity Pacts co-ordinator for Romania, Transparency International
- **Tara Norton**, head of supply chain, Business for Social Responsibility (BSR)
- **Carola Pessino**, principal economist in the Fiscal Management Division, IDB
- **Sarah Adwoa Safo**, minister of state in charge of public procurement, Republic of Ghana
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This report was written by Sarah Murray and edited by Jeremy Kingsley.

Introduction

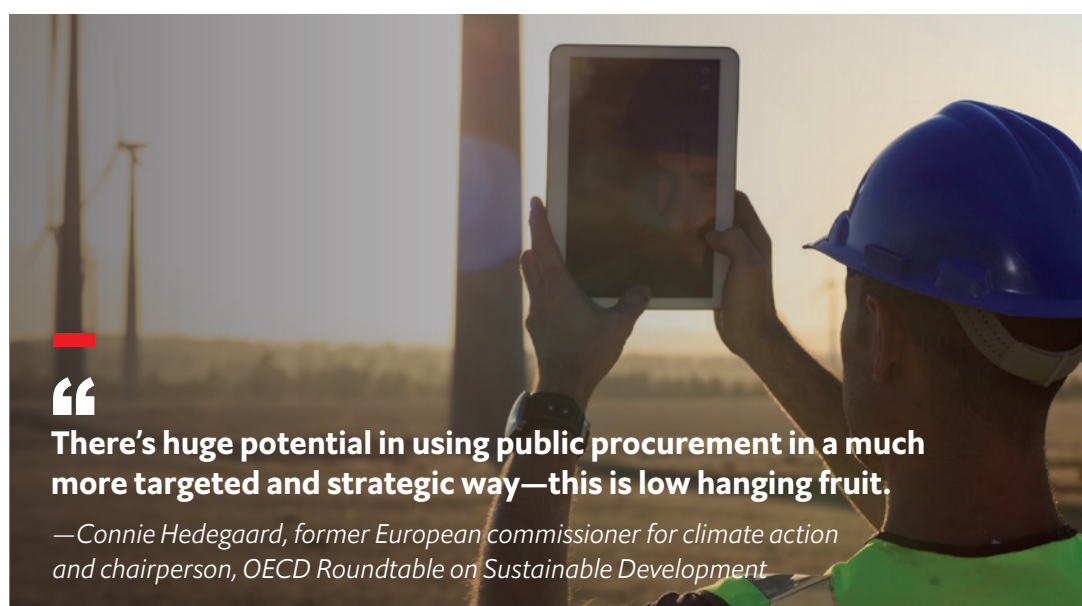
The implementation of better public spending practices can play a critically important role in helping countries make progress towards the Sustainable Development Goals (SDGs). As governments globally are starting to recognise, public sector procurement is more than simply an operational function—it can be a powerful force for change.

Public spending has an extremely large footprint, typically representing 15-30% of GDP. Which projects governments choose to spend money on—and who they spend it with—therefore makes a substantive difference. Rather than being “neutral”, such spending will positively or negatively impact everything from local employment to levels of carbon emissions, making public spending integral to many of the SDGs.

Adopted by UN member states in 2015, the SDGs set out 17 clear goals aimed at reducing poverty, hunger and disease, building peaceful, inclusive and equal societies, protecting the

planet and supporting sustainable economic growth. These are bold aims. But the goals, through their many targets and indicators, also lay out a critical guide for how countries ought to steer money and government policy towards areas where they can do the most good. In this respect, how local and national economies spend money will be just as important as what they spend it on.

Severe funding gaps place public spending at the heart of the matter. It is estimated that between US\$3trn and US\$5trn will be needed every year to meet the SDGs by 2030. Estimates vary widely, but most put the annual funding shortfall among developing economies in the region of US\$1trn and US\$2.5trn (see Figure 1).¹ Effective public spending can help to ease this strain through less wasteful and more efficient spending practices—which free up resources—and the procurement of goods and services in ways that promote social and environmental sustainability.



There's huge potential in using public procurement in a much more targeted and strategic way—this is low hanging fruit.

—Connie Hedegaard, former European commissioner for climate action and chairperson, OECD Roundtable on Sustainable Development

¹ United Nations Conference on Trade and Development, 2014, <https://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=194> and Brookings, “Building the SDG economy”, October 2019, <https://www.brookings.edu/wp-content/uploads/2019/10/Building-the-SDG-economy.pdf>



Procurement is a tool for government to carry out its development agenda.

—Sarah Adwoa Safo, minister of state in charge of public procurement for Ghana

The way in which procurement is conducted can have positive or negative impacts on the economy, society and the environment. “Procurement is a tool for government to carry out its development agenda,” says Sarah Adwoa Safo, minister of state in charge of public procurement for Ghana, the only African government with a minister dedicated to public procurement. As our previous UNOPS-supported research has explored, governments can benefit most when they look beyond mere financial value to a “lifecycle costing” approach that considers the social and environmental value of goods and services over time.

In fact, argues Connie Hedegaard, former European commissioner for climate action, governments looking to drive sustainability through their economies should prioritise public procurement. “There’s huge potential in using public procurement in a much more targeted and strategic way,” she says. “This is a push policymakers can make that is relatively easier than other things they have to do to promote sustainable development. This is low-hanging fruit.”

Nonetheless, improving public spending practices will not be easy, and it requires some shifts in thinking. Governments can be hampered by outdated or inefficient systems. Multiple operational, organisational and regulatory barriers—as well as risk-averse organisational cultures and, in many cases, corruption—prevent the public sector from implementing spending practices that are efficient, transparent and cost-effective as well as sustainable, ethical and equitable. However, governments that are able to overcome these barriers can start to influence the broader economy. Using their purchasing power to create demand for sustainable products and services will pave the way for companies and other organisations to follow their example.

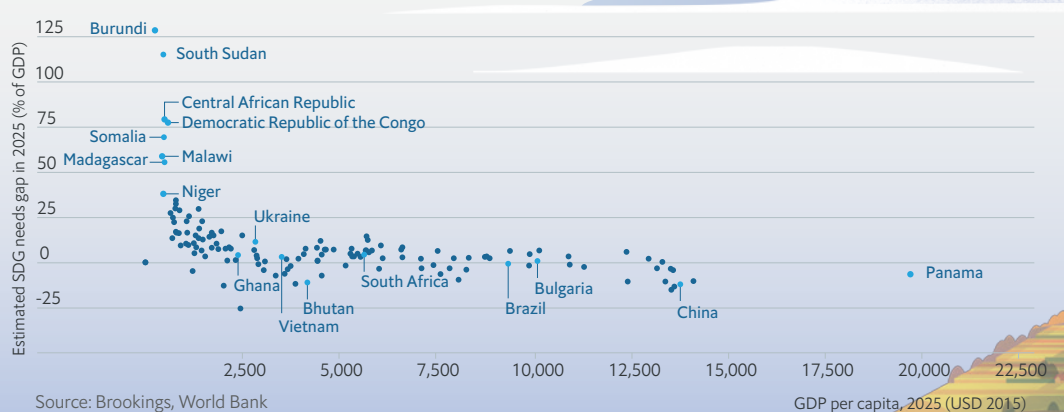
This research essay draws on interviews with a number of experts, investigating first the opportunities afforded by improved public spending practices (Chapter 1), before turning to the major challenges governments face in making such changes (Chapter 2). Chapter 3 outlines policies, tools and best practices, drawing on case studies from around the world.

Key findings include:

- At a national level, governments are starting to recognise that procurement can be a powerful policy tool.
- Increased efficiency in public procurement can itself release funds for sustainable development.
- From perceptions that it is too expensive to the fragmentation of decision-making, the practicalities of implementing sustainable procurement can be challenging.
- Risk-averse mindsets and lack of necessary skills and abilities can erect hurdles to the incorporation of ethical, equitable and sustainable development criteria into purchasing decisions.
- Short-term thinking—obtaining the cheapest price today rather than looking at the financial, social and environmental cost of a product over its lifetime—has dominated public procurement to its detriment. Including lifecycle assessment considerations in procurement could help to address the misconception that sustainable products and services are often more costly.
- Digital technologies can help to advance sustainable purchasing, whether through mediating government-vendor relationships, analysing contracts, or monitoring supply chains and identifying corruption.
- The dividends of sustainable procurement practices apply to economies at any stage of development. Starting small with pilot programmes can yield substantial benefits.

FIGURE 1

Estimated SDG needs gap and GDP per capita, low and middle-income countries, 2025



Researchers at Brookings estimate that the public spending required by individual countries to build a new global economy consistent with the SDGs by 2025 falls nearly a trillion dollars short. The authors of a 2019 working paper identify a \$150bn gap in low-income countries, \$549bn in lower-middle income countries, and \$223bn in upper-middle income countries. For most low-income countries, that gap is large relative to income levels.

Chapter 1

The best that money can buy—seizing opportunities

Public spending is a key strategic lever through which governments can advance their policy agendas, be it in health, education or the environment. It can allow governments to foster efficiency, equity, transparency and sustainability in their activities. Meanwhile, because of their large purchasing footprint and influence, governments can use procurement to drive the broader economy towards innovation, sustainability and resilience.

“Procurement traditionally has been seen as an administrative function,” says Liesbeth Casier, a policy adviser on public procurement and infrastructure finance in the Economic Law and Policy Programme at the International Institute for Sustainable Development (IISD). “But there is an ongoing—and needed—shift towards using public procurement as a much more strategic tool to support the SDGs and other national development objectives that governments are setting.”

The first step, however, is proficiency in the basics: cost-efficiency and the delivery of effective and quality services. Indeed, efficiency alone can contribute to sustainable development, particularly in emerging markets. “To meet the most important SDGs, countries need more resources,” says Carola Pessino, principal economist in the fiscal management division of the IDB. “The estimate is that in emerging markets this may take an additional 4 points of GDP. In that sense, improving and strengthening efficiency in public procurement, public wages and transfers can release funds for this.”

Sustainability’s double win

In turn, investments in sustainability can be money saving. This is particularly true when it comes to energy-related investments which often equate to both financial savings and environmental sustainability gains in the long



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“There is an ongoing—and needed—shift towards using public procurement as a much more strategic tool.”

—Liesbeth Casier, International Institute for Sustainable Development

term. For example, roads or buildings that are built to meet Leadership in Energy and Environmental Design (LEED) standards—a popular green building certification programme developed by the non-profit US Green Building Council—may require more upfront funding but can be cheaper and easier to operate and maintain, saving governments money in the long term.²

On another level, rather than being seen as a cost, the SDGs might be better regarded as an investment that can bring more and better economic growth.³ For developing countries, which urgently need to expand public services, there is also the opportunity to leapfrog past practices. In certain cases sustainable approaches, such as energy efficiency and attention to inclusive employment opportunities, can be introduced while bypassing resource-intensive technologies and phases of development.

But restricting spending and procurement considerations to purely financial factors is too limiting. Governments can directly address sustainability objectives through public spending by way of sustainable public procurement practices. For instance, governments can mandate that companies competing for public contracts comply with carbon-emissions targets or with legislation relating to non-discrimination for reasons of gender, race or disability. Governments have the power to ensure that diverse, inclusive teams deliver their goods and services.

Furthermore, procurement is integral to the development of public infrastructure that increases equitable access to essential services such as energy, transportation, connectivity, health and education. The delivery of such public services is core to achieving a number of the SDGs.

What is sustainable public procurement?

“When we talk about sustainable procurement, we’re talking about three areas: socially responsible, environmentally responsible and economically responsible procurement,” says Vinay Sharma, director of Solutions and innovations in Procurement in the World Bank’s Governance Global Practice “The tendency is to think we’re talking about environmental procurement. But we have to take into account all three.”

Indeed, though “green procurement” and sustainable procurement are often used interchangeably, the former refers

to just environmental goals and the latter encompasses social goals such as job creation, ethical purchasing, the promotion of equal opportunities and local economic development.⁴

This essay assumes The European Commission’s definition of sustainable public procurement, as “a process by which public authorities seek to achieve the appropriate balance between the three pillars of sustainable development—economic, social and environmental—when procuring goods, services or works at all stages of the project”⁵

² International Institute for Sustainable Development, “The Role of Public Procurement in Deploying Sustainable Infrastructure”, November 2016, <https://www.iisd.org/sites/default/files/publications/role-public-procurement-deploying-sustainable-Infrastructure.pdf>

³ Principles for Responsible Investment, “Macro opportunities: Driving growth”, October 2017, <https://www.unpri.org/sdgs/the-sdgs-will-drive-global-economic-growth/307.article>

⁴ International Learning Lab on Public Procurement and Human Rights, “Public Procurement and Human Rights: A Survey of Twenty Jurisdictions”, July 2016, <https://www.hrprocurementlab.org/wp-content/uploads/2016/06/Public-Procurement-and-Human-Rights-A-Survey-of-Twenty-Jurisdictions-Final.pdf>

⁵ European Commission, “Green and Sustainable Procurement”, 2019, https://ec.europa.eu/environment/gpp/versus_en.htm

Public spending—size and scope

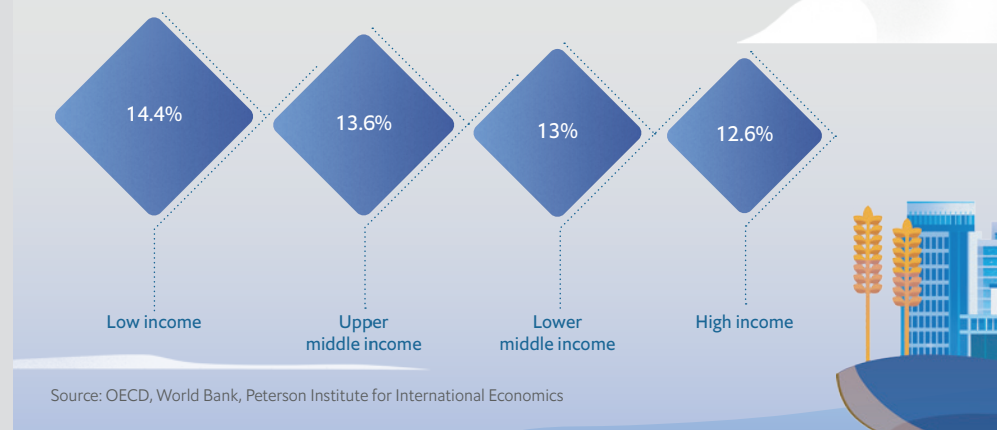
From computing equipment in public buildings to medicines and medical equipment, from bus fleets to bridges: governments need to procure a range of goods, services and civil works from the private sector simply to remain operational. And since they are spending taxpayers' money, local and national authorities are expected to make high-quality purchases that are free from corruption and represent value for money.

procurement and spending to deliver core public services can be difficult to discern, but it is estimated that procurement spending accounts for about one-fifth of global GDP, on average about 12% of GDP in OECD countries and up to 30% in many developing countries.^{7,8}

Increasingly, governments want public purchasing to reflect broader policy agendas, which means that spending needs

FIGURE 2

Procurement as a percentage of GDP, by country income level



Much public spending is directed towards the delivery of essential social services. Meanwhile, the commissioning of infrastructure consumes a sizeable chunk of public finances. The OECD, for example, expects the public infrastructure spending requirements of member governments to reach US\$71trn by 2030.⁶

Across all goods and services, public procurement takes up a considerable proportion of GDP. The line between

to be seen through the lens of goals such as environmental sustainability, gender equality, inclusive access to services, and economic opportunity for all genders, ages, ethnicities and abilities. Given the size and economic scope of public spending, the potential for new approaches to public procurement to accelerate progress towards the SDGs is significant. Public procurement is shaped by rules, standards and norms that can help or hinder such progress.

⁶ OECD, "Infrastructure & Energy in Public Procurement", <https://www.oecd.org/gov/public-procurement/infrastructure-energy/>

⁷ World Bank, "Benchmarking Public Procurement 2016: Assessing Public Procurement Systems in 77 Economies", November 2015, <https://elibrary.worldbank.org/doi/abs/10.1596/978-1-4648-0726-8>

⁸ UN Environment Programme, "Sustainable Public Procurement", <https://www.unenvironment.org/explore-topics/resource-efficiency/what-we-do/sustainable-public-procurement>

Influencing the market

Public purchasers can also be influencers. By being early adopters of new technologies and sustainable products and services, public institutions can act as role models for sustainable production and consumption. They can use their purchasing power to steer innovators in the private sector towards the design and development of services and products that tackle climate change, conserve resources and address social issues, from gender equality to human rights and decent work conditions. Such influence encompasses not only what the private sector produces and provides but also how it acts.

“Vendors don’t have government as their only client,” observes Mr Sharma. “So what

government requires them to do spills over into what they provide to the private sector as well, and this helps improve business practice.”

Ms Hedegaard cites the case of Norway where public procurement demands for electric ferries, which did not previously exist, led to the emergence of a new industry that now generates export revenue. “If you use public procurement much more strategically, you can change things—and you can really create innovation,” she says.

Through savvy public procurement activities, ambitious governments can shape markets by funding longer-term programmes and early innovations before they have reached the level of commercial viability needed for the private sector to invest.

Public spending and alignment with the SDGs

Among the 17 SDGs, only one explicitly references public procurement—target 12.7 of SDG 12 highlights the need to “promote public procurement practices that are sustainable, in accordance with national policies and priorities”.⁹ Yet public spending is integral to meeting most of the goals. Examples include:

SDG 5: Gender Equality—Achieve gender equality and empower all women and girls

Female entrepreneurs supply just 1% of the global public procurement market, according to some estimates.¹⁰ Governments have ample opportunity to promote greater gender equality through their spending. These include outreach programmes, policies that enable women-led businesses to supply their goods and services with greater ease and the introduction of procurement targets that focus on gender parity.

SDG 8: Decent Work and Economic Growth—Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

As a large-scale purchaser from a range of industries, governments generate substantial employment opportunities. Governments can work to ensure that employment opportunities are available across a diverse section of the labour market and require that their suppliers provide decent working conditions for their employees.

SDG 9: Industry, Innovation and Infrastructure—Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Beyond their central role in developing and maintaining quality and sustainable infrastructure, governments play a critical role in promoting sustainable industrialisation and supporting domestic science and innovation. Targeted approaches to public spending can help small-scale enterprises with

market access, particularly in developing countries, while investment in innovative high-tech products can advance the embracement of the digital economy.

SDG 13: Climate Action—Take urgent action to combat climate change and its impacts

From their ability to improve the energy efficiency of public buildings to the commissioning of energy efficient infrastructure, governments are powerful influencers when it comes to the shift towards a clean energy economy. They are also substantial energy consumers. Purchasing locally and assessing the carbon footprint of what they purchase can enable governments to reduce their carbon emissions.

SDG 16: Peace, Justice and Strong Institutions—Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels

Although focused on ending violence and abuse and promoting access to justice for all, this goal also includes indicators that relate to the accountability and transparency of institutions at all levels. These include targets to substantially reduce corruption and minimise waste in government spending.

SDG 17: Partnerships for the Goals—Strengthen the means of implementation and revitalise the global partnership for sustainable development

Partnership and collaboration will be key to meeting the SDGs. To advance sustainable purchasing, governments will need to work with a variety of stakeholders. These range from the private sector, from which they purchase goods and services, to the academic community, which can provide the research and data that informs spending decisions, through to non-governmental organisations that can partner with governments to advance their policy agendas on human rights, equality and environmental sustainability.

⁹ SDG 12.7, <https://sustainabledevelopment.un.org/sdg12>

¹⁰ Chatham House, “Gender-smart Procurement: Policies for Driving Change”, December 2017, <https://www.chathamhouse.org/sites/default/files/publications/research/Gender-smart%20Procurement%20-%202020.12.2017.pdf>

Sustainable supply chains—lessons from the corporate sector

As well as directing their purchasing towards environmentally friendly goods and inclusive services, governments working to meet the SDGs through their procurement practices also have to worry about ensuring that their supply chains do not have negative impacts. Multinational corporations, which source from across the world, have long been confronted by this issue.

“There’s been a real evolution in the way sustainability has been addressed through procurement in supply chains,” says Tara Norton, head of supply chain at BSR, an advisory group focused on business sustainability. “And there’s an array of tools out there that are specific to industry or commodity, so nobody has to invent anything, whether you’re a corporate or a government.”

These tools range from technologies such as blockchain, which can capture data on the provenance and chain of custody of raw materials and products, to systems that allow workers to anonymously report workplace abuse via text message. Such approaches can bring sorely needed transparency and accountability. Modern supply chains can be complex, involving many layers of ad-hoc sub-contracting that can be impossible for any entity on the chain to be fully aware of, let alone accountable for.

Businesses are increasingly recognising their spending impact. In 2019 the likes of Procter & Gamble and ExxonMobil

announced substantial commitments to promote gender equality, partly by investing hundreds of millions of dollars in women-owned businesses across their supply chains.

Meanwhile, corporate coalitions such as the Roundtable on Sustainable Palm Oil and the Responsible Business Alliance, a global industry coalition focused on corporate social responsibility in global supply chains, can help to verify that member companies are minimising the harmful effects of their activities on the environment and local communities.

Governments can become members of these coalitions, helping to advance sustainable development in accordance with SDG 17 (Sustainable development through global partnerships). In 2000, for example, the Voluntary Principles on Security and Human Rights was launched by the US Department of State and the UK Foreign Office, bringing together human rights groups, governments, and leading oil and mining companies to prevent abuses by public or private security forces protecting company operations.

The challenge for any purchaser, particularly in sectors such as IT and apparel, is that they often do not own or control the supplier company producing the computers or garments. That supplier may have many customers, all of which have different standards. The advantage of coalitions is that they offer a powerful collective voice to push for sustainable

practices from their suppliers. “One thing companies have learned over the years is that you can’t do this alone,” says Ms Norton. “Being able to have the influence you need takes multiple players. And there are so many industry initiatives out there, you don’t need to start from scratch.”

This collaborative voice is particularly powerful in places where systemic

problems such as labour abuses exist not simply in certain companies but across entire countries or regions. “Recognising those challenges and using collective muscle to try to lobby the enabling environment is another way to go,” says Ms Norton. “And that might be something where government could actually go further than business.”



Chapter 2

Effective public procurement—the barriers

In harnessing the power of procurement to advance sustainability and efficiency goals governments face many barriers, ranging from corruption to obstructive ways of working and misaligned incentives.

The challenges vary according to a country's level of economic maturity. In developing countries, urgent problems such as combating extreme poverty and disease may distract from the implementation of refined procurement strategies, even though such strategies could offer solutions to those problems. External and market barriers—such as market immaturity, lack of purchasing options and supply constraints—also exist in many countries, which means that sustainability initiatives cannot always be implemented immediately.

And yet many of the barriers are organisational. Procurement is often regarded as a back-office financial or administrative function, distinct from strategic policymaking operations. The culture and mindset of the procurement profession can impede the introduction of sustainable development strategies into public spending, while the communication gulf between policymakers and procurers all too often leaves projects falling short of an organisation's desired results.

Setting coherent objectives

Traditionally, public procurement has been conceptually split between primary objectives—such as cost effectiveness, quality,

value for money and integrity—and secondary objectives—such as promotion of small and medium-sized enterprises (SMEs), women-owned businesses and green procurement.¹¹

Trade-off thinking means that governments often de-prioritise sustainability objectives to address the basics first. “We are very inefficient in the primary objectives, so going into secondary objectives such as sustainability is asking something difficult for emerging markets,” says Ms Pessino. She cites the example of governments helping SMEs to enter the public procurement market, which might mean paying higher prices. In other cases, ridding bid processes of corruption may be a more urgent problem. “If countries are not careful with the primary objectives, they may find it difficult to meet the secondary ones.”

At the same time, tacking on a raft of sustainability-related requirements to tenders, in addition to value for money measures, can be counterproductive. More rules and compliance measures can both make assessment more difficult, and put vendors off—making the market smaller and less competitive, and solutions potentially more expensive and lower quality as a result.

However, governments increasingly understand that these objectives are not mutually exclusive. Not only can sustainable outcomes and value for money go hand in hand, especially when making long-term assessment, but a poor handle over cost-effectiveness, quality and timeliness can be

¹¹ OECD, “Recommendation of the Council on Public Procurement”, <https://www.oecd.org/gov/ethics/OECD-Recommendation-on-Public-Procurement.pdf>



the first barrier to achieving some of the objectives in the SDGs, particularly in less developed economies.

Part of the problem is that short-term thinking—obtaining the cheapest price today rather than looking at the cost of a product over its lifetime—has dominated public procurement. “There’s one criterion that beats them all and that’s the cheapest possible price here and now,” says Ms Hedegaard. “One of the biggest obstacles is that we are not applying lifecycle assessment and total cost of ownership systematically enough. If that was built into all public procurement, a lot of buying patterns could be changed.”

Clarity on objectives, and a greater focus on performance and outcomes over highly-specified outputs, are important. But another barrier soon emerges: countries often lack the data and evaluation systems that could demonstrate the social or environmental impact of purchasing decisions. There’s a need to develop measurement frameworks that go beyond just assessing financial savings to measuring the impact of procurement strategies on other dimensions that would

demonstrate social or environmental impact, according to the OECD.

Linear processes, complex rules

Conventionally conceived, procurement is inflexible and linear in nature: the process is one in which a procuring body tries to clearly articulate, to an exact specification, what is required to solve a problem or meet a need, and this then is delivered. This can make it difficult to incorporate environmental or social criteria—which tend to be more complex and exist across departmental boundaries—into decision-making.

“Traditionally, public procurement has been a somewhat mechanistic exercise where the rules of the game are very clear,” says Mr Sharma. “People have wanted bidding documents to be so detailed that there is no possibility of any discretion in decision-making.”

This leaves little room for the adaptation, iteration and broader strategic thinking that is needed to deliver the best solutions and to allow social and environmental priorities to inform the development of improved public assets, products and services.

In practice, this might prevent, for example, the introduction of higher insulation standards in building works contracts for fear that this will delay the completion date, even though better insulation saves energy and operating costs in the long term. And inflexible specifications, such as for vehicles that use petrol or diesel, may exclude companies that can offer greener alternatives, such as electric or hybrid vehicles. More abstractly, a government may order a bridge, when what will do the job best is a ferry.

Public procurement does allow for some innovation, particularly at the point where new tenders are designed and lessons learned from previous tenders can be incorporated. However, the process of change has typically been slow in the public sector.

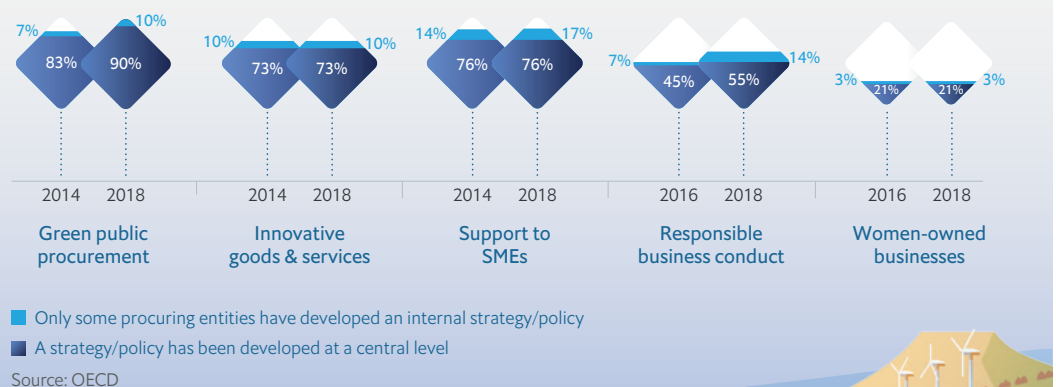
Skills, incentives and mindsets in the procurement function

Across government, low levels of professionalisation due to a lack of necessary skills and abilities means that procurement departments are not always equipped to make complex decisions on ethical, equitable and sustainable development issues.

Although policymakers are generally aware of the potential for public spending to advance progress towards meeting the SDGs, that awareness is less evident lower down the hierarchy in the procurement function. According to the OECD, more remains to be done on raising awareness, especially regional, provincial and municipal level, where most of the spending is carried out.

FIGURE 3

Existence of a strategy or policy to pursue secondary policy objectives in public procurement, survey responses



The above chart shows the percentage of developed countries, out of 28 OECD countries and Costa Rica, with strategies or policies in place to pursue additional objectives through public procurement, according to recent surveys.

Ms Safo also sees a need to educate procurement professionals at every level of government about the relationship between public spending and SDGs. “If a policy is launched and people don’t understand what the process is, they can’t take advantage of it,” she says.

Spreading awareness among procurement officers is not the only priority. Introducing support structures and incentives that emphasise sustainable development is particularly important. Procurement officials generally work to tight budgets and are aiming to deliver value for money. They may have little experience in sustainability or working with innovative entrepreneurs.

This is exacerbated by political cultures that reward zero errors, creating an aversion to risk that does not foster innovation. Civil servants and ministers can be reluctant to take a chance on a small supplier, while new forms of contracting that include environmental and social criteria may spark fears of bid protests in which companies submit objections to selection criteria. “How do you reward risk taking and doing something differently? This is something public agencies today are not necessarily very good at,” says Ms Casier. “But that’s what procurement for SDGs is really going to require.”

Introducing environmental or socially responsible considerations to procurement also requires innovative ways of thinking, says Erika Bozzay, a senior public procurement adviser at the OECD. “But in many countries people are dealing with public procurement cultures that are risk-averse or in which the environment is not supportive of this.”

Corruption and undue political influence can also contribute to a culture that is unsupportive of innovation.

Pushing the boundaries

The existence of departmental silos in government leads to a range of operational inefficiencies. In public spending, the lack of consolidated views on purchasing decisions limits the ability to promote sustainability strategies, which often need to cross departmental boundaries. This is exacerbated by the fact that procurement is handled at many levels of government, from national to state and municipal agencies. “There are millions of firms submitting offers to procurement procedures that end up awarding inconsistently because they evaluate them differently in different regions,” says Gian Luigi Albano, head of division at Consip, Italy’s central purchasing body.

For procurement to become a powerful tool in meeting the SDGs, governments will need to find strategic solutions to this fragmentation across agencies and enact policies with universal application where appropriate. This was the case in Ghent, where the implementation of sustainable procurement was challenging because of the Belgian city’s highly decentralised structure. To address this, the city has driven sustainability through all procurement practices by establishing targets and indicators for progress that include 10% year-on-year growth in the award of economically inclusive contracts—for example, cleaning services provided by socially vulnerable groups—and a 10% cut in carbon emissions.¹²

¹² UN Environment Programme, “Global Review of Public Procurement 2017, https://wedocs.unep.org/bitstream/handle/20.500.11822/20919/GlobalReview_Sust_Procurement.pdf

Poor transparency

Of course, while these “passive” inefficiencies hinder better public spending practices, a more challenging problem is an “active” one: corruption. Given the large sums, large scale and large number of people involved, public projects present ample opportunity for misconduct, the cost of which can be much higher than lost funds. If contracts are awarded to suppliers with lower standards and irresponsible or unsafe practices, the resulting poor-quality assets can ultimately cost lives.

Although governments can introduce legislation designed to keep procurement free of corruption, the existence of rules does not always provide an answer. “We see countries where corruption is endemic in spite of them having adopted all the recommended legal and institutional frameworks and best practices,” says Claudia Baez Camargo, head of governance research at the Basel Institute on Governance. “Most receive ratings with flying colours for their formal anti-corruption systems and in practice they do very little.”

Ms Baez Camargo says that corruption in public procurement is often driven by relationships of mutual benefit, with businesses providing financial support to political campaigns and receiving contracts as a reward. “Behind some of the most flagrant public procurement corruption scandals, there are informal networks connecting business interests and political elites that are associated because they help each other.”

However, perceptions of corruption can actually increase the risk of corruption. “In some cases, the trust in the integrity of public procurement is lower than the actual risk

of corruption, which makes businesses less interested in bidding for public procurement,” says Transparency International’s Irina Lonean. With fewer bidders to choose from, she explains, the risk of corruption increases. Many tenders have contracts with one to three bidders, she says. “So the competition is not high enough and the market is not strong enough to hold them accountable.”

Bridging knowledge gaps and easing collaboration with the private sector

Competition and open markets are vitally important to effective public spending, but a number of barriers can hinder governments from getting the most out of the private sector.

Overly complex procurement policies and practices, which can include procurement laws that have been set up to ensure fair and open bidding, often put off new and smaller actors. Complex processes favour those that have more experience while limiting access to SMEs, start-ups and first-time applicants—enterprises that can be better equipped to provide innovative solutions to social and environmental challenges than large incumbents with entrenched business models. Smaller enterprises may also be excluded by cash-flow problems, where contracts take a long time to pass through a government’s procurement system.

This hampers the ability of governments to make progress towards meeting SDGs relating to equality and economic inclusion, but also narrows the pool of potential vendors and reduces competition—to the detriment of innovation and keeping down costs.

Demand for solutions to social and environmental challenges is sparking the creation of companies with innovative products across the globe. While part of the onus lies on public procurers who need to educate themselves on these new opportunities, companies could also do more to share new solutions with procurers,

particularly as governments may not be aware of all available options. Yet equally often contracts fail to be secured because of rigid public-sector rules and requirements, suggesting that governments and private-sector suppliers need to improve both their collaboration and communication.



Chapter 3

How to spend it—policies, tools and practices

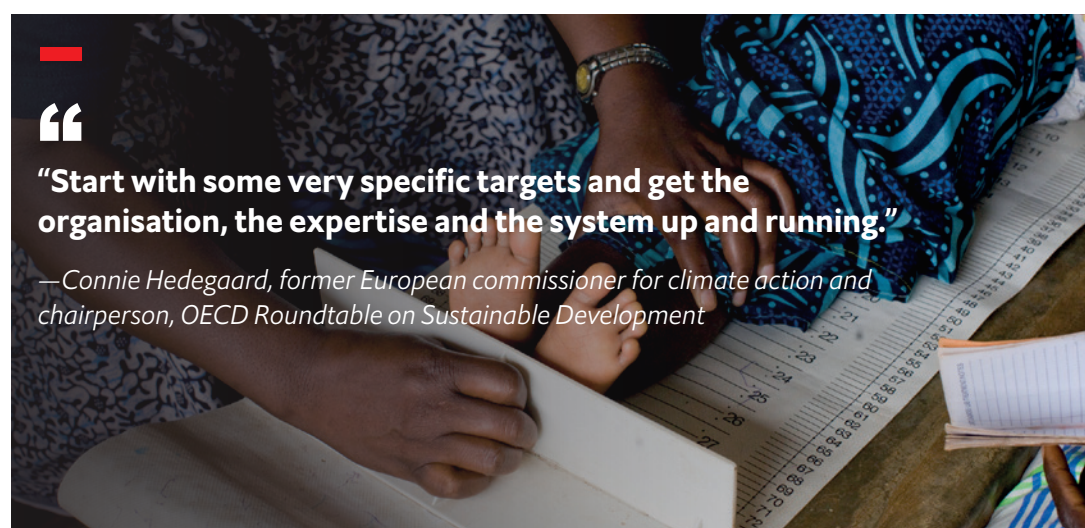
The move to efficient and economically productive public spending that is also sustainable and equitable cannot be made overnight, particularly in slow-moving public institutions that are beholden to a wide range of stakeholders. Internally, changes need to be made to everything from legislation and tender guidelines to organisational structure. All these tools can help to make progress happen more rapidly and encourage suppliers to be ready to adjust their offerings to meet public sustainability goals.

Mandate standards and consider the long term—but be mindful of barriers to entry

A key sustainable procurement tool is the tender document—and the market

analysis that takes place before it is developed. By introducing requirements for certain standards and practices related to environmental and social impact, governments can persuade manufacturers and other suppliers to propose solutions that meet not only traditional criteria such as price and quality, but also criteria such as environmental protection and equitable employment practices.¹³ Tenders might also include a lifecycle cost analysis of value for money that assesses the cost benefits of sustainable products and services over time alongside the cost of externalities such as carbon emissions.

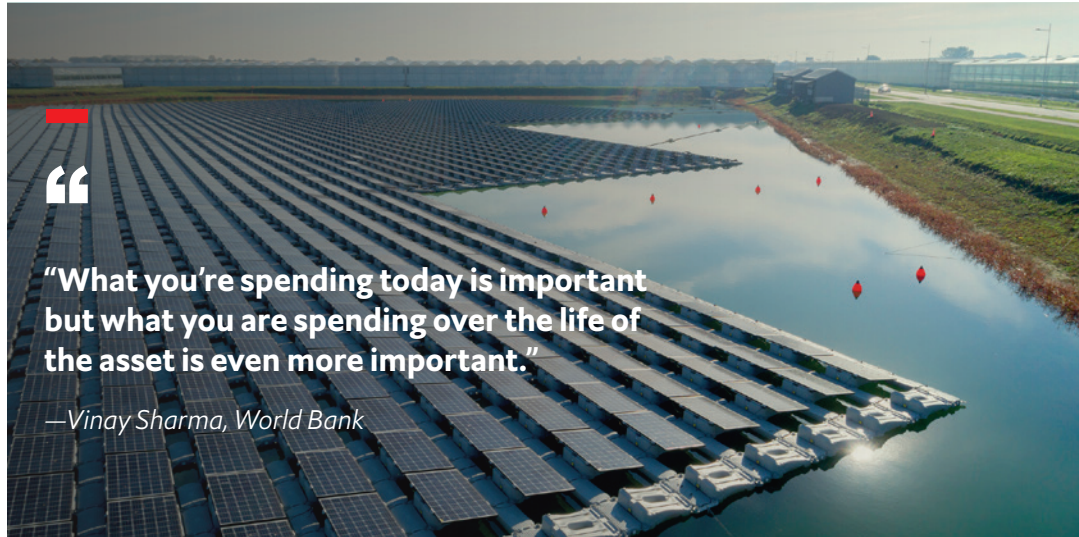
For example, governments can instigate multi-year accounting and budget frameworks which allow costs to be carried over or for



“Start with some very specific targets and get the organisation, the expertise and the system up and running.”

—Connie Hedegaard, former European commissioner for climate action and chairperson, OECD Roundtable on Sustainable Development

¹³ State Ecology Academy of Postgraduate Education and Management at the Ministry of Ecology and Natural Resources of Ukraine, “Handbook on Sustainable Public Procurement: Integration Sustainability Criteria into Public Procurement Procedures”, 2016, https://www.oneplanetnetwork.org/sites/default/files/handbook_spp.pdf



borrowing against the future—something that takes into account benefits (such as the longer life of LED lights) that accrue during the lifetime of assets.¹⁴ Although this is currently rare in the public sector, including lifecycle cost analysis in procurement could help to redress the assumption that sustainable products and services are more costly.

“What you’re spending today is important, but what you are spending over the life of the asset—in terms of operating and maintenance costs, et cetera—is even more important,” says Mr Sharma. “So it’s not always the lowest initial cost that gives you the best value. The cost over the life of an asset is what should shape the decision on how and what to purchase.”

Governments should be cautious not to overwhelm suppliers with hurdles to leap, and should ensure that new sustainability criteria do not erect barriers to entry for suppliers, particularly in developing countries. In 2012, for example, Vietnam’s Ministry of Education launched a tender for sustainably and legally

harvested timber. At the time, most suppliers were unable to demonstrate compliance with this requirement, so the ministry accepted certified proof of legal harvesting as an optional award criterion and set a 16-month lead time during which suppliers could obtain the necessary certificates of origin. Government assurances that future tenders would include the same requirements provided an incentive for suppliers to comply.¹⁵ Working more collaboratively with the private sector (see ‘Enter a dialogue’ on p28) can help ensure criteria are realistic and right.

Start small

Because meeting all 17 of the SDGs can seem daunting, Ms Hedegaard stresses the need to tackle a few areas initially and scale up from there. “It’s better to start with some very specific targets and get the organisation, the expertise and the system up and running, instead of being paralysed with the task being about everything on planet earth,” she says.

¹⁴ IISD, “Life Cycle Costing in Sustainable Public Procurement: A Question of Value”, December 2009, https://www.iisd.org/sites/default/files/publications/life_cycle_costing.pdf

¹⁵ IISD, “The Case for Pursuing Sustainable Public Procurement in Lower Income Countries”, September 2012, https://www.iisd.org/pdf/2014/spp_lower_income_countries.pdf

Ghana, which is developing a policy through which 30% of public procurement contracts will be given to women, young people and persons with disabilities, is taking this approach. Initially, it plans to implement the policy on a small scale and in sectors that will benefit disadvantaged groups before rolling it out more broadly. “We believe it should start on a pilot basis,” says Ms Safo. “We’ve identified certain simple procurement contracts, like the supply of newspapers, gardening, painting and repair of printer and office equipment.”

Addressing corruption—take the pledge

Transparency and fair procurement processes play a significant role in advancing progress towards the SDGs. For governments to actively use procurement as a tool for good they need to be aware of the impact of their spending choices and mindful of the ultimate recipients of that funding.

For example, procurement can do much to prevent abuses such as child labour and human trafficking and has the potential to foster economic equity and inclusivity—something that can be enshrined in law. In South Africa, the Preferential Procurement Policy Framework Act (PPPFA), enacted in 2017, requires that public authorities take into account a preferential points system when assessing contracts.

This framework not only sets fair prices

but also includes specific goals, such as contracting people that have historically been disadvantaged by discrimination on the basis of race, gender or disability.¹⁶ A PPPFA scorecard is used to evaluate and award tenders based partly on measurement of black economic empowerment criteria (the term “black” in this context refers to black, coloured, Indian, Asian and second-generation Chinese citizens).¹⁷

Although tackling corruption means shifting entrenched conflicts of interest, certain mechanisms can go some way towards ensuring that contracts are free of graft. One solution is to use an approach such as the Integrity Pacts developed by Transparency International, through which contracting authorities and bidders commit to optimal transparency practices.¹⁸ “For riskier procurements you can have more in-depth monitoring, through both digital and human intelligence,” says Irina Lonean, Integrity Pacts co-ordinator at Transparency International.

One example is a project for road infrastructure contracting in Bulgaria, a country that has struggled to overcome corruption in public procurement since its transition to democracy. Working with Transparency International, the country is using an Integrity Pact signed with the Road Infrastructure Agency to monitor the design and construction of a €128m (US\$148.2m) tunnel along the Struma motorway near the village of Zhelezmitsa.¹⁹

¹⁶ International Learning Lab on Public Procurement and Human Rights, “Public Procurement and Human Rights: A Survey of Twenty Jurisdictions”, July 2016, <https://www.hrprocurementlab.org/wp-content/uploads/2016/06/Public-Procurement-and-Human-Rights-A-Survey-of-Twenty-Jurisdictions-Final.pdf>

¹⁷ IISD, “Implementing Sustainable Public Procurement in South Africa: Where to start”, May 2014, https://www.iisd.org/sites/default/files/publications/implementing_spp_south_africa.pdf

¹⁸ Transparency International, “Integrity Pacts”, https://www.transparency.org/whatwedo/tools/integrity_pacts/5

¹⁹ Transparency International Bulgaria, “Integrity Pact: Bulgarian Model”, http://integrity.transparency.bg/en/wp-content/uploads/sites/2/2016/04/IP_BGModel_EN.pdf and “Bulgaria: Transparency in Motorway Construction”, https://www.transparency.org/whatwedo/activity/bulgaria_transparency_in_motorway_construction

Cities pave the way

Responsible for more than 70% of energy-related carbon emissions globally, cities face tough challenges in moving to a low carbon future. However, they also have powerful resources at their disposal: city procurement not only represents a large proportion of municipal budgets but can also account for up to one-third of total public spending in many countries, according to CDP, which supports investors, companies, cities, states and regions in disclosing and managing their environmental impacts.²⁰ “Because [cities’ procurement] is such a significant portion of national purchasing spend, there’s a lot of power in engaging cities,” says Katie Walsh, head of cities, states and regions in North America at CDP. “And those decisions on what purchases cities are making and planning can send a direct message to suppliers.”

An example of the scale of a city’s impact is construction. In the Norwegian capital, Oslo, which spends €1bn annually (US\$1.1bn) on the construction of everything from care homes and schools to water and transport infrastructure, the emphasis has been on developing cleaner methods, says Oslo municipality’s governing mayor, Raymond Johansen. “We have focused on fossil-free construction sites, and with private businesses we have been able to develop carbon-free materials and zero-carbon machinery. And we have used our procurement standards to develop low-carbon standards.”

Of course, cities can also be constrained, particularly when purse strings are tight and regulations have been established that require them to focus on cost. “In some of their contracts, the scoping is limited by regulatory changes that limit who [cities] go with,” says Ms Walsh. “There could be a greener alternative, but the city’s fiscal position means that a charter has been put in place to go with the lowest-cost bidder, even when that bidder might not be making the best impact.”

However, cities can also lead the way in terms of innovation in public procurement. For some, this means setting sustainable procurement targets. This has been a focus for the Seoul Metropolitan Government which has been pursuing green procurement (with a clean energy focus) for more than a decade. The South Korean capital has ambitious goals set for 2020. It aims for 70% of selected product purchases to be green, for all indoor lights in public buildings to be LED, for 200MW of city energy to be supplied by photovoltaics on public facilities, and for all new city-owned buildings to be “best in class” certified and to achieve grade 1 energy efficiency.²¹

In Oslo, a “climate budget” is used as a governance tool, enabling the city to monitor plans for how its targets are to be achieved, what mitigation measures have been put in place and who is responsible

²⁰ CDP, “Why Public Procurement is Critical to Sustainable Cities”, October 2018, <https://www.cdp.net/en/articles/cities/why-public-procurement-is-critical-to-sustainable-cities>

²¹ Global Lead City Network on Sustainable Procurement, “Seoul – South Korea: Sustainable Procurement Targets”, <http://glcn-on-sp.org/cities/seoul/>

for implementing them.²² The city wants to help others to use this tool, by sharing knowledge through the C40 Cities Climate Leadership Group, a network that supports megacities, including many in developing countries, to collaborate effectively. “[The climate budget] is a good instrument to help cities know what to do, how to measure it and follow up on what works and what does not,” says Mr Johansen.

Not all city sustainability objectives are limited to the urban environmental footprint. For example, Oslo has also been working to implement the Ten Principles framework of the UN Global Compact since 2012, which includes principles on human rights, labour rights and anti-corruption.²³ In particular, city

authorities have focused on protecting the rights of the many workers coming to the city from eastern Europe. “Using public procurement to build a cleaner labour market has been very important for us,” says Mr Johansen.

Cities have also understood the power of their collective buying power. For example, in June 2019 more than 140 cities and counties in the Climate Mayors initiative, a collaboration of cities across the US, announced a commitment to collectively purchase more than 2,100 electric vehicles by 2020.²⁴ Not only will the initiative help to save money and lower emissions, it will also send a signal to the market. “The electric vehicle initiative is demonstrating demand, and that’s powerful,” says Ms Walsh.

Harmonising the strategy

To avoid fragmented and conflicting responses to sustainable procurement, governments need to establish uniform rules and procedures, harmonised definitions of what constitutes a sustainable purchase, and common strategic goals that all agencies and procurement units can follow.

This is something that Ukraine, with funding from the EU, strived to achieve in 2016 with the publication *A Handbook on*

Sustainable Public Procurement.²⁵ The broader sustainability plans of government, in which procurement plays an important role, can also help to instil this unified vision in public spending. For instance, in Costa Rica public entities are bound by law to implement environmental management plans which include sustainable procurement objectives.

Mr Albano argues that, given the many different national and local agencies involved in public procurement, co-ordination is essential. He cites the example of efforts

²² KlimaOslo, “The Climate Budget – Explained”, <https://www.klimaoslo.no/2019/10/29/the-climate-budget-for-dummies/>

²³ Global Lead City Network on Sustainable Procurement, “City of Oslo (Norway) Sustainable Procurement Profile”, http://glcn-on-sp.org/fileadmin/user_upload/Publications/SP_Profiles/City_of_Oslo_GLCN_on_SP_Profile.pdf

²⁴ Climate Mayors, “EV Purchasing Collaborative Announces More Than 140 Cities and Counties Have Committed to Purchasing Over 2,100 EVs by 2020”, June 2019, <https://driveevfleets.org/media/#1571673628671-db67d268-6b77>

²⁵ State Ecology Academy of Postgraduate Education and Management at the Ministry of Ecology and Natural Resources of Ukraine, “Handbook on Sustainable Public Procurement: Integration Sustainability Criteria into Public Procurement Procedures”, 2016, https://www.oneplanetnetwork.org/sites/default/files/handbook_spp.pdf

to reduce carbon emissions through procurement policies. “Because it can be done in thousands of different ways—from minimum quality to rewards and standards—and because public demand is scattered over hundreds of thousands of different entities, if there are no policy guidelines that are precise enough, you run the risk of having thousands of different ways of doing it.”

However, central purchasing is not necessarily the best option. For example Oslo, the Norwegian capital, has a decentralised procurement function: the commitment to advancing sustainable production and consumption is enacted by top-level management in each of the city’s 50 government agencies. This is then reflected in the Local Action Plans for all procurement activities.²⁶ The city has also worked to raise awareness of sustainable procurement across its agencies. “It took a lot of education for those who are responsible for this,” says Oslo municipality’s governing mayor, Mr Johansen.

Most agree, however, that it is critical to have clearly defined laws, internal regulations, financial incentives and policy objectives that can guide a wide range of purchasing agencies at national and local levels. In some cases, this means setting mandatory requirements. China has taken this approach to support the procurement of energy-saving and environmentally-friendly products and to accelerate the phasing out of low-efficiency products.²⁷

National policies can also direct procurement towards solutions that help to meet the SDGs,

both inside government and more broadly in the supply chain. In this respect, Colombia is a clear example. The Colombian government has established a number of sustainable procurement provisions in its national policies, including the Sustainable Production and Consumption Policy of 2010 and provisions of the Decree 1082 which regulates the administrative sector of national planning. Meanwhile, the Ministry of the Environment and Sustainable Development is working with the National Procurement Agency to formulate a country-wide sustainable procurement action plan.²⁸

In Italy, the National Action Plan for the Environmental Sustainability of Public Administration Consumptions aims to improve knowledge of sustainable purchasing practices in public bodies. It provides guidelines for sustainable purchase processes and outlines the environmental criteria to be included in tender specifications. Every three years national targets are set and periodically monitored to assess areas of success and areas for improvement. It also calls for the inclusion of green procurement in regional legislation.²⁹

It is at the local level that change is often made. For Ghana, a priority is to ensure that its quota for procurement contracts that benefit women, young people and persons with disabilities is established at every level of government. “We’re not only implementing it at ministerial level,” says Ms Safo. “It will trickle down to local government structures—the district assemblies, the municipal assemblies

²⁶ Global Lead City Network on Sustainable Procurement, “City of Oslo (Norway): Sustainable Procurement Profile”, http://glcn-on-sp.org/fileadmin/user_upload/Publications/SP_Profiles/City_of_Oslo_GLCN_on_SP_Profile.pdf

²⁷ X Wang, Y Lui, Y Ju, “Sustainable Public Procurement Policies on Promoting Scientific and Technological Innovation in China: Comparisons with the U.S., the UK, Japan, Germany, France, and South Korea”, MDPI, June 2018, <https://pdfs.semanticscholar.org/e1e4/9cde93fb35550eb4085fa28acfb8f45010bf.pdf>

²⁸ UN Environment, “Factsheets on Sustainable Public Procurement in National Governments”, 2017, <https://www.oneplanetnetwork.org/sites/default/files/factsheets2017.pdf>

²⁹ FUNDECYT, “Guidelines on how to capitalise green procurement as an enabler of industrial symbiosis”, 2017, https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/SYMBI_A1.4_Guidelines%20on%20Green%20Public%20Procurement_DRAFT.pdf

and regional governance structure—so it reaches the disadvantaged and marginalised people and the goals can be achieved.”

Governments are also working to professionalise the public procurement function. The IISD has worked with governments on increasing the professionalisation of public procurement and advancing knowledge about sustainable

procurement. In Bhutan, for example, through a three-year public procurement collaboration, the IISD worked with partners such as the Royal Institute of Management (RIM), which trains the country’s public servants. After the project ended in 2017, the RIM implemented a curriculum on green procurement that is still being used today, says Ms Casier.³⁰

Technology tools

The advancement and penetration of digital technologies can do much to make life easier for governments seeking better procurement practices to support their sustainable development priorities. Technologies such as artificial intelligence (AI), in particular techniques such as machine learning, can remove the burden from procurement staff when it comes to standard contracting and sourcing processes, including matching vendors and procurers. The technology offers efficiency gains, too, freeing up time for procurement staff to focus on more strategic decisions.

Technology can also assist public procurers in increasing transparency and avoiding corruption. “If information

is published in a way that can be read by digital tools, then big data and artificial intelligence can be used by oversight institutions to see where the risks are higher and to start an investigation,” says Ms Lonean.

In Hungary the Red Flags project, developed by Transparency International Hungary, provides an interactive tool that allows citizens, journalists and public officials to monitor procurement processes and their implementation to detect fraud risks at different stages in the process. The tool automatically checks procurement documents from the Tenders Electronic Daily, the European public procurement journal, and uses an algorithm to spot risky procurements that

³⁰ Green Public Procurement in Bhutan Knowledge Platform, <http://gpp.rim.edu.bt/>

might warrant further scrutiny. Users can subscribe to receive alerts in different fields whenever risky procurements are published.³¹ Having a flag doesn't necessarily equal a corruption case, says Transparency International, but investigative journalists have used it to unmask corruption cases in the past.

Of course, the shift to digitisation is more challenging for developing countries whose primary focus might be establishing the basic structures for effective procurement processes as opposed to advanced technologies such as AI. To address this, the Inter-American Network on Government Procurement has an initiative focused on promoting open data which increases transparency and serves as a disincentive for corruption.³²

Beyond preventing corruption, technology makes monitoring efficiency far easier. In Brazil, for example, the IDB is working with electronic invoices that can compare market prices with

the amount that public procurers are paying for drugs. "We have to focus on software, automation and using it to look at the results and impact they have in achieving efficiency," says Ms Pessino.

Lack of familiarity also presents challenges for governments as they look to purchase new technology. To address this, the UK government recently released guidelines for the procurement of AI-based technologies, which advise on areas such as how to balance public benefit against risks and how to focus on transparency and accountability.³³

Governments will need to get up to speed on these emerging digital tools, and given the amount of data that procurement agencies need to process, the use of technology is only set to increase. "There's a wealth of information out there that's hard to digest," explains Ms Casier, "so there is huge potential for automation to play a role."

³¹ Red Flags website, <https://www.redflags.eu/>

³² Centre for International & Strategic Studies, "Public Procurement as a Driver of Growth in Developing Countries: Governance Challenges and Reform Opportunities", January 2016, <https://www.csis.org/events/public-procurement-driver-growth-developing-countries>

³³ GUK Government Office for Artificial Intelligence, "Draft Guidelines for AI procurement", September 2019, <https://www.gov.uk/government/publications/draft-guidelines-for-ai-procurement/draft-guidelines-for-ai-procurement>

The entrepreneurial state—drive innovation through procurement

Governments have also sought to direct markets towards products and solutions that will advance progress towards the SDGs through procurement practices.

One option is purchasing innovations before they are ready to launch on the market, known as “pre-commercial procurement”. This not only enables governments to leapfrog to the newest technologies but can also help to kickstart sustainability initiatives that can be transformative in the broader economy. “Procurement can actually drive innovation through the pre-commercial procurement of innovation,” says Ms Casier. Several years ago, for example, China set a goal of ensuring that 40% of public procurement would be of innovative solutions.³⁴

Many governments are taking this approach through what is referred to as “public procurement innovation”, whereby

governments develop practices and strategies that look to shape the market and incentivise suppliers to find innovative solutions or build innovative products.

Policymakers can use a number of tools to promote innovation through procurement. For example, South Korea supports the identification of the technical products of SMEs by requiring that public agencies prioritise these in their procurement. The country also funds some research and development expenses for SMEs that are devising new technologies and exempts them from payment of patent fees.³⁵

China enables preferential treatment of SMEs by using tools such as credit guarantees, performance bonds, payment deadlines and payment methods. In the Dominican Republic, regulations help to direct procurement towards SMEs by allowing smaller firms to participate in selection processes through consortiums or associations and giving them the option of receiving an advance payment of

³⁴ European Commission, “Quantifying the impact of Pre-Commercial Procurement (PCP) in Europe based on evidence from the ICT sector”, 2014, https://ec.europa.eu/information_society/newsroom/image/document/2015-44/final_report_published_11779.pdf

³⁵ MDPI, “Sustainable Public Procurement Policies on Promoting Scientific and Technological Innovation in China: Comparisons with the U.S., the UK, Japan, Germany, France, and South Korea”, 2018, <https://pdfs.semanticscholar.org/e1e4/9cde93fb35550eb4085fa28acfb8f45010bf.pdf>

20% of the project to make it more feasible for them to take part.³⁶

Support is also needed when bringing disadvantaged groups into public procurement. Ghana, for example, is working to make it easier for disadvantaged groups to navigate the tender process and plans to set aside funding to support this and engage civil society groups that can offer free legal advice. “It’s all part of the implementation process,” says Ms Safo. “We want to make it more simplified so the ordinary person with little education will be able to understand the process and bid for those contracts.”

Enter a dialogue—and start early

Tapping into the newest innovations means starting to think about sustainable development early on in the procurement cycle. For example, Public Services and Procurement Canada (PSPC), the Canadian

government’s central purchasing agent, encourages early engagement between procurement departments and potential suppliers to make sure they are able to meet tender requirements. The PSPC also issues Letters of Interest and Requests for Information, holds one-on-one consultations with suppliers and stages industry days. These different mechanisms allow government purchasers to understand which suppliers are best suited to meet the government’s various needs and to assess the complexities and risks associated with a purchase which enables them to devise mitigation strategies early on.³⁷

This kind of preliminary work is especially important when it comes to sourcing suppliers that can meet social and environmental criteria. Ms Casier cites the example of a building refurbishment programme in Eindhoven in the Netherlands. The city used a range procurement processes to improve its engagement with the market, including a

FIGURE 4
Spill-overs



³⁶ World Bank, “Promotion of SMEs/Local Content in Public Procurement Laws and Regulation”, <https://ppp.worldbank.org/public-private-partnership/promotion-smes-local-content-public-procurement-laws-and-regulation>

³⁷ OECD, “Country case: Early engagement in Canada”, 2015, <https://www.oecd.org/governance/procurement/toolbox/search/early-engagement-canada.pdf>

pre-procurement exploratory phase. As part of this, the contracting authority used external communications to inform the market of its plans to become an energy-neutral city by 2045 and the role that municipal buildings would play in meeting this objective. The exploration and open-market consultation phase also informed the market of plans to move beyond single-building projects to a more holistic approach to procurement. Such a move was understood to require products and long-term services that would enhance sustainability and energy efficiency for a

number of municipal buildings. Interested suppliers were then asked to present their ideas online.³⁸

Ms Bozzay argues that this approach is critical when public purchasers are looking to integrate sustainability into their activities. “The whole process should start much earlier with needs analysis so that public buyers understand what they really need. But there should also be some kind of analysis to understand what the market can offer,” she says. “Public procurement doesn’t start when the invitation to tender is published.”



³⁸ WWF Paper, “Moving towards sustainable performance-based procurement in the Western Cape: A guidebook for supply-chain managers and policy makers”, 2017, http://dtnac4dflyw8.cloudfront.net/downloads/WWF_2018_Moving_towards_sustainable_performance_based_procurement_WC.pdf

Conclusion

There is an ongoing shift towards using public procurement as a much more strategic tool to support sustainability and other national development objectives. Doing so can help governments make substantial progress towards the SDGs.

As the many examples and case studies of this essay demonstrate, benefits are to be found particularly in long-term cost savings, emissions reduction and the generation of inclusive employment opportunities. But practically all SDGs are affected by public spending decisions—it is up to governments to ensure those effects are positive.

As governments face severe funding gaps when it comes to meeting the SDGs—in several countries the estimated needs gap amounts to more than a quarter of GDP (see Figure 1)—procurement is an area ripe for quick and significant wins. Given the scale of government expenditure, small efficiency gains can save billions of dollars. Improved procurement practices can also change and even save lives, slow environmental degradation, and help build a sustainable and resilient economy.

And yet governments have plenty of hurdles ahead. Between the persistence of short-term thinking, fragmented organisational structures, widespread corruption and a basic lack of knowledge in the procurement market, there is no shortage of battles to be fought.

However, with the SDGs as a framework, many governments—largely in developed nations—are starting to implement regulations, systems and organisational structures that can advance their objectives. In Ghana, the government decided to create a dedicated agency for public procurement.

“We thought it advisable to have a minister for public procurement charged with that responsibility in order to develop the right strategies and policy needed to achieve the SDGs,” says Ms Safo.

Technology will also prove a powerful tool, enabling the analysis of large volumes of data to find new purchasing opportunities, identify corruption or the risk of corruption, and offer the levels of transparency that citizens and businesses now expect.

A forward-looking mindset is also essential. “You need to ensure that procurers do not just buy yesterday’s solutions but actively look in the market for the solutions that can deliver sustainability,” says IISD’s Ms Casier. “It’s a matter of mainstreaming that strategic approach.”

With the right structures in place, the public procurement function can enable governments to become leaders in the broader economy. “That’s very important because public procurement has to be a driver for shaping the private sector itself,” says the World Bank’s Mr Sharma.

Many will have to get the basics in place first. In developing countries, sustainability is often considered a luxury they can ill afford, particularly where governments are still struggling to meet basic needs. However, if such countries can embrace the SDG agenda, sustainable public procurement offers opportunities across the board, including reduced poverty levels, less corruption, lower energy costs and greater efficiency of services overall.

In fact, the benefits of sustainable procurement apply to economies at any stage

of their development. Carefully designed and supported by the right organisational structures and technological tools, sustainable public procurement strategies can do more than address negative impacts on society and the environment. They can help

nations to fight deprivation, move towards the low-carbon economy, and create the equitable employment opportunities needed for everyone to achieve decent livelihoods and a better quality of life.



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