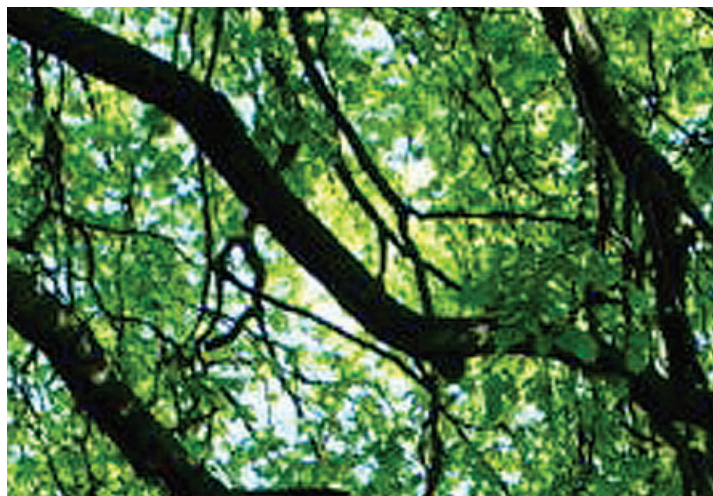


Building accountability and transparency in public procurement



Why focus on public procurement?

Can we even begin to envision how markets will react if governments begin to harness their immense purchasing power to buy environmentally and socially preferable goods and services? The public sector is a very large and diversified enterprise that spends 45–65 per cent of its budgets on procurement. This amounts to 13–20 per cent of GDP in OECD countries and even more in developing and transition economies: 35 per cent in South Africa; 43 per cent in India; and 47 per cent in Brazil. Public procurement is a key driver of international commerce creating value chains that span the world. If this purchasing power can be leveraged to deliver green, clean and equitable alternatives, will we not be treading the straight road towards a sustainable future?

The Business Case for SPP

Carrying out SPP requires a thorough review of procurement procedures, including setting specifications, determining award criteria and drafting contracts. This will bring to light opportunities for time, efficiency and transparency improvements.

Giving preference to *green* and social alternatives can realize costs savings and improve operating efficiency in the medium term.

SPP will prepare national markets to compete internationally on green and equitable technologies, products and services.

SPP can spur sustainable design for it provides direct incentives for the innovation and wider commercialization of green and social products. Markets for environmental services and technologies are on the rise, on average by 9–17 per cent per year.

SPP will also reward sustainable enterprises by providing a consistent demand for sustainable goods and services. This will enable businesses to realize economies of scale, reduce costs and plan an even wider distribution of sustainable alternatives. In the USA, Canada, Germany and Austria, the public sector demand for energy-efficient ICT equipment, sustainable timber and sustainable agricultural produce are believed to have increased related market shares by over 25 per cent.

If governments want to develop safer, prosperous and equitable societies and reduce environmental and social risks, the public sector needs to lead by example. The private sector has been long been working on green and social improvements—the onus is now on the public sector to “walk the talk.”

As climate change, environmental degradation and social inequality make headlines, SPP provides governments with a valuable public relations showcase to demonstrate their commitment to sustainable development.

Sustainable public procurement is about laws, policies and practices to integrate economic, social and environmental risks into public procurement processes and decisions. It is about achieving “value for money” across the life-cycle.



IISD believes that public procurement is an influential vehicle for governments to lead by example and “walk the talk” on sustainable development. Sustainable public procurement (SPP) is about laws, policies and practices to integrate economic, social and environmental risks into public procurement processes and decisions. It is about achieving “value for money” across the life-cycle by considering the environmental, social and economic

consequences of: design; non-renewable material use; manufacture and production methods; distribution and commercialization; operations and/or user life; disposal, reuse and recycling options; and suppliers' capabilities to address these consequences throughout the value chain. In other words, sustainable procurement is about doing business with taxpayers' money in a way that benefits society in the longer term. Anything less means that today's taxpayer as well as future citizens are being short-changed.

IISD Global Survey on Sustainable Public Procurement, 2007

IISD's work on SPP began with a global survey on the roll-out of SPP policies by national governments. This survey was funded by the IISD Innovation Fund. The survey report can be viewed at <http://www.iisd.org/markets/procurement>

Assessing SPP preparedness in emerging and industrializing economies

Given that national procurement policies, processes and cultures are highly country-specific and that SPP is best promoted implicitly through "learning by doing," IISD is conducting SPP-preparedness assessments in emerging economies. These assessments are designed with leadership by national governments and with a national policy institution executing the research and consensus building. The project also includes a multi-stakeholder focus group to identify opportunities to demonstrate theory in practice. These assessments aim to:

- assess the legal, institutional and market preparedness for SPP;
- establish the extent to which prevailing social and environmental policies could promote SPP;
- identify potential drivers and obstacles for SPP; and
- identify the most feasible options for launching pilot initiatives.

IISD has completed SPP preparedness assessments in Chile, India and South Africa. The country assessments can be viewed at <http://www.iisd.org/markets/procurement>

Procurers' Talk

There is little applied research into the real-life experiences of procurers as they begin to plan and implement SPP policies. To address this gap, IISD has launched Procurers' Talk in which we feature interviews with procurers on both their achievements and setbacks in enabling SPP. See <http://www.iisd.org/markets/procurement/> for details.

Whole-life costing in SPP

A key obstacle in enabling SPP is to publicly justify the higher capital spending that is usually associated with environmentally and socially preferable products and services. Procurement decisions are not usually based on whole-life costing, which can demonstrate that higher capital spending can be offset through lower operating costs during the user life of the products/works. In 2008, the International Organization for Standardization launched *ISO 15686-5 Buildings and Constructed Assets – Service-life planning – Part 5: Life-Cycle Costing*. IISD will be researching this standard with the view to publishing guidance on whole-life costing in the procurement context. Meanwhile, IISD has also been conducting a literature review on early experiences of whole-life costing in public procurement.

IISD welcomes interest from donors and country project partners as we leverage our ongoing work to enable more accountable and transparent SPP practices across the world.

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Some findings from the 2007 IISD Global Survey on SPP

OECD governments are experimenting with the use of procurement to support national policies on sustainable production and consumption.

Such policies in emerging and developing countries are largely missing or are being submerged by conflicting policies.

SPP does not entail a set methodology but an integrated web of policies and processes that are the joint responsibility of ministries of finance, commerce, industrial development, rural enterprise, environment, labour, social services and national procurement authorities.

SPP needed to be implicitly promoted through "learning by doing" in accordance with national sustainable development priorities.

