

## Sustainable Procurement: a Smart Way to Procure Looking at the “Big Picture”

By Sabine Engelhard

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What is sustainable procurement?

“A process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole-life basis in terms of generating benefits not only to the organization, but also to society and the economy whilst minimizing damage to the environment.”<sup>1</sup>

Sustainable procurement is based on the same essential principles as any public procurement: economy, integrity, efficiency, fairness, and transparency, striving to achieve value for money. What is different, however, is the approach. It is more encompassing and long-term oriented, considering economic, environmental, and social factors at all stages of the procurement cycle, both in the determination of what to procure and how to achieve value for money.

Looking at public procurement through a lens of sustainability requires thinking more about the “big picture” and the potential consequences of decisions. It is not just about meeting the needs of a program, a project, an institution, or a country, obtaining the right quality of goods and services, on time, and at a competitive price. It is about meeting procurement needs in a way that does not compromise the ability of future generations to meet their own needs.<sup>2</sup>

Sustainable procurement is a core component of a society’s efforts for achieving sustainable development, as clearly illustrated by the United Nations Sustainable Development Goals<sup>3</sup>, in particular SDG 12.7 which is about: “promoting public procurement practices that are sustainable, in accordance with national policies and priorities”.

Embracing sustainable procurement starts with a review of a country’s existing policies, legislation, and commitments at a national or international level. This legal framework will reflect the country’s political commitment to sustainable procurement. The applicable rules may contain requirements pertaining to public access to certain information, requirements to treat

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<sup>1</sup> Department for Environment, Food and Rural Affairs (2006): Procuring the Future: Sustainable Action Plan: Recommendations from the Sustainable Procurement Task Force. London, in: <https://assets.publishing.service.gov.uk/media/5a78e19040f0b6324769ae5f/pb11710-procuring-the-future-060607.pdf>

<sup>2</sup> World Bank, guidance on Sustainable Procurement: <http://pubdocs.worldbank.org/en/788731479395390605/Guidance-on-Sustainable-Procurement.pdf> Sustainable Procurement An introduction for practitioners to sustainable procurement in World Bank IPF projects, April 2019

<sup>3</sup> <https://sdgs.un.org/goals>

hazardous waste, or prohibitions on using certain building materials, manufacturing products, or processes that might be detrimental to the environment or the health of citizens. These sets of rules may also require the use of eco-labeled or certified products or products that do not have a negative effect on the environment. They may also entail provisions requiring suppliers to be industry-certified and/or to make self-declarations concerning the products or manufacturing processes they use. Additionally, these rules may include commitments pertaining to the disposal of public property such as computers, construction equipment, cars, chemicals, etc.

This holistic approach leads to a more nuanced and flexible method to public procurement at all stages of the cycle. For instance, at pre-qualification or the initial selection stage, specific certification, verification of an industry environmental or social standard, or a management system could be required. When technical specifications are conformance-based, they will detail special attributes or characteristics that the procured products must meet (e.g., recyclable content or sustainably managed timber). For performance-based specifications, the proposed functions to be performed by the product will be included (e.g., fuel/energy efficiency). For bid evaluation, qualifying criteria, minimum requirements, or performance standards can be introduced, as well as rated criteria and weighting of scores. Monetizing impacts (e.g., energy consumption and waste) is also an option. Bid evaluation can also be conducted based on life-cycle cost or whole-life criteria, taking into consideration all three pillars (economic, environmental, and social). At contract negotiation, corporate and social responsibility commitments can be negotiated and incorporated into the contract. During contract implementation, Key Performance Indicators (KPIs) can be used to measure suppliers' performance. Provisions could also be incorporated into the contract, providing for bonuses when KPIs are met or penalties for non-compliance.

Awards will be made to the bidder having submitted the “most advantageous bid” rather than the “lowest-evaluated substantially responsive bid”. Determination of the most advantageous bid will be achieved using the factors and criteria described earlier, considering relevant costs and benefits, assessing risks and non-price attributes and/or life-cycle costs, or whole-life criteria, including disposal costs. Illustrating this shift in approach, some countries have adopted these in their public procurement legislation or introduced regulations linked to such legislation provisions regarding the process, procedures, and oversight of public property disposal.

Over the years, the emphasis on sustainable procurement has evolved from a mostly “green procurement” focus to a more developmental and inclusive perspective where environmentally, socially responsible procurement (ESRP) considerations are front and center. Looking at the “big picture”, ESRP can contribute to a country’s economic development agenda and strategic goals. This can be achieved in different ways, for instance through the mandatory use of certain percentages of local labor for public infrastructure projects, leading to the creation of new jobs

in a region. Alternatively, it can be achieved through the introduction of requirements to use locally manufactured goods or equipment, allowing the use of margins of preferences in the evaluation of bids containing locally manufactured goods or equipment, the creation of set-asides, or reserving sets of public procurement contracts for pre-identified categories of economic operators (e.g., small and medium-size enterprises, women-owned businesses, or disability-owned businesses).

ESRP can also lead to the adoption of more inclusive hiring and employment policies, prohibiting discrimination based on gender, sexual orientation, race, or religion. It can further result in the introduction of health and safety standards in the workplace and prohibition of certain behaviors such as forced labor, child labor, sexual harassment, sexual exploitation, and abuse. Adopting these measures will also depend on the country's legal framework and its adherence to the corresponding conventions and declarations at the international level. In line with the applicable legal framework and commitments, specific provisions will be incorporated into public procurement legislation, regulations, bidding documents, and public procurement contracts.

Sustainable procurement comes with a lot of advantages. It can reduce total operating costs by purchasing more efficient and better-quality goods, works, and services. It makes the disposal process of products at their end of life more transparent and minimizes its social cost. It can help promote the market's development capacities and competitiveness. It saves money on a long-term basis by applying life-cycle or whole-life costing. From a risk management perspective, it helps identify economic, legal, and environmental threats and opportunities and contributes to developing approaches to manage them.

How a country or an organization embraces sustainable procurement will reflect its cultural and ethical values, as it reveals its willingness to incorporate considerations of long-term detriments and benefits, as well as the common global well-being in its current decision-making process. Decisions taken today on a national level impact future generations around the world.

For all these reasons, sustainable procurement is smart procurement.

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