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A need to reinforce interactions between the public and the private sector for climate action

This Chapter looks at the dynamic relationship between public and private entities in the realm of GPP. It critically examines two pivotal aspects: the readiness of markets to embrace GPP initiatives and the effectiveness of GPP tenders in driving tangible green impacts. As governments increasingly recognize the pivotal role of procurement in advancing sustainability goals, understanding how markets respond to GPP and the design of tender processes becomes imperative. Through an exploration of market communication strategies and the framing of GPP tenders, this Chapter seeks to shed light on how contracting authorities engage with the market, outlining their expectations and fostering meaningful public-private interactions that contribute to the realization of environmentally sustainable practices.

3.1. Are markets ready for GPP? Communicating with the market

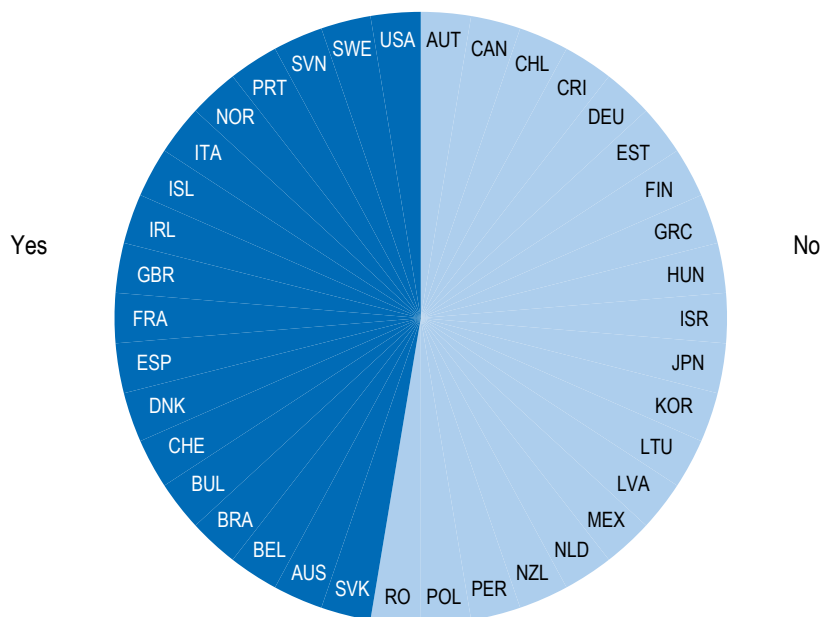
GPP provides incentives to industry to innovate. When SMEs have the capacity to adhere to new and changing GPP standards, they may profit from environmental procurement, as it offers an opportunity to find markets for their innovative solutions and products (European Commission, n.d.^[1]). Moreover, GPP has also the benefit of gradually reducing the prices of green products and services, as well as of innovative green technologies. The use of green criteria in public tenders can serve as a mean for the creation, development, and consolidation of green markets, facilitating the market entrance of new competitors, enhancing competition, and therefore lowering the prices. (European Commission, n.d.^[1]).

Market suppliers can play a pivotal role to promote GPP and its implementation. Most relevantly, suppliers can provide information about the green solutions available in the market and keep public procurement practitioners informed on the most recent developments of green technologies. Moreover, engaging with private contractors around issues such as sustainable development, GHG emissions reduction, and environmental protection can help improve GPP policies, strategies, and instruments, ensuring their effectiveness (UNEP, 2022^[2]).

Contracting authorities should engage with the market as early as possible in the procurement process to inform tenderers about the green requirements (e.g, green selection and award criteria) that will be used in the tendering. This help ensuring suppliers have sufficient time and information to prepare and adapt business practices and supply chains to participate to the call for tender, therefore guaranteeing adequate levels of competition.

Nevertheless, according to the results from the 2022 Survey on GPP, only 50% of countries provide guidance to public procurement practitioners on how to engage with private contractors and gauge market's capacity to respond to green requirements (see Figure 3.1). Moreover, 50% of surveyed countries also declared not to indicate future procurement opportunities subject to GPP when disclosing their procurement plans. This analysis underscores the need for more robust strategies in guiding public procurement practitioners on engaging with suppliers and communicating upcoming GPP opportunities to ensure successful and environmentally impactful procurement processes. While certain countries have established guidance for assessing market capacities in response to GPP strategies, there's a need to bring more attention and work on assisting procurement practitioners in effectively engaging with suppliers on GPP and communicating forthcoming GPP opportunities. Indeed, the survey results reveal that only half of respondents disclose GPP-related procurement opportunities in their plans (see Figure 3.2).

Figure 3.1. Development of guidance on how to assess market capacities to respond to GPP strategies



Note: Graph shows respondents responses to the question “ Is there guidance on how to assess market capacities to respond to GPP strategies?”

Source: OECD Survey on Green Public Procurement (2022).

In the **United Kingdom**, pre-tender market engagement is an integral part of the procurement process. The UK Sourcing Playbook sets out the requirements for conducting market engagement and assessment, and states that one of the key principles of early market engagement is to “*assess the health of the market you will be dealing with and consider how your commercial strategy and contract design can be adapted to address potential limitations*”. Another key advantage of early market engagement is that it ensures suppliers are given the necessary information and time to prepare for the tender. Similarly, to the UK, other surveyed countries provide guidance materials on market engagement with the scope to improve collaboration with the private sector and promote environmental sustainability in public procurement. For instance, the **Australian** Sustainable Procurement Guide provides guidance to officials on how to consider sustainability principles when planning a procurement. This includes consideration of a market analysis to identify sustainability risks, and the use of market research to identify alternative approaches or goods or services that reduce sustainability risks and impacts. Additional tools are available to support identification of opportunities and evaluation of sustainable procurement. The Office of Government for Procurement (OGP) in **Ireland**, in its Guidance on Green Public Procurement, highlights the importance of engaging early with the market as GPP often requires suppliers to innovate to develop more sustainable products and services. Moreover, market engagement helps contracting authorities to have a better picture of the range of potential suppliers for green solutions, including SMEs, and to identify the necessary adjustments to undertake in procurement procedures and contract management to ensure GPP success (see Box 3.1) (Government of Ireland, 2021^[3]). In Australia, the Sustainable Procurement Guide developed by the Government recommends to public procurement practitioners to hold debriefings meeting following the rejection of a tender response or the award of a contract, which should be made available to all tenderers. The Guide mentions the importance of discussing areas where unsuccessful tenderers did not meet the criteria, especially sustainability criteria. This can help increasing knowledge of sustainable procurement across the market and improving future responses to procurement requests (Australian Government, 2021^[4]).

Box 3.1. Market engagement in Ireland

The Irish Office of Government Procurement (OGP), responsible for sourcing common goods and services for the public sector, has published a Guidance on Green Public Procurement with a section on market engagement. The Guidance highlights the importance of pre-procurement market engagement and encourages contracting authorities to engage with suppliers as soon as they have identified their needs. Moreover, it reminds them of the need to always adhere to the principle of transparency and competition when engaging with the market.

As a minimum, market engagement should include:

- Explore the market to understand what new technologies are being developed and commercialised, also requesting for samples or performing trials of products;
- Talking with other public or private sector organisations that have adopted environmentally-friendly products and services to learn from their experience, identifying key benefits and challenges;
- Identifying which environmental standards, labels, certifications and legislations are the most relevant for each public contract.

The Guidance also recommends contracting authorities to inform potential bidders timely about upcoming public tenders and the specific green criteria that will be applied. This helps ensure they have enough time and information to prepare for the next green procurement procedure.

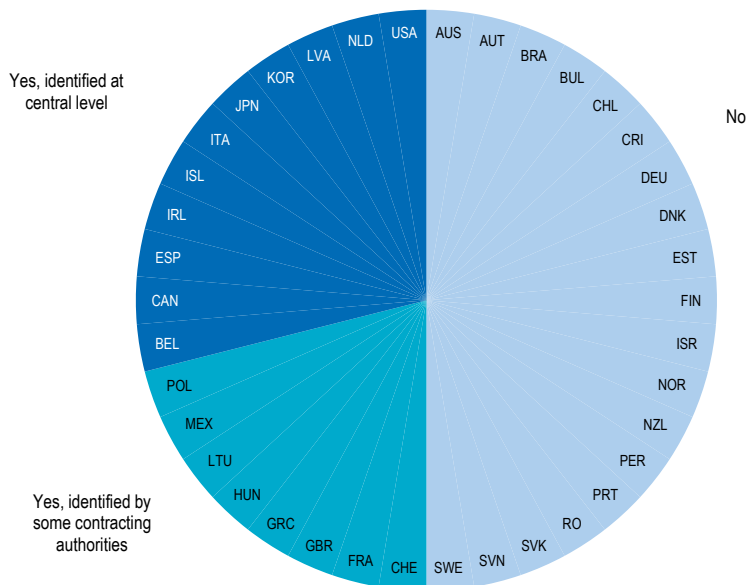
Finally, the Guidance provides tips to public buyers to help them conducting market engagement:

- Advertise the process and contact potential bidders directly.
- Decide in advance how to deal with confidentiality and intellectual property and inform participants.
- Identify the best format for any meeting. For instance, one-on-one may be a better format than an open day if collusion is a risk. However, chances for groupings across suppliers will be reduced.
- Identify the internal stakeholders to involve as well as any external party (e.g. environmental organisations, community groups).;
- Do not only engage with the 'usual suspects', but it is important to also include subcontractors and second-tier suppliers as they are often responsible to ensure environmental requirements are met in contract execution.
- Keep record of the different market engagement activities that are carried out and include this information in tender documentation. This can be a useful source of knowledge and awareness for any bidder who may have not yet engaged with CAs.

Source: GPP Survey, (Environmental Protection Agency, Ireland, 2021^[5]).

While certain countries have established guidance for assessing market capacities in response to GPP strategies, there's a need to bring more attention and work on assisting procurement practitioners in effectively engaging with suppliers on GPP and communicating forthcoming GPP opportunities. Indeed, the survey results reveal that only half of respondents disclose GPP-related procurement opportunities in their plans (Figure 3.2).

Figure 3.2. Identifying Future GPP Opportunities in Mandated Procurement Plans



Note: Graph shows respondents responses to the question "Where there are provisions in the national policy or strategic framework mandating public institutions to publish public procurement plans, are future procurement opportunities subject to GPP strategies identified?"

Source: OECD survey on Green Public Procurement.

To promote market engagement on GPP, countries can create multi-stakeholder fora, dedicated working groups and task forces to facilitate private contractors' participation in the development of GPP policies and instruments, giving them a formal role in the design process itself. Moreover, these platforms can help fine-tune messages for effective communication on GPP with stakeholder groups, identifying potential implementation challenges and the solutions to adopt. Usually, multi-stakeholder events bring together representatives from the private sector, business associations, and civil society organizations (CSOs), which are interested in environmental protection, effective governance and transparency, as well as in the protection of the rights and the needs of marginalised groups (World Bank, 2021^[6]). For example, the Japan's Green Purchasing Network brings together stakeholders from the private sector, central and local governments, and civil society organisations. Scotland, although it is not one of the Survey respondents, launched the Supplier Development Programme (SDP), a partnership between local authority, Scottish Government and other public bodies to help businesses with little experience of tendering to prepare for bidding for public sector contracts. (see Box 3.2).

Box 3.2. Engaging with the market

The Green Purchasing Network in Japan

The Green Purchasing Network (GPN) is a network organisation where different entities, such as private companies, governmental bodies and consumer groups, work together to promote green procurement. In 1996, the GPN has defined the Green Purchasing Principles. These principles encompass the following four major points:

1. Consider whether a product is needed before purchasing it;

2. Consider environmental impacts across the whole life cycle of a product, including those incurred through any services provided from extraction of raw materials to disposal;
3. Select products and services offered by suppliers who take a conscious effort reduce the impact on the environment;
4. Gather information on products, services, and suppliers to inform decision-making and management of contractual relationships.

Building upon these principles, the Green Purchasing Guidelines were developed to provide guiding principles for purchasing by category of products and services. Different GPN members, including manufacturers of eco-friendly products, companies willing to purchase green products, consumer groups, non-governmental environmental associations and local governments, co-designed the Guidelines based on a consensus-building approach. The Guidelines cover a wide range of products and services – i.e. from office supplies and home appliances to vehicles.

Moreover, based on the Principles of Green Purchasing, the GPN created a Supplier Evaluation Check List to assess the efforts undertaken by suppliers to improve the environmental performance of products and services. In the Eco-products Database, suppliers then disclose information about the environmental measures adopted for each product and service registered, in accordance with the Check List. The Eco-products Database gives environmental information in list form on products provided by each manufacturer so that users can compare products from an environmental standpoint in accordance with the Green Purchasing Guidelines. As of May 23, 2016, the database listed approximately 15,000 products from 63 fields, including environmentally friendly products in product fields for which the Green Purchasing Guidelines have yet to be formulated.

The GPN is still active and has taken a leading role in promoting green purchasing in Japan. It is one of the largest environmental organizations in Japan and organizes many activities such as conferences, the “Green Purchasing Award”, training course, case study on success story, annual survey, regional networks, purchasing guidelines and newsletter. For example, 6 to 8 times per year, the GPN organizes training course on green purchasing for manager/staff of purchasing environmental department. Furthermore, in February 2024 the GPN organized a lecture “Toward the Promotion of Sustainable Procurement – Collaboration with SMEs from the Perspective of Supplier Engagement”.

The Supplier Development Programme in Scotland

The Supplier Development Programme (SDP) was established in 2008 as a collaborative effort between Local Authorities, the Scottish Government, and other public bodies. It offers complimentary support to Scottish-based SMEs in navigating the tendering process.

SDP assists small businesses lacking tendering experience and dedicated resources in bidding for public sector contracts, aiming to make them “tender ready.” This initiative enhances their competitiveness in Scotland's public procurement landscape. SDP, in partnership with Scottish local authorities, delivers free training and events accessible through its website.

Operating on a corporate membership model, SDP strategically connects larger contractors delivering public contracts with local supply chains, fostering openness and transparency.

As a well-established national shared service, SDP aligns with Community Wealth Building goals by delivering value for money, generating impactful evidence, maintaining ethical buyer-supplier relationships, and linking procurement with economic development.

By nurturing businesses' tendering capabilities, SDP enhances efficiency, sustainability, and market potential while bolstering local wealth creation. As of March 2022, over 19,500 SMEs in Scotland are registered with the Programme.

SDP's primary objectives include:

- Raising awareness of public sector procurement opportunities.
- Providing comprehensive training and support via various channels.
- Enhancing local suppliers' readiness for tendering.
- Assisting member organizations in meeting Sustainable Procurement Duty requirements.
- Facilitating integration with other government business support services.

Each year, the Supplier Development Programme organises hundreds of training opportunities and events throughout Scotland which are all listed on this website. Furthermore, in April 2024, the SDP organized a webinar “Responding to Tender Policy Requirements – Power of Procurement” giving suppliers an overview of the most common policy requirements including Sustainability, Community Benefits, Fair Work Practices, Community Wealth Building and Net Zero targets.

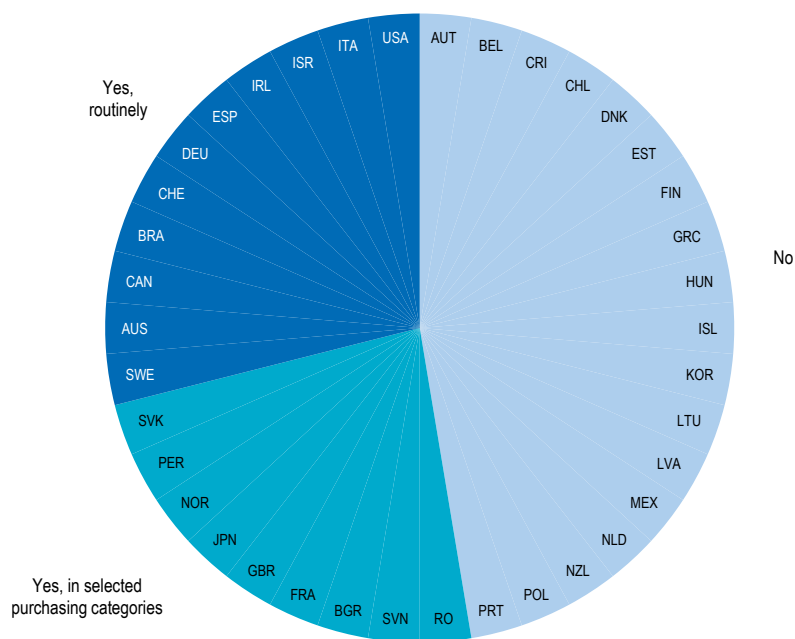
Source: (Japan For Sustainability, 2016^[77]) ; (Supplier Development Programme, n.d.^[8]).

The public procurement market is usually very broad, covering numerous sectors with different needs and interests. Performing a sector market analysis and engaging in dialogue with specific industries can help to determine sector-related risks (in terms of expenditure, competition, environmental impact, socio-economic risks, etc.) and the government's scope to influence specific market segments (MAPS, 2018^[9]). In the context of GPP, and based on the government's priority spending areas, key sectors and industries associated with the procurement of goods, works, and services which have an important environmental impact should be identified. This information can be utilised to conduct targeted assessments of relevant sector markets and to secure collaboration with sector market participants to strengthen sustainability and to advance GPP. For example, in France, the building sector contributes to 21% of global greenhouse gas emissions and faces pressing challenges to achieve decarbonization by 2050. Building on the momentum of the Buildings Breakthrough initiative launched at COP28, which seeks to establish nearly zero-emission and resilient buildings as the standard by 2030, France organized a conference that convened ministers, high-level officials, and industry stakeholders to drive forward decarbonization and resilience efforts in the building sector. With over 800 participants, the conference offered a platform for dialogue, knowledge exchange, and the endorsement of a global framework for decarbonization and resilience in building practices (Ministère de la Transition Ecologique et de la Cohésion des Territoires, 2024^[10]).

3.2. Are GPP tenders framed to achieve green impacts?

47% of the surveyed countries conduct cost-benefit analysis (CBA) as part of their GPP implementation plan (see Figure 3.3). CBA is a decision-making tool that helps individuals and organizations identify the costs and benefits associated with different options. It involves comparing the expected costs of a project or decision against its potential benefits to determine whether it is worth pursuing, in this case purchasing green products and services. In Germany, for example, the General Administrative Regulation on the Procurement of Climate-Friendly Services (AVV Klima) mandates the consideration of climate protection aspects during the preparation and awarding phases of procurement procedures. This involves quantifying and costing GHG emissions throughout the entire lifecycle of the purchased good or service as part of the economic analysis that precedes the tendering procedure. Moreover, the AVV Klima requires to use the shadow carbon price in the assessment, in accordance with the Federal Climate Change Act. In Slovakia, CBA analysis is conducted but it is limited to certain procurement categories, such as vehicles. Most notably, the Slovak Institute of Environmental Policy has developed a tool to calculate and compare investment and operating costs of alternatively and conventionally powered cars (e.g., total purchase and operating costs, life cycle CO₂ emissions).

Figure 3.3. Existence of cost-benefits analyses as part of the implementation of GPP strategies



Note: Graph shows respondents responses to the question "Are cost-benefits analyses conducted or business cases developed as part of the implementation of GPP strategies?"

Source: OECD Survey on Green Public Procurement.

Although almost half of the surveyed countries (18) conduct CBA as part of their GPP implementation plan, only 22% of them confirmed that the environmental performance of products and services has an impact on the price proposed in the bid. For instance, in Norway, the Public Procurement Act requires contracting authorities to consider environmental performance of products and services, and the national government has fixed the environmental quality to be weighted at least 30% when relevant. Although currently many contracting authorities in Norway use "price-to-quality" methods to convert offer prices to points that are then weighted against points given to environmental factors, the official recommendation is now to use "quality-to-price" methods to include environmental quality in a fictive "evaluation price" that is used to select the winner¹.

Most countries do not consider the impact that environmental sustainability features of purchased goods and services might have on the price offered by tenderers. In addition to that, some respondents recognized that the use of GPP can increase the overall costs of public contracts as economic operators are often asked to develop and use innovative technologies and production systems to meet the green requirements of public tenders - and this carries some costs. Another key issue concerns the capacity of the market to respond to the green criteria used in public tendering, as it is often the case that there are just a few suppliers that can meet these sustainability requirements. This also contributes to increasing prices as competition is reduced. Nevertheless, increasing the uptake of GPP can promote the creation, development and consolidation of green markets, which will contribute to reduce the price of innovative green solutions, while fostering suppliers' transition towards more sustainable production patterns (Yeo Yeong-jun, SHIN Ki-yoon, Jeong-dong Lee, 2016^[11]). It is important for government to keep engaging with the market to promote GPP as well as to collect data and information to assess its consequences on suppliers' behaviours and decisions.

3.3. Conclusions

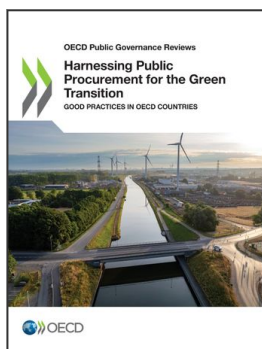
The public sector cannot be successful in implementing GPP without the private sector being prepared for delivering on the heightened expectations for greener products and services. In this sense, the market represents a key ally to public buyers in advancing GPP objectives. Public buyers need (enough) bidders that are able to understand the public sector's expectations and able to meet the green criteria included in tender invitations. On the other hand, the market needs to adapt to the public sector's green requirements, and in several cases, it needs to develop new, more innovative and greener solutions. To ensure enhanced competition even when setting up higher expectations on green requirements, contracting authorities should engage with the market regularly and more broadly on GPP matters. Strategic engagement with the market will also help public buyers to explain their expectations and requirements in relation to GPP to the market, and to make sure that the tender requirements will not distort competition. As the results from the GPP survey show, countries need to step-up in this area since less than half of the surveyed countries provide guidance on how to engage with the market. Furthermore, since GPP might create barriers between large and small suppliers, as smaller suppliers may not have the resources to meet environmental requirements defined in tender documentation to compete with larger suppliers, governments also need to work on providing resources and guidance to boost suppliers' capability when bidding for contracts and create a more robust and competitive environment, which is addressed in more details in Chapter 5.

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Note

¹ Answer provided by Norway in the GPP Survey



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