

Executive summary

Several methodologies help contracting authorities promote sustainability in procurement and take into account the environmental impacts of their purchases. One of these tools is life-cycle costing (LCC). The LCC approach moves beyond the initial purchase price and evaluates all other significant cost flows over the entire life period of works, supplies or services, such as installation, operation, maintenance and end-of-life (disposal) costs. A comprehensive LCC analysis also may take into consideration the costs of mitigating external environmental impacts.

The Report presents the concept of LCC and its links to the wider sustainable procurement agenda. The Report maps available LCC tools across EU and OECD countries and provides an in-depth analysis of selected tools. It also provides guidance on the practical implementation of LCC based on practitioner's feedback. The Report also looks at the Hungarian context, analysing the policy framework and current practices related to LCC. Finally, the Report provides evidence-based strategic policy advice for the Hungarian Government on how to move towards a more structured and co-ordinated approach in the use of green public procurement criteria and especially the use of LCC.

Key findings

The use of LCC in Hungary

- Although Hungary does not yet have a dedicated green public procurement strategy, the overall strategic framework is conducive to green public procurement and the use of LCC. A Green Public Procurement Strategy is currently being formulated, focusing on the development and dissemination of methodologies and tools that support contracting authorities with the uptake of strategic and green public procurement (GPP).
- The Hungarian regulatory framework for public procurement provides ample room for the use of green public procurement approaches and LCC methodologies. Using public procurement to achieve sustainability is widely promoted; however, the uptake of green public procurement is still lagging. Further operational support for contracting authorities is needed to help them implement green public procurement.
- There is little to no experience with using LCC tools in public procurement procedures, although there are some good examples. The main obstacles to the practical use of LCC are the lack of practical knowledge and expertise in conducting LCC, the lack of access to comprehensive LCC methodology and other supporting tools, the unavailability of relevant data for LCC calculations, and the fear of audit risks. Finally, the weak appreciation of the benefits of using LCC in public procurement is not conducive to greater efforts in LCC adoption.

LCC tools in OECD countries

- Overall, the adoption of LCC remains low across many OECD countries, despite the fact that many made commitments to green and/or sustainable public procurement (SPP). The mapping of LCC tools showed that the vast majority of analysed countries had GPP/SPP strategies in place, while only 48% introduced LCC tools.
- Countries tend to introduce ‘ready-made’ and ‘product-specific’ tools, which simplify the LCC calculation for non-expert users based on select product groups. Common product groups for LCC tools include energy-intensive and frequently purchased products, such as indoor and outdoor lighting, IT equipment, vehicles, appliances, etc.
- Tools vary in their complexity, with examples of highly complex tools available in some countries. The inclusion of externalities in the LCC calculation remains a challenge, in particular due to a lack of consensus on how to incorporate environmental costs. Practices and approaches are often more advanced in the infrastructure and construction sector.
- Time pressures and capacity gaps are major barriers to wider adoption by practitioners. Furthermore, tools are a necessary, but not sufficient, condition for success. They need to be user-friendly supported by a favourable policy climate. Practitioners need to trust the methodological soundness of tools and have access to specific training in their use.

Policy recommendations

To unlock the potential of public procurement to drive more sustainable growth and promote the greater uptake of LCC use, the Hungarian Government should:

- Demonstrate political leadership for sustainable public procurement by accelerating the adoption of a Green Public Procurement Strategy and assign clear ownership for relevant functions.
- Establish a formal or informal inter-institutional co-operation mechanism, which would enable policy makers as well as supervisory and audit bodies to discuss the progress and challenges in promoting GPP and LCC, and align relevant practices.
- Adopt a phase-based approach to LCC-related obligations, with a first phase focusing on establishing mature LCC practices by providing support structures (e.g. guidance and tools, communities of practice, pilot projects).
- Set the ultimate objectives of the adoption and promotion of LCC in the context of the planned Green Public Procurement Strategy and define the criteria for identifying high-impact areas that could benefit from the application of the LCC in the future.
- Ensure the collection of evidence and data on LCC use by creating a monitoring mechanism, preferably integrated in the e-procurement system.
- Enhance co-operation for the standardisation of parameters and enable the transfer of expert knowledge through dedicated structures (networks, working groups, partnerships).
- Update LCC tools and supporting frameworks by:
 - mobilising a practitioner’s platform (network, forum) for sharing practices and experiences and encouraging peer learning in conducting sustainable public procurement.
 - establishing a dedicated competence centre on sustainable public procurement that could act as a main agent in ensuring assistance to public buyers.
 - creating structures that would enable the regular review of existing tools to tackle GPP and LCC-related issues (working groups, partnerships, etc.).



From:
Life-Cycle Costing in Public Procurement in Hungary
Stocktaking of Good Practices

Access the complete publication at:
<https://doi.org/10.1787/8d90f627-en>

Please cite this chapter as:

OECD (2022), "Executive summary", in *Life-Cycle Costing in Public Procurement in Hungary: Stocktaking of Good Practices*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/b792788c-en>

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