

# Foreword

Used strategically, public procurement can contribute to the implementation of the 2030 Agenda on Sustainable Development (SDGs) as it can support achieving broader policy objectives in many domains, from innovation to social and economic dimensions. Additionally, public procurement is a powerful tool for fulfilling the objectives of the European Green Deal, which emphasises the need to take climate and environmental criteria into account in all policy areas and calls upon governments to lead by example by investing in environmentally friendly technologies, ensuring the energy efficiency of buildings, and using sustainable and green public procurement.

As expressed in the 2015 OECD Recommendation on Public Procurement, this policy tool can indeed be used to support a more resource-efficient economy, stimulate innovation, support SMEs and promote social values, but it requires quality-based evaluation frameworks that go beyond the lowest price as award criteria. Another prerequisite for the strategic use of public procurement is having skilled procurement professionals, backed up with operational tools and practical guidance.

Governments across the OECD are increasingly focusing on sustainability and using their purchasing power (12% of GDP on average) to steer their economies towards greater consideration of environmental and social aspects. However, while public procurement frameworks largely provide a legal basis for this type of action, the practical implementation of sustainability-oriented approaches is more complex. Practitioners cite the lack of political support, negative perceptions (such as sustainable purchases being more expensive), lack of expertise in applying the existing regulations and criteria, lack of practical tools and training as the main obstacles for mainstreaming strategic procurement. Therefore, developing and disseminating supporting tools and methodologies that enable contracting authorities to use these approaches in their daily work are of utmost importance to support the greater uptake of strategic public procurement in general and green procurement in particular.

In Hungary, many contracting authorities do not consider public procurement as a strategic tool and the uptake of green and sustainable procurement is still moderate, despite an enabling policy and regulatory environment. Life-cycle costing (LCC) methods, which allow to consider the full set of costs over the lifecycle and are an important tool for green public procurement, are very rarely used. As in many other OECD countries, the main obstacle to the greater uptake of green public procurement and specifically LCC is the lack of competence within contracting authorities to define meaningful green criteria and conduct LCC.

This Report maps the current practices of LCC use in Hungary and existing LCC tools in other OECD countries, with a view of drawing insights to promote the development and uptake of LCC tools. It was developed under the project “Promoting green public procurement in Hungary with a focus on life-cycle costing”, designed between Hungary, the OECD and the European Commission (EC), and funded through EU’s DG REFORM services. It supports the Government of Hungary in establishing comprehensive and user-friendly methodologies and tools for green criteria in public procurement, especially for LCC and to increase awareness amongst Hungarian contracting authorities, business sector and other relevant stakeholders about the value of using LCC methodology.

The project is part of OECD overall work on strategic public procurement that supports governments deliver major policy outcomes in response to today's societal, environmental and economic challenges, especially when it comes to creating sustainable growth and jobs. It also builds on the 2015 OECD Recommendation on Public Procurement.

Data for the Report has been gathered by conducting desk-research of existing LCC tools and guidance on the matter, conducting a survey of Hungarian contracting authorities and interviews with the European Commission and practitioners from OECD members (including Hungary).

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