

4. Recommendations

This chapter provides evidence-based strategic policy recommendations 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 life-cycle costing (LCC).

4.1. Political leadership is a key element for commitment to sustainability

Sustainable public procurement is largely being driven by policy and top-down leadership. The existence of national strategic and regulatory framework on sustainable public procurement, a strong political and organisational leadership and policy commitments are the strongest drivers. Signalling commitment to GPP and LCC as a political priority is necessary to firmly introduce LCC calculations in the day-to-day operations of contracting authorities. Political leadership is a decisive factor in creating a supportive environment for less common practices, such as LCC, by engaging the relevant actors of the public sector.

The creation of a supportive environment can entail several aspects. Strategic soundness is the basis for further action, meaning, that the relevant strategies and policies, recognising the significance of the desired practices and incorporating them into the long-term aims have to be in place. Effective implementation of long-term goals consequently calls for institutional ownership of relevant processes and involvement of different levels of the public procurement community.

Introducing LCC in the procurement process is unlikely to happen if procurement officials are expected to do so on their own. Institutional leaders (starting with the policy implementing institutions and including the management at the contracting authorities) should expect LCC to be incorporated in the procurement process, and should make available resources for the necessary upskilling of procurement practitioners. In such context, inter-institutional co-operation among the policy makers, policy implementing institutions, supervisory and audit bodies emerges as a particularly relevant measure to trigger systemic change of existing practices. Such co-operation would not only serve as a means to address the potential misalignment in the views towards a specific practice (by providing the possibility to review and harmonise existing positions, procedures, checklists, etc.), but would also work as a channel for capacity building. Last but not least, a step-by-step approach should be applied in promotion and expansion of the desired practices. A stricter approach towards the implementation of sustainability-oriented practices consists in introducing obligations to use LCC—either in each or in certain types of purchasing categories, or by certain types of contracting authorities—might seem a viable policy option intended to quickly increase the uptake of LCC and build experience.

However, each step of the journey towards sustainability should be made by taking into account the maturity level of each element in the system (e.g. contracting authorities, market, supervising institutions).

Another important factor is ensuring the existence of the enabling factors for the successful implementation of the LCC (e.g. relevant policies, support mechanisms, tools) as opposed to adopting elements of existing approaches, taken out of a country-specific context.

Against this background, Hungary could consider:

- accelerating the adoption of its planned Green Public Procurement Strategy.
- assigning a clear ownership for relevant functions related to the development and promotion of GPP and LCC (LCC tools development, maintenance and promotion, training, and support for procurement practitioners).
- establishing a formal or informal inter-institutional co-operation mechanism which would enable policy makers, policy implementing institutions, as well as supervisory and audit bodies such as but not exclusively the PMO, PPA, State Audit Office) to discuss the progress and challenges in adopting and promoting GPP and LCC, and align the relevant positions and practices.
- applying a stricter approach towards implementation of the desired practices (such as the review of the regulatory framework by introducing obligations) only in the case of sufficient maturity of the practice. To achieve mature LCC practices some key steps need to be taken that address both available support structures and day-to-day practices. In terms of support structures, dedicated guidance, and tools (calculators), established frameworks to support practitioners, and relevant

cooperative relationships need to be set up. Regarding practices, it is key to develop experience in applying LCC (e.g. conducting pilots in different purchasing categories, drawing lessons, sharing, and replicating successful practices between contracting authorities), while also adopting a phase-based approach to LCC-related obligations.

4.2. Target strategically the efforts in the adoption of LCC

The wide spectrum of the existing LCC tools might create an assumption that any sector or purchasing category is susceptible to the use of LCC. However, considering that adopting LCC practices requires consistent effort and investment in order to maximise the gains, public buyers should consider the following:

- **Targeting the efforts on sectors or purchasing categories with the most impact.** It is important to take into account the impacts of a sector or a specific purchasing category when developing tools, either from an environmental/energy consumption perspective, or in terms of procurement volume. For this reason, some countries choose to maximise the impact of the practice by investing in tools meant for more complex purchasing categories, such as buildings or infrastructure projects.
- **Focusing efforts on the conditions when LCC application leads to different procurement results.** The use of LCC is not adapted to all purchasing categories, and should thus be focused on those where there is a high difference in cost, i.e. when the application of LCC supports the choice of goods, services or works that generate savings over the long-term (despite a potentially higher acquisition price). Typically this entails the choice of energy efficient, or more durable products and services. This means that savings generated through the use phase outweigh the initial higher cost of acquisition.

The end-goal of a wider adoption of LCC practices should be designed and the consecutive targeted effort should be made by taking into account the existence of the enabling environment and the maturity level of the practice in a particular country.

Hungary could consider:

- setting up the ultimate objectives of the adoption and promotion of LCC in the context of the planned Green Public Procurement Strategy.
- defining the criteria for identifying the high-impact/most sensible areas that could benefit from the application of the LCC in the future.

4.3. Ensuring the collection of evidence and data on LCC use

The tool mapping exercise has demonstrated that currently both policymakers and public bodies responsible for the implementation of LCC policies and for LCC tool development in different EU and OECD countries have very limited visibility on its uptake, and hence on the impact of using LCC tools in procurement processes. The review of the effectiveness of the established policies in the field is either conducted sporadically or not conducted at all, making it difficult to establish the most appropriate ways forward. Thus, the design of policies for a wider uptake of LCC must consider the **creation of monitoring mechanism**, as a means to collect evidence on the effectiveness of the policy intervention and guide the corrective action. For example, a simple mechanism for monitoring LCC use could be integrated in the e-procurement system via self-reporting or automated collection of relevant data. As an alternative, countries could invest in regularly performing policy evaluations to understand the impact of LCC policies. Another relevant aspect to take into account is the **limitations on evidence collection** stemming from other

regulations. Some countries state that other applicable laws, namely, the ones implementing the GDPR, are preventing them from collecting proper statistical data on the matter. Hence the assessment of potentially limiting regulations and (or) their application practices must also be considered when establishing the means for the collection of evidence and data.

Hungary could consider:

- the creation of a monitoring mechanism, preferably integrated in the e-procurement system, in order to enable the collection of evidence and data on the use of LCC.
- the assessment of other existing regulations that might prevent the efforts to collect the relevant evidence and data.

4.4. Enhancing cooperation for standardisation of parameters and integration of expert knowledge

The success of the LCC tools largely depends on their perceived reliability. In this sense, a consensus among a wide spectrum of stakeholders regarding the methodologies and the data used is a must-have. Cooperative approaches in the tool development process support such consensus-building. Stakeholders highlight the lack of homogeneity among the existing calculations in addressing some of the relevant aspects, leading to significant differences depending on the tool used. Elaborate LCC tools require sophisticated product, technical and environmental knowledge, particularly in the case when policymakers aim at integrating the environmental components of LCC (for example, emissions) into the calculation. This type of specialised knowledge can hardly be found in one organisation, thus it requires the collaboration between institutions responsible for the procurement process, and those with technical expertise on environmental aspects. A productive collaboration of these entities ensures that LCC tools are sound from both a procurement and sustainability perspective. Consequently, the LCC tool development process calls for **building on collaborations between procurement and specialised agencies to integrate expert know-how**.

Moreover, to advance the knowledge base that lies at heart of LCC calculation tools, particularly in the area of environmental impacts, there is a need to further develop and harmonise standards, in particular for the monetisation of externalities, and for the inclusion of circularity considerations. The development and harmonisation of standards necessitates **enhanced cooperation with competent bodies for standardisation of LCC parameters** at national, European and (or) international level, such as universities or research institutions, standardisation bodies, private sector representatives, procurement representatives, etc. Once important methodological questions are standardised and harmonised, the uptake of LCC will be facilitated, as the arising key practical and legal concerns will be addressed.

Hungary could consider

- the creation of structures that would enable the cooperation for standardisation of parameters and enable the transfer of expert knowledge (networks, working groups, partnerships).

4.5. Ensuring the maintenance of the existing tools and the supporting frameworks

Ready-to-use tools are just one element in the integral system of the conditions paving the way to the success in adopting LCC in public procurement practices. The most user-friendly, easy-to-understand LCC tools will not work if capacity gaps of end-users remain unaddressed. Even with a variety of methodologies for LCC calculations being relatively accessible, buyers need some level of training and help in understanding the basic investment calculation (net present value method), as well as training on how to

use the existing LCC tools. Hence investing in **educating buyers** is inevitable when taking a systematic approach to the issue. While typical forms of education (e.g. seminars, workshops) never lose their relevance, some non-traditional approaches seem to work particularly well when it comes to the transfer of scarcely used practices. **Creating practitioners networks** is a rather simple but effective way of allowing buyers to share their good practices and learn from one another. This can take the form of so-called 'change agents', i.e. experienced buyers that help other buyers in modifying their typical practices. Typically, tool owners are in charge of dedicated training, outreach and promotion activities related to the tools themselves. However, some countries have taken a step further and adopted an institutionalised approach in **ensuring the availability of assistance** on matters related to LCC and GPP to public buyers by establishing dedicated competence centres that are often tasked with assistance in sustainability-related topics, including LCC. In addition to that, the most advanced countries in the field consider LCC tools as "living documents", requiring **maintenance and regular updates** in order to ensure that parameters and reference data correspond to the latest developments. In some cases, even the governance structures for the upkeep of the tools are established. Timely update and improvement of the existing calculations is achieved by **engaging with different stakeholders**, at the same time keeping them informed about ongoing developments, and ensuring their buy-in regarding efforts to promote LCC tools.

Hungary could consider:

- mobilising a practitioner's platform (network, forum) for sharing practices and experiences 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.
- the creation of 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), "Recommendations", in *Life-Cycle Costing in Public Procurement in Hungary: Stocktaking of Good Practices*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/15a85532-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.