

1 Understanding how Governments are using public procurement for the green transition

This introductory chapter outlines the methodology and main findings of the OECD Survey on Green Public Procurement (GPP). It details the survey's structure, participant countries, and data cleaning processes, emphasising GPP's growing significance and the need for strategic procurement practices. The chapter identifies key challenges and enabling factors for GPP implementation, highlighting areas for improvement in integrating environmental considerations into public procurement, training procurement professionals, engaging with the market, and enhancing data collection and reporting mechanisms.

1.1. Background

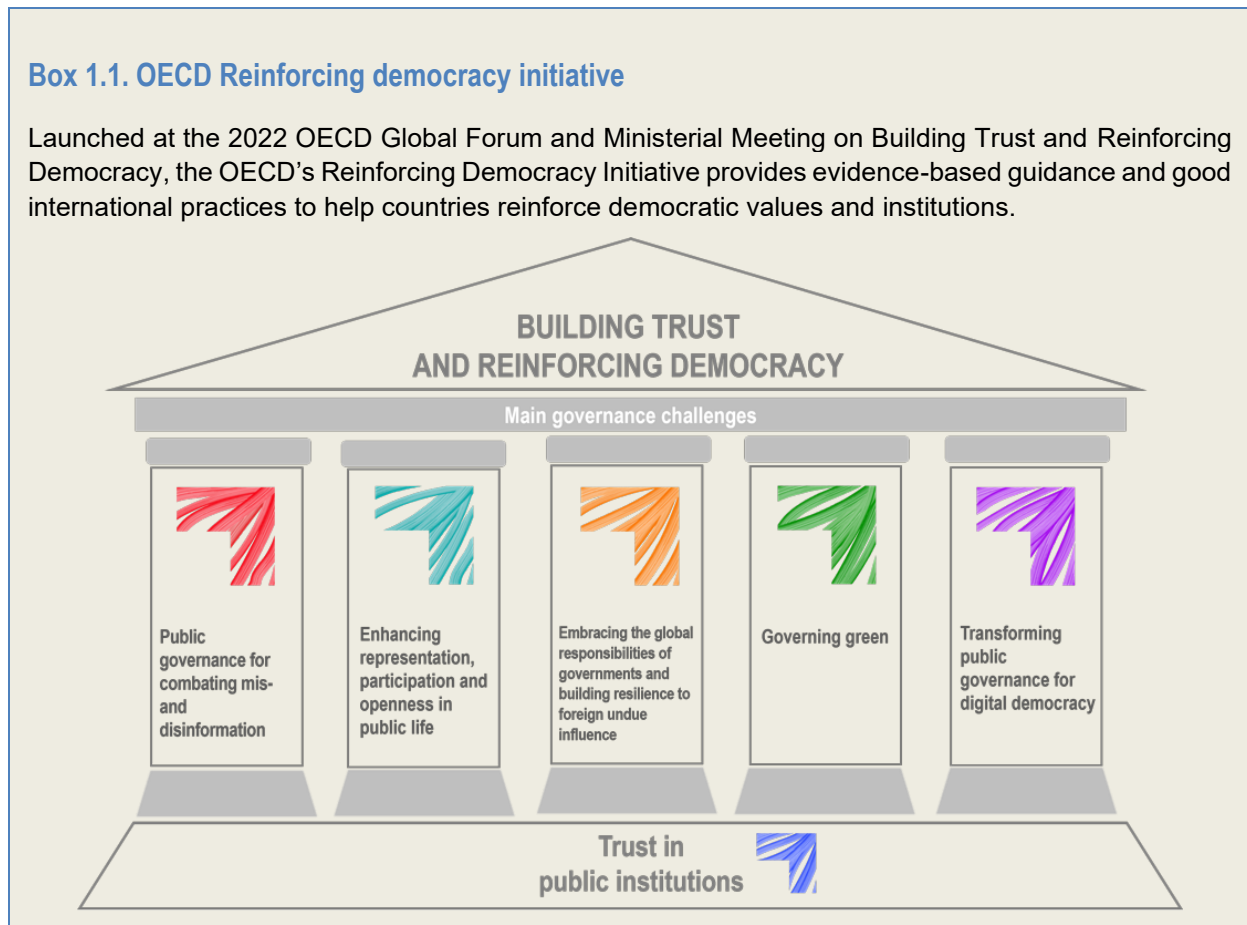
As revealed by a recent survey conducted by the OECD, gearing governments' action towards the green transition is increasingly urgent. On average, 50.4% of OECD citizens think that governments should prioritise climate change. However, people's trust in government's capacity to deliver effective policies and achieve environmental objectives is low (OECD, 2022^[1]). Only 35.5% of people are confident that countries will meet their commitments to reduce greenhouse gas (GHG) emissions (OECD, 2022^[1]). In brief, while half of people think that climate change is a serious issue for governments, just over a third believe that countries will actually meet the targets. To tackle major, long-run societal challenges, such as climate change, governments will need to build trust and invest "upfront" in policies with long-term payoffs (OECD, 2022^[1]).

National targets for climate are ambitious. Governments need to demonstrate that public institutions can be a driving force in the green transition and citizens can have trust in the public institutions as trustworthy players in these transitions. Government operations and contracting practices should also align with the net zero approach to set an example for the business sector and the whole of the society, and to incentivise the right behaviours and innovations to support the climate transition.

Green public procurement is a key tool in this transition as it is also reflected in the 'Governing Green' pillar of OECD's Reinforcing Democracy Initiative. The Governing Green pillar demonstrates how the public sector can lead by example and be a driver for the green transition. Successfully addressing climate change and other environmental threats is a challenge for democratic governments – they need to show that they are fit to handle this long-term, complex, and systemic challenge, manage difficult trade-offs, and achieve wider well-being outcomes (Box 1.1).

Box 1.1. OECD Reinforcing democracy initiative

Launched at the 2022 OECD Global Forum and Ministerial Meeting on Building Trust and Reinforcing Democracy, the OECD's Reinforcing Democracy Initiative provides evidence-based guidance and good international practices to help countries reinforce democratic values and institutions.



The fourth pillar on Governing Green is aiming at gearing up governments to deliver on climate and other environmental challenges. Its action plan clearly refers to public procurement as a key tool to achieve this goal, as highlighted in the actions detailed below:

ACTION PLAN ON GOVERNING GREEN

- *Key area 1 – Steering and building consensus and trust for delivering green in the next decade*
 - Ensure that governance mechanisms are in place to ensure a co-ordinated and coherent approach to address climate change and other environmental threats across the whole of government, using centres of governments to effectively steer and set strategies promoting co-ordination among different government actors.
 - Pursue holistic public communications efforts to support the timely and effective sharing of information and data around climate change and other environmental pressures and develop strategies for preparedness and prevention of mis- and dis-information on environmental threats and policy responses (See Action Plan on Public Governance for Combating Mis- and Dis-information).
 - Strengthen government global climate and other environmental competences, boosting civil service capacities, establishing adequate mechanisms to ensure that global issues are considered across government and considering a stronger global perspective in rulemaking through international regulatory co-operation.
- *Key area 2 – Using the right tools for climate and environmental action*
 - Ensure that regulations are aligned with green goals by promoting the systematic use of regulatory management tools (including RIA, *ex post* assessment and stakeholder consultation) that take into account climate and environmental impacts.
 - Expand the use of green public procurement ensuring, to the extent possible, that all participants in the supply chain for public contracts meet environmental rules and standards and improve the measurement of the impact of green procurement practices.
 - Promote green competencies, skills and leadership practices in government that allow them to mainstream awareness and consideration of the environmental impacts of all government policies and action and ensure environmental stewardship by government.
 - Use behavioural insight approaches to ensure the effective design and implementation of green policies considering behavioural barriers and biases in all the stages of policymaking, including assessment.
- *Key area 3 – Leading by example – a greener and more resilient public sector*
 - Collect data and improve reporting on the environmental footprint of government real property and operations, including GHG emissions.
 - Develop whole-of-public-sector strategies to promote green operations and the achievement of climate and environmental goals, targeting government assets and real property, services, and procurement of goods and services, and aligning internal operation policies with these goals, while enhancing public sector operations for adaptation.

Source: (OECD, 2022^[2]; OECD, 2022^[3]).

Public procurement represents a key leverage for governments to achieve environmental objectives. Over the last decade, the share of public procurement relative to GDP significantly raised across all OECD countries – from 11.8% of GDP in 2007 to 12.9% of GDP in 2021 – and has further increased over the most recent years (OECD, 2023^[4]). Most relevantly, across OECD-EU countries, public procurement

increased from 13.7% of GDP in 2019 to 14.8% in 2021 (OECD, 2023^[4]). Governments cover the largest share of the market in different sectors and can thus use their large purchasing power, to steer the economy and societies towards a more sustainable trajectory, contributing to the green transition.

The potential of public procurement to contribute to sustainable development was originally emphasised during the United Nations (UN) Conference on the Environment and Development (also known as the 'Earth Summit') which was held in Rio de Janeiro in 1992. Governments recognised their role as powerful consumers in the market and their responsibility to drive consumption and production systems towards more sustainable trends. This shift in perception elevated public procurement to a strategic government function to pursue environmental goals (UNEP, 2022^[5]). The importance of the need to change the consumption and production systems to achieve environmental and climate objectives was remarked at the Conference of Parties (COP) 21, when 193 countries approved the 2030 UN Agenda for Sustainable Development. On that occasion, the Paris Agreement to limit the increase in the average global temperature to below 2°C was also signed (UNEP, 2022^[5]).

In practice, the Paris Agreement necessitates a collective effort across all industries to make a substantial shift towards a low-carbon trajectory, aiming to achieve net-zero emissions within this century. For governments that have committed to this Agreement, it signifies a heightened responsibility to harmonise their policies with the pressing climate objectives. This entails setting a precedent by integrating climate-conscious considerations into their regular activities and financial commitments. Public procurement being a key activity within governments, and the most relevant public-private interface, every opportunity should be seized to steer public expenditures in the direction of resource-efficient, low-carbon alternatives for goods, services, and infrastructure projects. With the Paris Agreement it became imperative to maintain the integrity and cost-effectiveness of procurement processes while prioritising these environmentally sustainable choices. Many countries have already taken steps to align their procurement spending with the objective of tackling the climate crisis. Although public procurement frameworks were originally designed to achieve the best value for money, with "value" usually being defined as achieving the highest quantity or quality at the lowest price, in recent years, sustainable procurement policies have started proliferating. Sustainable Public Procurement (SPP) represents a strategic approach to public procurement that promotes the integration of the three pillars of sustainable development in public tendering: economic development, social development, and environmental protection.

To support governments in strengthening the procurement system as a strategic policy lever to achieve broader policy goals, the 2015 OECD Recommendation of the Council on Public Procurement – the overarching OECD guiding framework for public procurement – promotes the strategic and holistic use of public procurement. Among the 12 principles of the Recommendation, the principle of Balance recognises that any use of the public procurement system to pursue strategic policy objectives, such as reducing carbon emission, promoting social values or SMEs participation in public procurement should be balanced against the need to achieve value for money. Both the capacity of the procurement workforce to support strategic policy objectives and the burden associated with monitoring progress in promoting such objectives should be considered. The principle recommends to adherent countries to develop an appropriate strategy for the integration of strategic objectives in public procurement systems and to employ appropriate impact assessment methodology to measure the effectiveness of procurement in achieving those objectives (OECD, 2015^[6]).

Green Public Procurement (GPP) is part of this broader approach to public procurement that aims at delivering on sustainability. GPP however takes a narrower scope compared to SPP, focusing mainly on the environmental pillar of sustainability, and the use of environmental considerations in public tendering. Over the past decade, the approach to GPP has evolved from simply minimising harm to actively using public tenders to accomplish targeted environmental goals. GPP steers public authorities towards purchasing greener products and services and it supports governments in attaining their environmental policy objectives, such as tackling climate change, reducing pollution, enhancing resource efficiency,

fostering the transition towards sustainable production and consumption systems, halting biodiversity loss, bolstering resilience, and curbing GHG emissions (World Bank, 2021^[7]). Through GPP, governments can create incentives for the private sector operators to develop green solutions and invest in green product markets. Moreover, encouraging the use of GPP also send a strong message to citizens, nurturing their trust in government's commitment and capacity to tackle climate change and foster sustainable development.

This policy brief presents the results of the above-mentioned Survey, identifying the key challenges and enablers to GPP implementation as well as good GPP practices to support peer-learning.

1.2. Methodology

In 2022, the OECD Secretariat conducted a Survey on Green Public Procurement to gather data on GPP implementation across countries. Overall, 38 countries participated to the Survey, including 4 non-OECD countries (i.e. Brazil, Bulgaria, Peru and Romania). The Survey contained 31 questions structured around four pillars:

1. Policy and strategic framework
2. Public-private interactions
3. Evaluation of impact
4. Capacity-building and support

The respondents to the Survey were country delegates responsible for procurement policies at the central government level and senior officials in central purchasing bodies.

Once answers to the Survey were received, the Secretariat conducted a data cleaning process that consisted in follow-ups with countries' delegates to ask for clarifications and/or additional information, where needed. As a result, this policy brief includes not only examples shared by countries in response to the survey, but also some other examples identified by the Secretariat via desk research and during bilateral meetings with leading public procurement practitioners.

At the same time, the OECD produced GPP fact sheets for each country responding to the survey. This work required additional documentary research and exchanges with the countries, which took place until early 2024. The country sheets have been reviewed and validated by leading public procurement practitioners and other country representatives and are included in Annex A.

Data from accession countries (i.e. Brazil, Bulgaria, Peru and Romania) is still under review. The results of this review process may affect some of the percentages and figures included in the Policy Brief.

1.3. Overview of the responses to the OECD survey on Green Public Procurement (2022)

The results from the Survey reveal that while the uptake of GPP strategies and policies has substantially grown and GPP is increasingly recognised as a strategic tool to achieve climate objectives, mainstreaming environmental considerations in public procurement still faces several challenges.

OECD countries are currently using GPP as a lever to achieve national commitments on environmental sustainability and climate change. This is shown by the several references to GPP within national policies on climate action, by the regular reviews and updates of GPP frameworks to ensure alignment with the most recent environmental standards, as well as by the involvement of environmental ministries (or similar

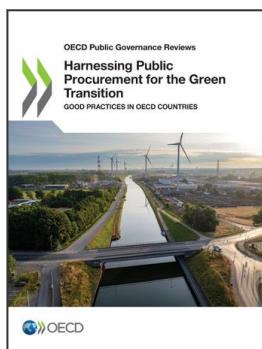
institutions) to co-ordinate GPP policies with broader policies on sustainable development and environmental protection.

On the other hand, OECD countries seldomly measure the outcomes of GPP actions, such as the reduction in GHG emissions. Only a few countries are undertaking efforts to monitor and report on the impacts of GPP, losing the opportunity to get a full understanding of GPP potentials and to identify measures to improve the quality of GPP policies and support its implementation. Moreover, the results from the Survey highlight that there is still room for improvement in different areas to strengthen the integration of environmental factors in public tendering:

- The procurement workforce needs to be provided with training and tools to navigate increasingly complex tendering procedures. Supportive materials and activities should cover different topics, such as the definition of effective green criteria to reflect environmental externalities and the necessary competences to collaborate with contractors to identify greener solutions to public needs, among others.
- Public tenders need to better capture the lifecycle costs and environmental impacts of goods and services to incentivise the private sector to compete on the green dimensions of the offers. Asymmetries of information on the environmental performance of the goods, services and works procured, and the lack of unified pricing instruments for climate and environmental impacts often leave public administrations unable to award public contracts based on life-cycle costs (LCC) and the reduction of externalities.
- Contracting authorities need to engage with the market through different communication channels such as request for information, surveys, community of practice or workshops. Early market engagement can help governments gather data to inform the design of LCC tools, compare the environmental impacts of the different solutions proposed by suppliers, and award public contracts based on their environmental benefits. Market engagement, in addition to providing important insights on market readiness to apply GPP standards, can also support public buyers to develop more sustainable supply chains, especially through comprehensive contract management strategies and practices.
- Governments willing to expand the use of GPP should close the data gap to allow for a holistic measurement of the impacts of green procurement strategies, not only to better understand the environmental benefits of greening government operations but also to foster the transition to more sustainable economies (OECD, 2022^[1]). To capture this missing data and to report on GPP objectives, the development of trainings and tools on effective and automated reporting mechanisms would allow for better progress tracking, benchmarking, and data accuracy.

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