

4. Recommendations

and conclusion



Successful SP requires a solid policy foundation, excellence in implementation and a robust monitoring system. As such, the *2022 SPP Global Review* highlights important developments in these areas across national governments, the private sector and intergovernmental organizations. While there is no one formula or path for introducing SP in the procurement framework of organizations, this Chapter highlights several SP recommendations identified in expert interviews, Stakeholder

Survey and National Government Questionnaire responses and literature reviews. Rather than being prescriptive, this Chapter seeks to share recommendations to better equip decision makers and public procurement experts with knowledge about SP practices that have proved effective in a number of settings. It is hoped that these eight recommendations encourage additional discussion about how organizations may further integrate SP into their procurement practices.

4.1 Shift from 'lowest cost procurement' to 'value for money procurement'

'Lowest cost procurement' is a strategy that prioritizes the purchase of goods and services based on their acquisition price. While this approach seems appropriate because product and service prices are determined by the cost of labour and production, face prices rarely account for the full cost of production and disposal, which also involves costs associated with negative social impacts and environmental harms. By contrast, 'value for money procurement' strategies include social and environmental costs and criteria related to quality, time to delivery and support services. This procurement strategy allows organizations to more accurately assess the true cost of their goods and services, whilst simultaneously contributing to social benefits such as the promotion of gender equality and women's empowerment in procurement practices as well as supply chains.

Multiple countries have embraced 'value for money' procurement strategies. Many have done so by enacting formal policies or legislation. For instance, in 2012, the United Kingdom enacted its Social Value Act. This regulation requires that United Kingdom governments account for their environmental and social costs and benefits when making procurement decisions. The Social Value Act¹ forces government departments to 'explicitly evaluate social value when awarding most major contracts'. Such requirements create incentives for the private sector to demonstrate the social value of their contracts.

Argentina, Panama, Paraguay and Uruguay are other examples of countries embracing 'value for money' procurement. They have incorporated sustainability criteria in their standard procurement specifications and have promoted framework agreements² (Casier and Ruete 2020).

'Value for money' procurement strategies are also relevant to subnational governments. For instance, the Argentine province of Mendoza has restructured its public procurement tenders to incentivize vendors to embed social and environmental concerns into their business practices. Mendoza Province began by educating procurement professionals about sustainability in an effort to encourage procurement decisions that took into account 'triple impacts' to balance economic, environmental and social equity issues (Casier and Ruete 2020). To further encourage 'value for money' procurement decisions, Mendoza also devised a policy whereby vendors were able to demonstrate their 'triple impacts' and be allocated extra points in the decision-making process (Casier and Ruete 2020). Mendoza's aim is for its policy to spur market competitiveness and bids from companies that are more sustainable. For more information on SP in local governments, see Annex 3 in Part II of this publication.

1 www.legislation.gov.uk/ukpga/2012/3/enacted

2 According to the Model Law from the United Nations Commission on International Trade Law (UNCITRAL) on definition of terms, a framework agreement is an agreement between the procuring entity and selected supplier (or suppliers) or contractor (or contractors) concluded upon completion of the selection process for supplier (or suppliers) or contractor (or contractors) (also known as 'first stage of the framework agreement procedure'). It can either be closed (no additional supplier/contractor may subsequently become a party) or open (additional supplier/s is/are allowed) with or without a second-stage competition. See: <https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/2011-model-law-on-public-procurement-e.pdf>

4.2 Emphasize training, capacity-building and incentives

Training, capacity-building and incentives are effective ways to embed SP practices more fully into an organization's purchasing patterns by helping create a shared understanding around SP and highlighting its importance throughout the organization. The results of the expert interviews indicate that SP training, capacity-building and incentives are especially important because procurement managers often do not see the full value of sustainable procurement. In some instances, procurement managers do not see how social sustainability goals (such as purchasing from women- or minority-owned businesses) are important to their organization's objectives. In other instances, procurement professionals are less willing to make SP decisions without clear guidance because of perceived risk associated with making such decisions. This is particularly important for the private sector, where soft components (such as leadership support and organizational adhesion) were reported as the most important drivers of SP, according to Stakeholder Survey participants.

Training should focus on 'value for money' procurement strategies that are offered to new employees and as continuing education. This idea is supported by Stakeholder Survey and National Government Questionnaire respondents. They indicated that robust training programmes are vital for facilitating SP and providing purchasing professionals with assurance about their SP approach. As one expert interviewee states, "People are self-driven; [training] enables them to pursue SPP with confidence".

In addition, the importance of human resources for the private sector to tackle mounting SP challenges should not be underestimated. In a turbulent environment characterized by multiple crises, increased stakeholder pressure and more regulation, private organizations will need to acquire internal SP capabilities quickly. This can either be done through training or recruiting. However, as new tasks and requirements related to SP pile up, SP might generate frustration and detachment from practitioners. It is therefore equally important to provide professionals with adequate resources to integrate SP in their day-to-day activities.

Organizations should also consider extending their training to vendors. Many vendors have developed or have access to sustainable product offerings. However, they have not promoted their more sustainable products sufficiently. Training programmes are needed to highlight organizations' enhanced focus on sustainability criteria, sustainability goals and contract incentives that emphasize SP offerings. Relevant training may be especially helpful for small and local businesses and businesses owned by women and various disadvantaged groups – so that they can more successfully compete for government contracts.

Similarly, incentives increase employee investment in SP and create a culture that encourages and rewards creativity. Incentives include typical internal recognitions and rewards. Other examples include creative



competitions among (or across) organization units or for specific purchasing categories. Other incentives that can be leveraged to embed SP may come from outside the organization. Examples include [ICLEI's Procura+ awards](#)¹ that highlight innovative approaches to sustainable purchasing and tender

procedures and give visibility to forward-looking public authorities and their initiatives. Similarly, the Sustainable Purchasing Leadership Council offers awards for organizational and individual green purchasing leadership and profiles case studies that highlight different sustainable purchasing successes.

4.3 Enhance reputation for sustainability

Expert stakeholder interviewees suggest that organizations adopting SP can benefit from an improved public image and reputation. However, they need to take an active role in their reputation building. Organizational reputations are shaped by, inter alia, global and regional rankings, media attention and stakeholder engagement. For instance, dozens of publications maintain an up-to-date list of the most sustainable cities in the world (including National Geographic, Conde Nast, Forbes and BBC Travel). Other publications rank the world's most sustainable countries (such as the World Economic Forum, World Population Review, Forbes, US News and Business Insider). Strong sustainability reputations can attract new business or tourists, as well as helping to satisfy stakeholder concerns.

Organizations that are serious about SP can leverage their sustainable purchasing activities to help demonstrate their overall sustainability commitment. To do so, organizations should amplify their messaging about the importance of SP towards

promoting sustainability. Additionally, organizations should make their SP policies publicly available, especially information about their metrics, goals and progress towards their sustainability goals, in addition to elevating their sustainability reputation. Making this information public also has the added benefit of increasing transparency with a wide range of stakeholders.

This is particularly clear for the private sector. While many business organizations now officially claim to embrace SP, the ability to measure and publicly report on SP tends to separate superficial adopters from more credible forms of engagement. This is especially true in a context where stakeholders have growing expectations on environmental, social and governance (ESG) reporting, as well as growing capacities to monitor this reporting. The next step for both public and private organizations will be the ability to reliably report actual social and environmental outcomes as opposed to mere inputs or institutionalization (for instance, CO₂ emissions versus training provided).

“One South African municipality is offering purchasing preferences to businesses that are based on labour-intensive work rather than businesses that are automated in an effort to broaden local employment. This same municipality is also using purchasing quotas to prioritize purchases from local women-owned businesses”.

SP expert interviewee

¹ <https://procuraplus.org/awards>

4.4 Advance all aspects of sustainability

Some governments, especially in the developing world, have had great success leveraging SP to improve their social equity and economic development (Cravero 2017). These countries are using purchasing to increase opportunities for small and local businesses, and especially those from disadvantaged groups, by using creative tendering processes such as allowing them to band together to apply for large procurement contracts. Other governments are promoting purchases from businesses that prioritize human labour over automation so that they can incentivize businesses to create jobs for low-skilled labour. Similarly, India is utilizing its SP as a tool to promote economic development by prioritizing small and medium-sized businesses with 25% of procurement set aside for these companies (Rawat 2020). These efforts are helping the government address SDG 8, which promotes decent work and economic growth.

Given their experience with promoting social concerns in the tendering process, contracting and other aspects of purchasing, these countries are in a strong position to extend their SP to address environmental concerns as well.

As was highlighted in expert interviews, governments (especially those in OECD countries) initially implemented SP by focusing on reducing the environmental impacts of purchasing, but now they are progressively leveraging their procurement in support of social equity and economic development. For instance, cities in the United States are increasingly setting aside a portion of their total budget to spend on purchasing from small and local businesses to support local economic development (Cravero 2017).

According to Stakeholder Survey results and the literature review, the private sector tends to address social challenges more often than environmental ones, especially in terms of challenges beyond climate change, such as water, biodiversity and circularity. On the social side, while recent regulations push for the integration of traditional social challenges such as work conditions or human rights, private organizations should also integrate social issues around equity, diversity and inclusion that have come to the fore in recent years.

4.5 Leverage SP to build resilience in the face of crisis

A crisis is an unstable situation in which critical decisions are needed to mitigate negative outcomes. In terms of the natural environment, crises include storms, wildfires, earthquakes, droughts and pandemics. Crises tend to encourage purchasing professionals to revert to low-cost purchasing routines that can be executed quickly. As one expert stakeholder described it, "...when the lifeboat is sinking, no one is concerned about where their life jacket is made".

However, the global COVID-19 pandemic has illustrated how some organizations are using SP to enhance their purchasing resilience while fuelling economic development (see Chapter 5 on sustainable procurement in private sector organizations in Part II of this publication). Investors increasingly see good SP performance as a proxy for supply chain resilience. This view is supported by recent research results that are becoming available on the impact of COVID-19 in supply chains.

Moreover, by emphasizing SP, governments can help reduce the effects of crises by harnessing the power of small and local businesses (see Chapter 3 on sustainable procurement in national governments). In a recent report, 63% of buyers and 71% of suppliers stated that their sustainable purchasing focus helped them endure the COVID-19 crisis (Gillai et al. 2021). Moreover, this resilience appears to increase as SP implementation matures because mature programmes enable organizations to use richer indicators, engage suppliers more deeply and nurture suppliers to help them become sustainability performers (Gillai et al. 2021). As governments develop closer relationships with more sustainable vendors, they also benefit from the fact that these vendors tend to be strong performers in other areas such as quality, reliability and efficiency. This, in turn, helps lower the chance of disruption and reduce recovery times (Gillai et al. 2021). As such, organizations with SP have greater confidence in expecting fewer problems related to supply chain disruptions.

For instance, in response to the COVID-19 pandemic, Paraguay has incorporated sustainability and value-added principles to its laws and promoted framework agreements for innovative small and local businesses. Other countries, such as Colombia, Chile, Uruguay and the Dominican Republic, have responded to the COVID-19 pandemic by expanding their supplier lists and electronic catalogues that support SP and facilitate the participation of small and medium-sized businesses in procurement processes. All these actions help support the economy and build supply chain resilience by diversifying the supplier base. They also illustrate a trend of using SP to 'build back better' – a term used by several experts interviewed for this publication.

In the wake of the COVID-19 crisis, a number of private organizations were found to be considering reshoring some components of their supply chain (Bank of America [BoFA] 2020). This can increase their resilience and their positive social impact, as

well as reduce their environmental footprint. Those insights may point to a deeper change in the world organization of supply chains.

As governments grapple with the repercussions of the recent pandemic, leading organizations from the private and public sectors are using the recovery to harness procurement in innovative ways to build back a strong local economy that leverages purchasing from local businesses, businesses owned by disadvantaged groups and businesses promoting sustainable products more generally. Doing so will help organizations pivot from low-cost procurement strategies towards value for money strategies. As stated in the expert interviews, “[In the wake of COVID-19], we see sparks of hope... that this recovery is challenging the model of a standard economy. The potential for SP is significant”.

4.6 Integrate SP into e-procurement

E-procurement can effectively integrate sustainability information into purchasing and radically reduce the costs of seeking sustainable goods and services for purchasing managers. This is done by customizing standard e-procurement systems to include sustainability criteria and dashboards to track sustainability performance. Simple modifications can enhance purchasing professionals' access to sustainable product lists and online databases of sustainable products and services (Darnall et al. 2017). By integrating SP into e-procurement, organizations have the potential to raise the profile of sustainable products or services so that they become the default decision during purchasing. Because purchasing information is maintained in an integrated electronic system, organizations can more easily track their sustainable spend, monitor

SP progress and incentivize sustainable purchasing behaviour. This is important because many organizations have e-procurement systems but do not integrate information about the environmental and social impacts of products and services or have access to green product lists and online databases of sustainable products.

Other important modifications to e-procurement systems include integrating sustainability into tender templates. Tender documents are procurement documents used to invite vendors to provide information regarding their goods or services.

By creating e-templates that already include sustainability criteria, purchasing professionals need only adjust the template to their need by emphasizing

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SP expert interviewee

ing specific sustainability metrics and expectations as part of the contract management process. Expert stakeholder interviewees indicated that “e-procurement also has the potential to significantly increase transparency in the purchasing process by emphasizing fairness, non-discrimination, accountability and verifiability. As such, it can be a powerful tool that helps prevent corruption” (Eyo 2017). To increase the value of e-procurement in government, when implementing these systems, organizations

should educate purchasing officers about how to use these tools most effectively.

The development of solutions to integrate SP is also a dynamic area of innovation in the private sector, where advanced technologies are emerging that can be beneficial not only for SP, but also for improving the overall management of supply chains in terms of efficiency, transparency and resilience.



4.7 Participate in knowledge-sharing networks

As organizations develop their SP policies and practices, there is an opportunity to learn from others. Professional networks bring together actors from different regions and sectors to learn from each other’s expertise, innovation and sustainable purchasing commitments. By participating in these networks, organizations can learn additional ways to introduce, strengthen and expand SP across their operations. For instance, professional networks are sharing information about how organizations can use different tools to make SP part of their organizational routines and

culture, enhance innovative solutions around SP and build stronger relationships with vendors to reduce the complexity associated with SP. Professional networks provide access to peer learning to help organizations avoid the SP implementation hurdles that have been encountered by others. Examples include success stories described in case studies about SP policy implementation, activities to address complexities around SP for specific purchasing categories and appropriate SP tracking metrics. These networks can be international, national or subnational, such as the

International Green Purchasing Network,¹ the One Planet Network,² ICLEI's Procura+ Sustainable Procurement Network,³ the Sustainable Purchasing Leadership Council,⁴ the Danish Sustainable Procurement Forum,⁵ the Quebecker ECPAR⁶ and many others (see Chapter 7 in Part II of this publication).

Additionally, knowledge-sharing networks often offer SP training webinars and conferences and can inform governments of external support, such as grants and educational programmes. Others offer awards/recognitions that can help accelerate SP implementation, as discussed earlier.

4.8 Enhance supplier engagement

Suppliers have an important role in helping to facilitate SP. Given the complexity associated with sustainable purchasing, suppliers can be useful partners in facilitating SP success. Indeed, governments that have successfully implemented SP policies tend to regard their suppliers as collaborators (Darnall et al. 2017; Darnall et al. 2018; Leal et al. 2020; Lukacs de Pereny et al. 2020; Testa et al. 2020; No et al. 2021). This may represent an important shift in how governments engage with markets around issues of sustainability. Given the complexity associated with sustainable products and services, the limited sustainable product offerings and government's limited access to information about sustainable product options, suppliers may serve as useful allies to facilitate SP success. Suppliers have the potential to inform government officials about sustainable purchasing options and create avenues for governments to increase their SP (Darnall et al. 2017; Darnall et al. 2018; Leal et al. 2020; Lukacs de Pereny et al. 2020; Testa et al. 2020; No et al. 2021).

When engaging with suppliers, governments need to be clear about their sustainability goals. As the market can be risk averse and slow to move, suppliers need sufficient time to respond and clarity in expectations. When sustainable products are identified, governments should purchase them consistently to encourage additional market expansion (Voda and Jobse 2016).

In the private sector, where large organizations regularly handle numerous suppliers across multiple jurisdictions, supplier management is a central component of SP. Private organizations should step up their efforts to drive SP beyond first-tier suppliers. It is also important to use SP as an opportunity to develop closer and mutually beneficial relationships with suppliers, as opposed to arm-length relationships based solely on audit and control. This is particularly relevant since COVID-19 showed the importance of caring for workers beyond the factory, and paying more attention to the living conditions of local workers and their community as a factor of resilience.

Given the complexity associated with sustainable products and services, the limited sustainable product offerings and government's limited access to information about sustainable product options, suppliers may serve as useful allies to facilitate SP success.

1 www.igpn.org

2 www.oneplanetnetwork.org

3 <https://procuraplus.org/home>

4 www.sustainablepurchasing.org

5 <https://eng.mst.dk/sustainability/sustainable-consumption-and-production/sustainable-procurement/forum-on-sustainable-procurement>

6 www.ecpar.org/en

4.9 Conclusion

There is still a long way to go before SP is common practice, and there are many barriers that will be challenging to overcome. The eight recommendations presented in this Chapter illustrate that SP encompasses a variety of strategies, and that it goes beyond selecting greener products to incorporate a full range of programmatic activities and every step of a typical procurement cycle. The examples also illustrate that SP implementation requires the strategic engagement of stakeholders, including vendors. Changing entrenched practices such as procurement takes time, skill, leadership and policy. Given the realities of large, complex organizations, successful SP requires both technical changes and changes in organizational culture.

The United Nations Environment Programme (UNEP) and its partners will continue to support SP advancements around the globe, while shedding light on SP activities and developments through future *SPP Global Review* publications. UNEP will continue to provide direct support to countries in developing and implementing SPP policies and action plans; fostering and facilitating regional SPP networks; and leading global monitoring of SDG indicator 12.7.1 in the framework of the One Planet Network SPP Programme.

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