



Sustainable public procurement in the midst of the climate crisis

Access the podcast at:

<https://doi.org/10.1787/e50d271e-en>

Please cite this podcast as:

OECD (2023), "Sustainable public procurement in the midst of the climate crisis", *OECD Podcasts*, Duration: 20:15, OECD Publishing, Paris, <https://doi.org/10.1787/e50d271e-en>.

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Duration: 20:15

Date: 11 July 2023

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Sustainable public procurement in the midst of the climate crisis

Intro [00:00:06] Welcome to OECD Podcasts where policy meets people.

Robin Allison Davis [00:00:11] In 2015, the United Nations released the Sustainable Development Goals 17 goals to help create a more sustainable and equitable world. The 17 goals included procurement systems, how governments can purchase and obtain resources in a more sustainable and ethical manner. But how does this actually work? How can governments include sustainability in their procurement system? And can sustainable public procurement help mitigate the climate crisis? I'm Robin Allison Davis and you're listening to OECD Podcasts. This podcast is the second in a series with MAPS, methodology for assessing procurement systems.

Robin Allison Davis [00:00:48] To help answer our questions on the link between sustainability and procurement and why it matters. I'm speaking today with Steven Schooner, Professor of Government Procurement Law at George Washington University. Thanks for speaking with us, Steven.

Steven Schooner [00:01:01] It's great to be with you today.

Robin Allison Davis [00:01:03] In our first podcast in this series, we lightly touched on procurement and sustainability, mostly surrounding the U.N. Sustainable Development Goals. But can you give us an overall definition, just so we're all clear? What is sustainable procurement?

Steven Schooner [00:01:17] That's a great question, and we could spend all day talking about it. But let me say that if we were to do a global survey, I think on the one end of the spectrum, as you mentioned, people describe sustainable procurement in terms of how government integrate U.N. sustainable development goals into their purchasing practices. And what that really means is that not just buying stuff, they're thinking about all of the things that government should care about, basically public welfare in making their purchasing decisions. Conversely, in some countries, for example, like the United States, where more social policies have long been integrated into public procurement, it tends to be a little bit more focussed on how the government can use its enormous purchasing power to both adapt to and attempt to mitigate climate change.

Robin Allison Davis [00:02:11] Well, thank you for that definition. Now we're all on the same page. But just one quick question. Is sustainable procurement and green procurement, is that the same just by a different name?

Steven Schooner [00:02:20] Well, for the countries that are thinking about sustainable procurement, primarily in terms of climate change, you often see a tremendous amount of overlap. I think where you see a little bit more divergence is for the countries that more aggressively embrace the holistic approach of the U.N. SDGs, which often focus on things like, for example, gender equality, poverty, quality of life and the like, which are not so much limited to just the climate or the green criteria.

Robin Allison Davis [00:02:50] MAPS has a module on sustainable public procurement designed to assess the quality and performance of sustainable public procurement systems considering environmental, social, and economic dimensions. Why is this important?

Steven Schooner [00:03:03] Well, it's important for a number of reasons, particularly given how far we've come with MAPS and how comfortable countries increasingly have gotten with using the rubric. Any time you have an organised, systematic approach to thinking about a country's approach to their existing legal and policy framework, their institutional framework and their management capacities, the way they operate and how their markets work, and holding people accountable and being transparent. Those are all really important considerations in a procurement system. So it's tremendously important to the extent that for many countries, MAPS is considered a common, respectable quality assessment of their procurement systems. To see sustainable procurement integrated into that is incredibly important.

Robin Allison Davis [00:03:52] As wonderful as the tool is, was the question that it can answer. And what's the question that I can't show?

Steven Schooner [00:03:58] There are many, many great things about MAPS, as you indicated. The one thing that MAPS struggles with a little bit is outcomes. So in other words, it tends to be a little bit more process focussed rather than outcome focussed. Now let's be clear, public procurement systems are built on process. But what we often talk about when we talk about performance measurement or metrics or assessment or in other words, is the government actually using its procurement power to change behaviour? Is it reducing emissions? Is it enhancing the quality of life for the public? That's much more difficult to measure. And that's part of an increasingly robust global debate.

Robin Allison Davis [00:04:43] So what you're saying right now is that there is no way to measure these outcomes. This is something that everyone is working on.

Steven Schooner [00:04:49] I wouldn't say there's no way to measure it. And in fact, the current global best practice in sustainable procurement is thinking more in terms of lifecycle cost analysis or lifecycle thinking, rather than, for example, low prices, transparency, levels of competition with like. But I'm sure we'll come back to some of those topics.

Robin Allison Davis [00:05:10] Yes, we definitely will. Countries like Norway have applied the MAPS Sustainable Public Procurement Module and Design strategies to implement sustainable procurement. Can you tell us a little bit about what countries are doing to design and implement sustainable procurement?

Steven Schooner [00:05:24] So what's great to talk about the Norway example, because frankly, it's one of the earliest efforts to use the MAPS to look at some of these issues. And of course, Norway is making far more progress than some countries. But what I would say, and particularly for those of you who are not familiar with it, if you haven't seen the UNEP, the United Nations Environmental Program, the Global Survey of Sustainable Procurement Practices from 2022, what you see is there's a tremendous amount of diversity around the world and people are taking different approaches.

Steven Schooner [00:06:00] The one thing that I do want to say that the Norway example maybe doesn't quite open the door wide enough for and we'll talk more about this later as well, is that it's one thing to change the procurement practices, but the biggest differences are going to come in the countries that fundamentally think differently about what they buy rather than how they buy. And just a quick example on that. I often point people towards some of the tremendous progress has been made in the last few decades in Holland with regard to cycling infrastructure, which basically gets automobiles off the street. And if you're unfamiliar with that, I really encourage people to take a look. Just use whatever your favourite search engine is, but take a look at the Utrecht bicycle garage, the largest bicycle parking structure in the world, which is integrated into the municipal rail system. And basically it has fundamentally changed the way the entire city moves, operates and works. And it's done so in an incredibly climate friendly way. So I think that one of the hardest things for countries to think about is changing what they buy, not just how they buy.

Robin Allison Davis [00:07:14] So that brings me to my follow up - what they buy and how they buy. So what is actually working for countries and what isn't?

Steven Schooner [00:07:21] So I think the single most important thing, if you want to look at countries or individual states where things are working, its leadership talks about it, and leadership means what they say. In other words, at the highest levels of government, they've made clear to the public procurement professionals that they want to see different outcomes and they're willing to get behind it in terms of supporting change behaviour and sometimes making the additional short- and long-term investments of money to make this a reality. So leadership is absolutely the most important. The things that aren't working or where countries simply pick up our survey, they say, oh, in this country they've done this. They add a law, they add a regulation, but they don't implement it.

Steven Schooner [00:08:10] And if we've learned anything that public procurement in the last 30 years around the world, it's that it's very easy to pass legislation in regulation, but implementing it or in other words, changing behaviour is incredibly difficult and it's incredibly important in this context in terms of sustainable public procurement because the learning curve is so steep. So what we really need countries to be doing is getting a strong message from the top, investing in training, assembling sophisticated teams, supporting the acquisition professionals, and then of course focusing on performance measurement or metrics.

Robin Allison Davis [00:08:50] So when you bring up investment, things like money, that's often the hot button topic for something like this. Critics sometimes argue that governments end up spending more money if they include sustainability criteria when they're procuring. What do you think about this criticism?

Steven Schooner [00:09:05] Well, first it's common. And second, it's fundamentally wrongheaded. And to some extent, it is the very beginning of the existence of the global public procurement official. We often talk in terms of the tyranny of low prices. Too many government officials. And I mean that in terms of legislatures, leaders, and frankly, this is true in terms of the media and auditor officials as well think that a good procurement is one with a low price. But as you know, and I'm talking to every individual listener out there, when you spend your own money, there is almost nothing you buy where the only thing you care about is the lowest price. You are constantly trying to assess whether you're getting value for money and whether you're happy with your purchase or what the private sector tends to call customer satisfaction.

Now, I earlier mentioned the global best practice in sustainable public procurement is to stop thinking about low prices and instead rethink the value proposition in terms of lifecycle thinking or lifecycle cost analysis. And I'd love to talk more about that if we have more time.

Robin Allison Davis [00:10:16] Yes, we definitely do.

Steven Schooner [00:10:18] Okay, so let's think about it this way. Think about anything you purchase in an introductory economics class. We might say that the difference between lifecycle cost analysis and focusing on purchase prices is that first in lifecycle cost analysis, your purchase price is included. So that does matter. But we also think about transaction costs and there that's what public procurement officials are and the oversight community as well too. So that adds to the amount of money you spend doing the purchase or managing it. Then you have your operating and maintenance costs, for example, in an automobile. Your petrol and your tires are classic operating costs. Your maintenance costs are how often you need to have upkeep or what is being the service you need to replace it. And of course you can analyse. If you buy a more expensive automobile, your maintenance cost might be a little bit lower.

Steven Schooner [00:11:13] If you buy an inexpensive automobile, you may have to do more work on it. There's a couple other aspects of lifecycle cost analysis. One is time value of money, because money spent today is different than money spent in the future. And then, of course, the biggest one or another big one is disposition costs. If you buy a top-of-the-line expensive automobile today, but you only keep it for five years, you're going to resell that automobile and recoup some of your purchase price, which reduces your total cost of ownership or your overall life cycle spending on that item. The key point here is that the beauty of lifecycle thinking with regard to sustainable procurement is it permits us to internalise the externalities which have typically been excluded in public procurement decision making. Now, just real quick, and this is really important, but when we talk about externalities, every negative aspect of climate change that you can think of fires, floods, storms, famine, drought, all of those things.

Steven Schooner [00:12:25] Those are the externalities that we haven't generally taken into account when we've made our purchase. All of which brings us back to the thesis. When a senior government official says we can't afford to pay that price premium for the more sustainable or less harmful solution. The correct answer today is we cannot afford not to because the government exists for the welfare of the public. And what we really need to be focussed on is a sustainable future for our children and their children.

Robin Allison Davis [00:12:56] Exactly. It's all an investment. Everything has to be measured and taken into account.

Steven Schooner [00:13:01] Absolutely.

Robin Allison Davis [00:13:02] So let's talk about the Climate Crisis. MAPS Secretariat published guidance on how to integrate climate change considerations into the assessments. How could procurement be used to mitigate the crisis?

Steven Schooner [00:13:13] At the end of the day, I think that many governments underestimate the power of public procurement to help them achieve their climate related aspirations. And that's true both with regard to adapting to climate change and mitigating climate change. As most listeners know, around the world. Public procurement accounts for somewhere between 15 and 22, maybe even 25% of global GDP. But much more importantly, markets watch what the government buys. And sometimes government leadership can change broader behaviour. It can make leading companies more comfortable with new practices.

Steven Schooner [00:13:56] But the other thing that's really important to keep in mind is oftentimes the government can drive markets by buying emerging technologies where the market itself might not move quickly enough to give them the fundamental investments they need to grow and diversify. So basically, everything that the government does in terms of buying can really have an impact. Another thing to keep in mind is that people often underestimate how broadly the government impacts the full range of markets. Remember that governments buy goods or supplies, they buy services, they buy research and development. They also buy construction and public works. So the government has its hands in almost every conceivable market out there. And this is often true, particularly with regard to innovative markets. So they really can have a big impact.

Robin Allison Davis [00:14:51] Is sustainable public procurement something for all countries? Are there prerequisites to getting started?

Steven Schooner [00:14:57] So the short answer is yes. This is something that all countries should be doing. But at the same time, there is no one size fits all solution. What we often talk about when we're talking to governments about this is that what we're dealing with is what we might call in the Navy or in boating an all hands-on deck situation. In other words, every procurement matters, every purchasing decision can move that needle just a little bit, or if you like, walking analogies. The journey of a thousand miles or kilometres begins with a single step. But I'm often reminded that one of my favourite books on the climate crisis is written by Katharine Hayhoe, who's an academic who's now the chief scientist at the Nature Conservancy. And in her book Saving US, the basic thesis that she articulates is the single most important thing that any of us can do with regard to the climate crisis is talk about it.

Steven Schooner [00:15:57] The reality is, is as individuals, as professionals, as leaders, as mentors, as teachers, as parents, as members of communities or organisations. If we all make clear to others how important this is and how we need to reprioritize and how we need to rethink what is important, again, the future of our children and our children's children, we're really going to see some dramatic changes. But going back to where you started, there is no simple solution for any country to basically say, I'll just copy what the other countries doing, countries by different things. They operate in different markets. But we see a lot of tremendous diversity and some great successes around the world. We just need to speed it up a little bit.

Robin Allison Davis [00:16:45] So are there any aspects of sustainable procurement that you think don't get enough attention?

Steven Schooner [00:16:49] I think one of the most important and one of the least understood is food. And frankly, as we know, governments buy staggering amounts of food not only to feed schoolchildren, but all to feed, for example, their military. There's also cafeterias and government workspaces and museums. But if you're going to read one thing on that, I strongly recommend George Monbiot book called *Read Genesis*. And one of the points that he makes is in our current world, on the planet that we live in and our current agricultural practices in the future, we simply cannot continue to grow food, to feed food. And therefore, one of the most important things that governments can be doing. And again, this needs to be incremental. We don't need to change everything overnight.

Steven Schooner [00:17:37] But if governments could reduce the volume of beef and cattle products, that would make a tremendous amount of difference. People, I think, don't really appreciate that beef isn't just more harmful to the environment than other meat or food or vegetable-based products. It's ten times worse. And so if we can start being a little bit more intentional about the foods that we buy and more importantly, the supply chain that provides them. In other words, when you buy local food, your scope three emissions or your transportation costs go down dramatically. These are the kinds of changes that incrementally over time are really going to make a difference and in some ways are a little bit easier.

Robin Allison Davis [00:18:21] So to wrap things up. What more do you think needs to be done to have more sustainable procurement worldwide? What's missing?

Steven Schooner [00:18:29] So it seems to me if we look at the success stories, it typically starts with leadership. We need strong leadership in government organisations that are willing to first talk the talk and also walk the walk. And what I mean is people look up and around for signals as to how to behave and to know what's important. Change Management. Changing behaviour. Changing culture. That's the hardest aspect about sustainable procurement. And when you have strong leadership, then what you can do is you can start driving procurement professionals and others up the learning curve. You can start assembling the teams of experts that need to support them. Because let's be clear, your average public procurement official isn't going to be an expert on the greenhouse gas protocols. For calculating or assessing or reporting or targeting emissions. But we need to assemble teams and have them understand that what they're doing is important and they're going to get support for the top and that their governments are willing to invest in the future so that we can both adapt to the realities of climate change and attempt to mitigate it.

Robin Allison Davis [00:19:43] Great. Well, thank you very much for joining us today, Steven. It's been an enlightening conversation.

Steven Schooner [00:19:47] Thanks so much for including me.

Robin Allison Davis [00:19:50] To learn more about the MAPS Initiative, go to [MAPSinitiative.org](https://mapsinitiative.org).

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