

INTAL/IDB ON-LINE TRAINING WORKSHOP ON
GOVERNMENT PROCUREMENT AND TRADE FOR
BRAZIL SUB-NATIONAL GOVERNMENTS

4.3 Sustainability and Public Procurement: Emerging Best Practices Internationally

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Hope Jahren: *The Story of More*

***Every single scientist I know is
freaked out by the steep increase in
carbon dioxide of the last fifty years.
But we are more freaked out by the
fact that our governments are
not as freaked out about it as we are.***

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SUSTAINABLE DEVELOPMENT GOALS

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<https://sdgs.un.org/goals>

Broader, more inclusive than mere “green” procurement or environmentally preferable procurement

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The **Revised GPA references**, is receptive to, and supports efforts to address **sustainability issues** - see https://www.wto.org/english/docs_e/legal_e/rev-gpr-94_01_e.pdf

- **Preamble** emphasizes "*the efficient and effective management of public resources*";
- **Article X, Technical Specifications**, ¶ 6: permits specifications intended "*to promote the conservation of natural resources or protect the environment*"
- **Outcome-based award criteria**, including sustainability concerns (reduced externalities, effects) may be included in award criteria
- **Sustainable Procurement Work Program: WTO Committee on Government Procurement (2012)** - https://www.wto.org/english/tratop_e/gproc_e/annexe_e.pdf

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Markets and Opportunities (Proverbial “Tip of the Iceberg”)

- **Infrastructure, Public Works, Transportation** (including alternatives)
 - Consider resiliency (to increased heat, flooding, drought, fire, etc.)
 - Think Big: Sustainable, resilient *cities*
 - *Geneva Examples:*
 - *Urban public transport, rail to/from airport – no charge*
 - *Accommodate bicycles, electric bicycles*
 - *LEED (Leadership in Energy and Environmental Design) Buildings - <https://www.usgbc.org/leed>*
- **Electrical Grid, Water Safety**
- **Vehicles, Fleets** (EV’s – electric vehicles)
- **Access to Internet, Information Technology**
 - The harsh pandemic quarantine lesson
 - Energy Star (US): <https://www.energystar.gov/>
- Reimagine **Incentives** and **Disincentives** (Create/Make Markets)

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Significant/Daunting Workforce Impediments

- **Policy Guidance Outpaces Concrete Actionable Advice**
 - Procurement Professionals: *But What Should I Specifically Do?*
 - *Complex, Conflicting, Evolving Science, Technology, Advice*
- **Staffing, Volume of Work**
 - *Under-staffing of the procurement function is the norm*
- **Qualifications & Skill Sets**
- **Priorities, Incentives/Disincentives: You Can’t Have It All**
 - What Gets Measured Gets Managed
 - Need for Strong Leadership, Signaling
 - Overcome Risk Aversion (*regression to low-price solution; “tyranny of low prices”*)
- **Training, Learning Curve: Climate Literacy, Concepts, Economics** (Life Cycle Costing), **Vocabulary & Nomenclature, Science and Technology** (carbon footprint, calculation tools), **Standards, Labels, Methodologies and Vehicles** (framework contracts, electronic catalogs)

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Sustainable Public Procurement Requires Integrating Value for Money Into LifeCycle Analysis

With sustainable public procurement, “public organizations meet their needs for goods, services, works and utilities in a way that achieves **value for money** on a **whole life-cycle** basis in terms of **generating benefits** not only to the organization, but also **to society and the economy**, whilst significantly **reducing negative impacts on the environment....**” (UNEP)

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Metrics & Performance Measurement

- **Low purchase price may lead to a “false economy” – for example, too easy to purchase the fossil fuel solution**
 - ***Consumer-based approach: value for money, most economically advantageous tender, cost/technical tradeoff, price/quality ratio***
- **Life Cycle Cost** (LCC or total cost of ownership, TOC) is a more meaningful (informative) measure. *[For these purposes, no need to distinguish LCC v TOC/TCO v LCA (life cycle assessment)]*
 - Basic economic literature - LCC elements include:
 - Purchase Price
 - Transaction Costs
 - Operating Costs
 - Maintenance (Sustainment) Costs
 - Disposition Costs (+/-)
 - **NEEDED CHANGE: include* *Externalities, Effects (e.g., Sustainability Considerations)***
 - ***Answer the Q: what do we get for the price premium?***
 - ***How much more do we need to pay for less emissions or for carbon reduction?***

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Conclusion

(and supplemental resources)



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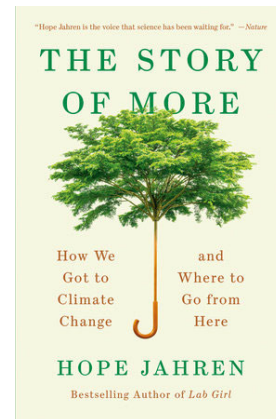
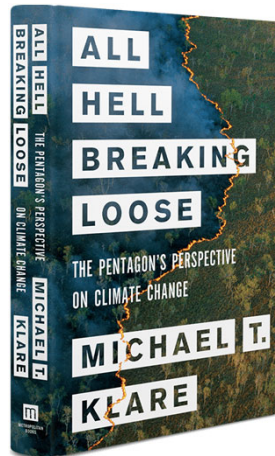
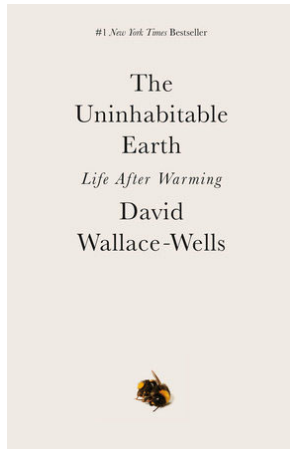
US Resources (Examples Only)

- Recent **Executive Order**: <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/27/executive-order-on-tackling-the-climate-crisis-at-home-and-abroad/>
- **Green Procurement Compilation**: <https://www.gsa.gov/tools-overview/buying-and-selling-tools/green-procurement-compilation>
- **Comprehensive Procurement Guideline (CPG) Program**: <https://www.epa.gov/smm/comprehensive-procurement-guideline-cpg-program>
- **Ecolabels and Standards**: <https://www.epa.gov/greenerproducts/introduction-ecolabels-and-standards-greener-products>

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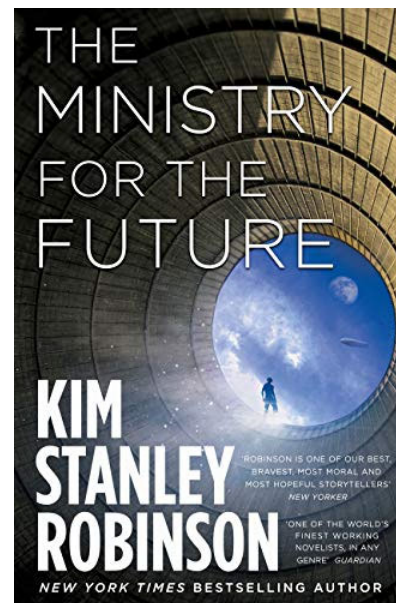
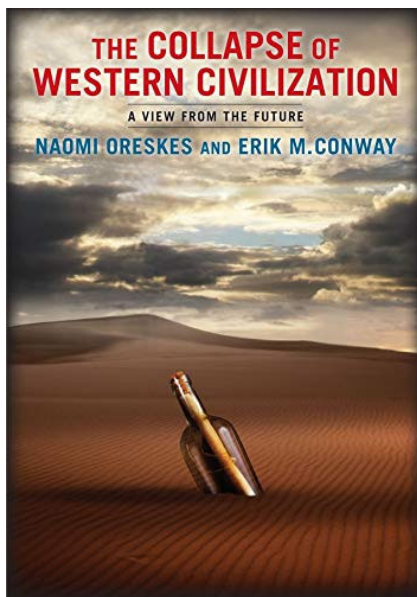
Reports of the **IPCC (The Intergovernmental Panel on Climate Change (IPCC))**, the UN body for assessing the science related to climate change - <https://www.ipcc.ch/>

The Paris Agreement: <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>



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Fiction, Dystopia, Sci-Fi



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Prof Schooner References (with Markus Speidel):

- *'Warming Up' to Sustainable Procurement*, 60 Contract Management, Issue 10, 32 (October 2020), <https://ssrn.com/abstract=3697429> (available in program materials)
- *Sustainable Public Procurement: Mandates, Metrics, and Incentives to Overcome the "Tyranny of Low Purchase Prices,"* CLEEN database (<https://www.thecleanproject.org/>), <https://airtable.com/shr6gkJNdfbqeW9CL/tblyk9wypoLm2JDjS>

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A (Sad) Anecdote – from the US Federal Acquisition Regulation (FAR) 15.605 Evaluation factors and subfactors (1996)

(b)(1) The **evaluation factors and subfactors** are within the broad discretion of agency acquisition officials except that—

- (i) Price or cost to the Government **shall** be included ...in every source selection.
- (ii) Past performance **shall** be evaluated in all competitively negotiated acquisitions
- (iii) Quality **shall** be addressed in every source selection through inclusion in one or more of the non-cost evaluation factors or subfactors....
- (iv) **Environmental objectives, such as promoting waste reduction, source reduction, energy efficiency, and maximum practicable recovered material content...., shall also be considered in every source selection, when appropriate.**

(2) Any other relevant factors or subfactors, such as cost realism, **may** also be included....

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15.304 Evaluation factors and significant subfactors (current)

(c) The **evaluation factors and significant subfactors** ... are within the broad discretion of agency acquisition officials, subject to the following requirements:

- (1) **Price** or cost to the Government shall be evaluated in every source selection....;
- (2) The **quality** of the product or service shall be addressed in every source selection through consideration of one or more non-cost evaluation factors ...; and
- (3)(i) **Past performance** ... shall be evaluated in all source selections for negotiated competitive acquisitions expected to exceed the simplified acquisition threshold....
- (4) For [large] solicitations, ... include proposed **small business subcontracting participation** in the subcontracting plan as an evaluation factor....