

17th PRIMO Forum

“Sustainable and Green Procurement for Circular Economy”

May 29–31, 2024

Tbilisi

Session 2: Public Sector Readiness to Attract Private Sector Participation

**From control to mutually beneficial
relationships
with the private sector
in Green Public Procurement**

Dr. Olena Maslyukivska

Impacti



About Impactti

A global company specialised in supporting the World Bank, the United Nations and government agencies around the world to achieve climate neutrality in their operations and procurement.



Carbon Neutral government
operations

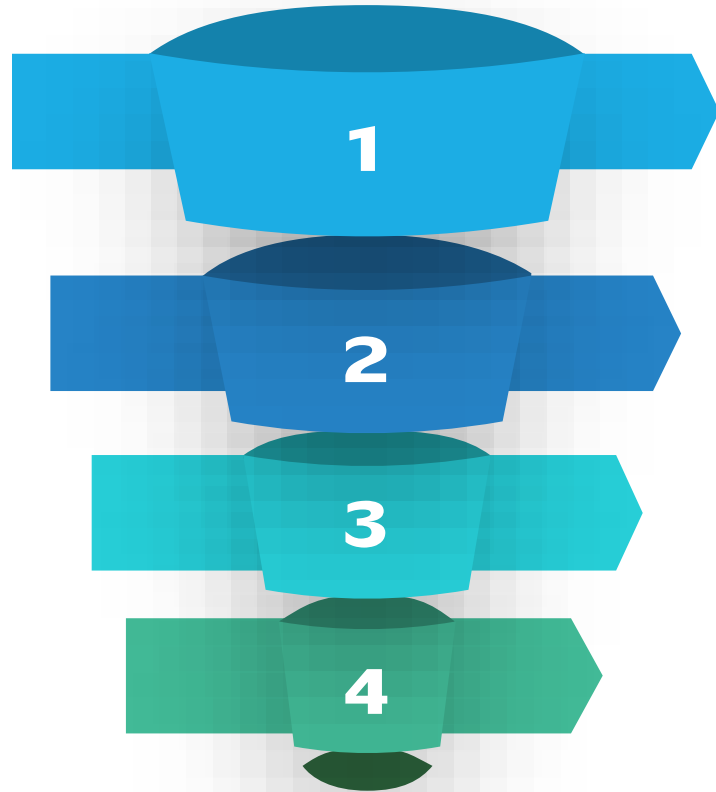


Sustainable & green public procurement



SDG impact management & reporting

Outline



Importance of market dialogue in Green Public Procurement (GPP)

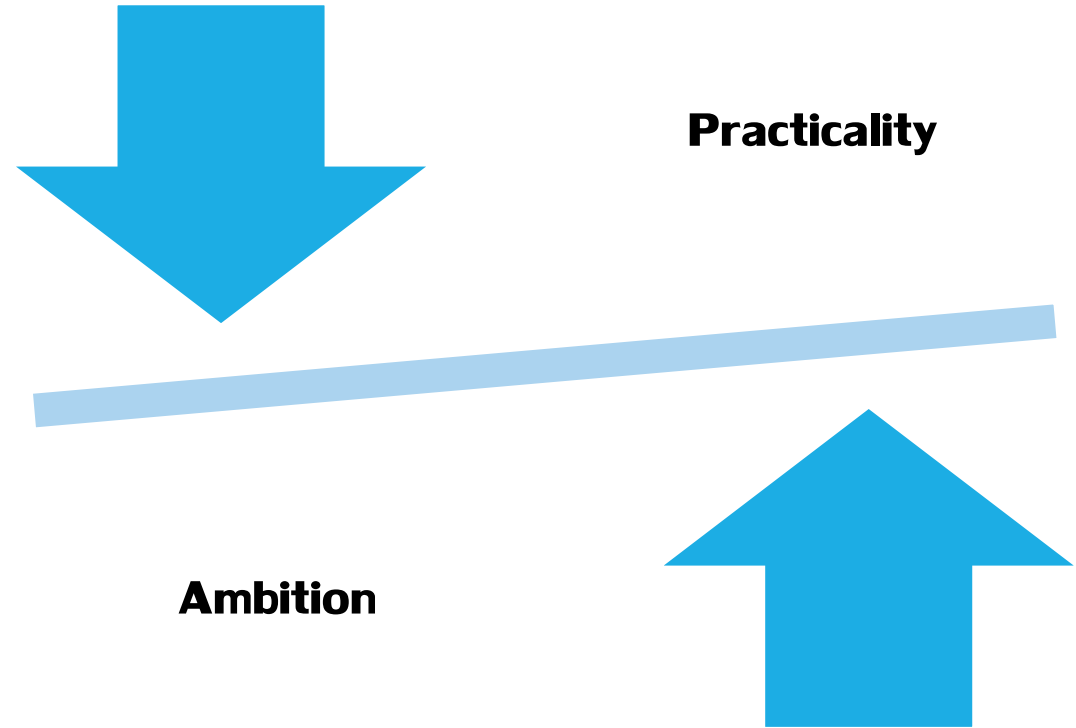
Why procurers in the ECA region are hesitant to engage with the market?

Strategies to better understand potential market solutions

Examples of the shift in the relationship between procurers and suppliers

Importance of market dialogue in GPP

- The success of **GPP** hinges on the delicate balance between ambition and practicality in tender design



How can the government set the balance between ambitions and practicality?



Why market dialogue in GPP is important?



Knowledge of the local market is essential

- Buyers need to know what is **realistic** in local markets
- Which specifications can generate a **competitive market response**

Technological evolution



Green technologies are evolving rapidly

- The market has **better knowledge** of the state of new and emerging green technologies
- Dialogue with the market ensures that procurers tender for **today's**, not yesterday's, green innovations

Market
knowledge

Sustainable laptops & desktops

City of Haarlem

Aims

Share goals for circular and socially responsible ICT

Gain feedback from suppliers on ability to respond

Results
After dialogue,
adopted a new
“Hardware-as-a-
service” model



Approach

In-person event
Written consultations



Why procurers in the ECA region are hesitant to engage with the market?

- **Relatively novel** approach in public procurement
- Procurers remain **hesitant** to engage market and avoid:
 - Creating perceptions of **corruption** and **lack of fairness**
 - Being **prosecuted**
 - Failure to protect a supplier's **intellectual property rights** or commercially sensitive information

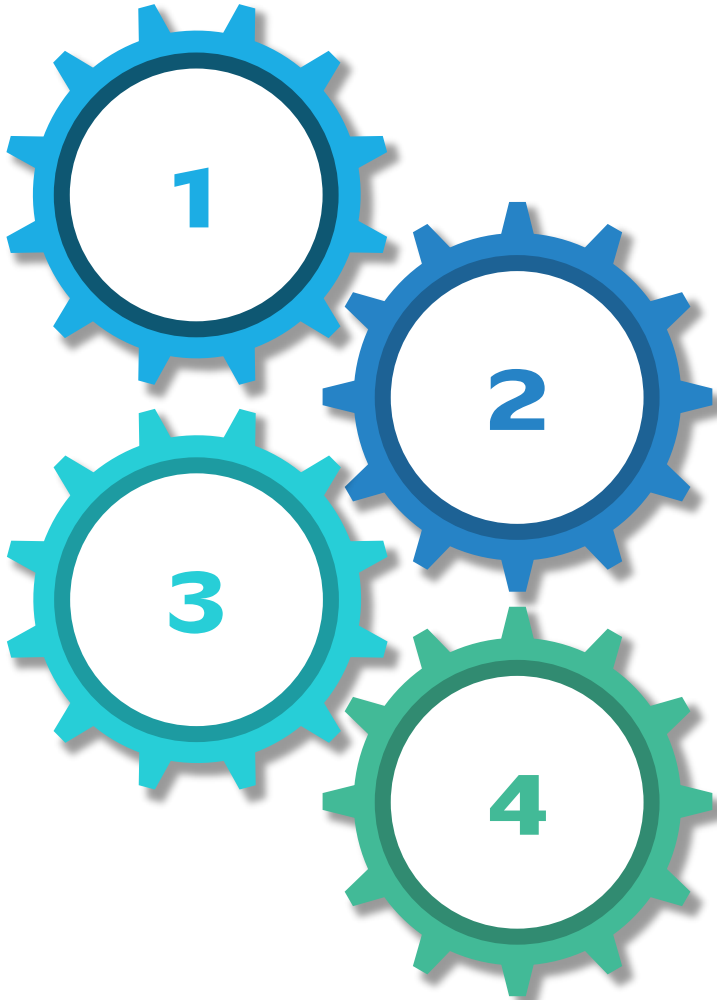
Perception of the top biggest obstacles to GPP in ECA region



- 1 Lack of availability of green options
- 2 Green goods/services are too expensive
- 3 Lack of GPP tools/support
- 4 Increases the risk of corruption

Based on the results of the Needs Assessment Questionnaire of 86 professionals dealing with public procurement from 4 ECA region countries in February–April 2024

Training topics of most interest



Legal framework related to GPP

Benefits of using GPP

How to engage in the market to attract competitive bids

Tools needed by government contractors to apply GPP

Based on the results of the Needs Assessment Questionnaire of 86 professionals dealing with public procurement from 4 ECA region countries in February–April 2024

3. Strategies public procurers can use to better understand potential market solutions?



Communicate early the government's intention to shift to environmentally-friendly procurement practices and allow the market time to adjust;



Survey the current level of interest and readiness of the market to participate in GPP to design suitable procurement approaches and criteria to maximize green outcomes;



Identify possible means to verify the environmental performance of suppliers that align with existing business practices or industry initiatives to minimize reporting burden;



Uncover promising new green market innovations whose development can be catalyzed through government procurement in early stages;



Build trusted procurer-supplier relationships to leverage respective skills to achieve more ambitious climate and environmental goals together;



Identify gaps in financing and support for green markets and explore how other market development tools can be leveraged to reduce the green premium.

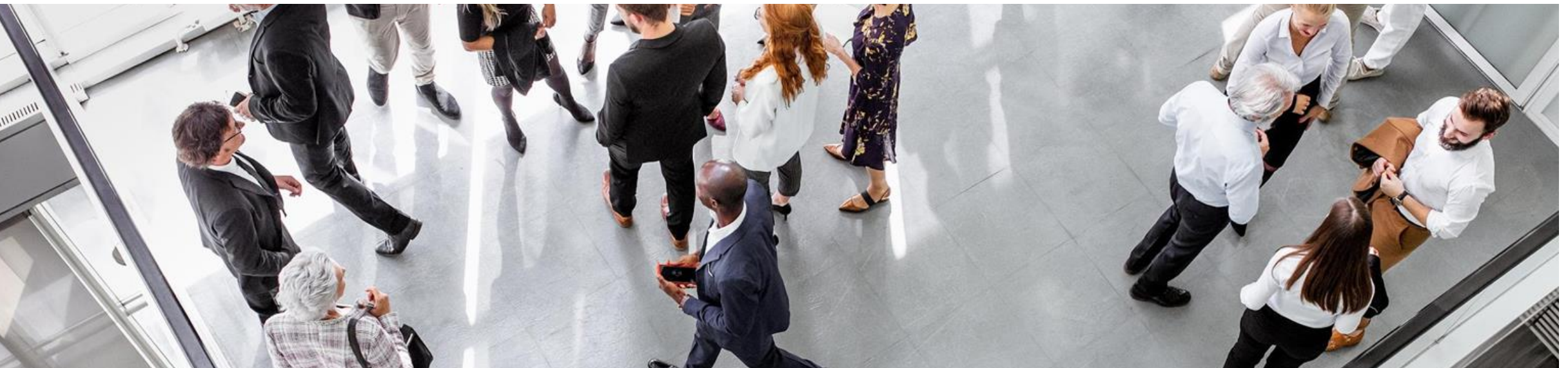
At a tender level

- Desk research
- Surveys and interviews
- Supplier events

At systemic level

- Industry events
- Partnerships
- Product specific initiatives
- Industry-wide consultation

Market engagement



Tools to assess market readiness

Pre-Bid Research

- **London UK** – The City of London sent **surveys**, attended market conferences and held “**Suppliers Meetings**” to identify energy efficient lighting for the public metro transport network.
- Almost 300 technologies from 75 suppliers were discovered.

Market Forums

- **Japan** – **Annual eco-product exhibitions** are hosted by the Government that invite companies to feature green products and services.
- The event is open to the general public and **procurer are encouraged** to attend.

Supplier Self-Assessment

- An online portal **HAPS** has been launched in Latin America inviting all businesses to voluntarily complete a **online self-assessment on their environmental, social and governance (ESG) practices**.
- Supplier assessment results are **made available to any public authority in Latin America**.

Market Readiness – High

Cost-competitive green products available

Framework agreements

Belgium

The central procurement body launched a tender for a **framework agreement for environmentally friendly office supplies**. Once negotiated, any government agency could buy from the chosen supplier through the framework agreement.

Green listings or marketplaces

Dominican Republic – Coffee is a key economic sector in the country. The Procurement Unit created a **catalogue** of over 30 small-scale farmers and producers of Dominican coffee and encouraged authorities to procure from them.

Korea – An e-shopping mall, the “**Green Market**” has been operational since 2009. It offers a simple tool for public procurers to make low-volume green purchases without a tendering process. Purchases are automatically tracked to monitor green procurement practices.

Market Readiness – Medium

Market interested but limited capacity

Green Public Procurement laws, policies and manuals in many countries highlight opportunities for contracting authorities to procure green even when market capacity is low, including:

- splitting tenders into smaller lots
- including environmental specification as award criteria (bonus)
- allowing suppliers to submit alternatives (eco-friendly and non-ecofriendly options)



Market Readiness - Low

Market not interest/ready

Signaling Effect

- Public agencies can be encouraged to publish **early notice** of procurement needs (e.g. annual or multi-year procurement plans) that include intentions to shift to eco-friendly preferences.
- This has been useful in many countries to allow time for suppliers to transition to green practices and technologies.

The European Union hosts “Big Buyers” groups inviting authorities across the region to **combine their purchasing power to better motivate the market** to provide new green solutions. The groups brought together EUR 40 billion of procurement spend for:

- Zero emission construction sites
- Heavy-duty electric vehicles for waste collection and street cleaning
- Circular Construction for roads, infrastructure and public spaces
- Digital solutions in the healthcare sector

Joint Buyer's Groups

Market Readiness - None

New market innovations needed

Unsolicited Bids

Morocco – The new Procurement Decree adopted in Sept 2023 that allows suppliers to propose a new innovation that meets a potential public procuring need.

If accepted, the **suppliers can be granted a 5–10% price preference** in subsequent competitive bidding process.

Innovation procurements

Japan – As an island state with limited fuel reserves, Japan prioritized EV adoption by government. In 2010, the **government was an early buyer of the Nissan Leaf** and installed EV charging stations at government sites. The Leaf became one of the world's most popular EVs.

Canada – The Innovative Solutions program the Government of Canada invites small businesses to submit pre-commercial prototypes and innovations. The Program commits public procurers willing to buy, test and provide feedback.

4. Shift in the relationship between procurers and suppliers

- Market dialogue is now recognized as a **core element** of a modern procurement approach in both the public and private sectors.
- Many modern procurement frameworks **expressly encourage** procurers to consult with the market:
 - to inform tender design and
 - To promote procurement approaches based on market partnerships

School renovation

City of Gabrovo (Bulgaria)

Aims

Explore innovative options for energy standards

Inform about the beyond lowest price approach

Results

First Bulgarian building project requiring minimum energy class



Approach

1. Supplier presentations
2. Individual meetings

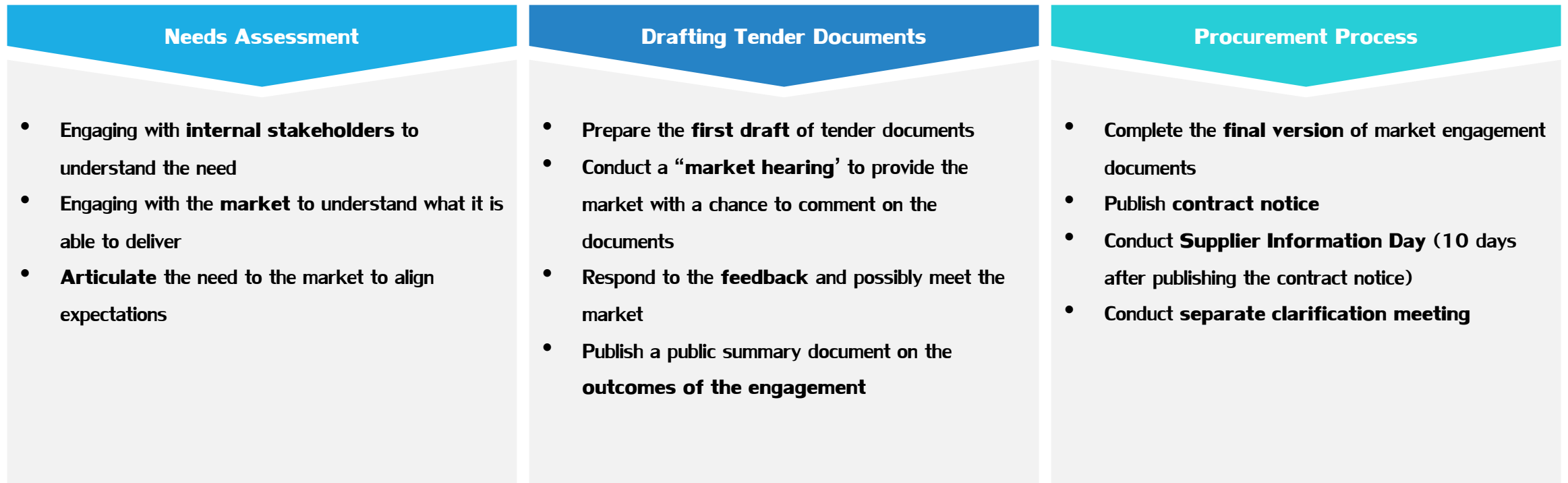


Seasonal and diverse catering

Municipality of Copenhagen, Denmark

Procurement need: 20.000 meals each day to various entities (schools, nursing homes, daycare centres)







Market approach: Procurers engaged with the market at three stages








Results:

- Higher diversity and seasonality in products being delivered
- Helping the Municipality reach its 90% organic food target in 2015

Evolution: technical assistance on GPP

	• Environmental topic aimed at reducing environmental impacts
	• Siloed issue led by Environment ministries or ad hoc champions
	• Led by ecolabels and environmental criteria
	• Focused on product-level
	• Training & awareness
	• Weak monitoring



• Strategic topic linked to rational, efficient public financial management	
• Whole of government reform process led by central ministries	
• Informed by market dialogue	
• Exploring application to project level, especially large-scale public works	
• Procurement professionalization and competency frameworks	
• Robust monitoring integrated into e-procurement systems	