

Virtual expert group meeting on institutions and governance for
accelerating sustainable public procurement
UN CEPA Working Group on Sustainable Public Procurement

Sustainable Public Procurement:
An accelerator of sustainable development in time of crisis
A financial tool for new markets, jobs and innovation

LAMIA MOUBAYED BISSAT
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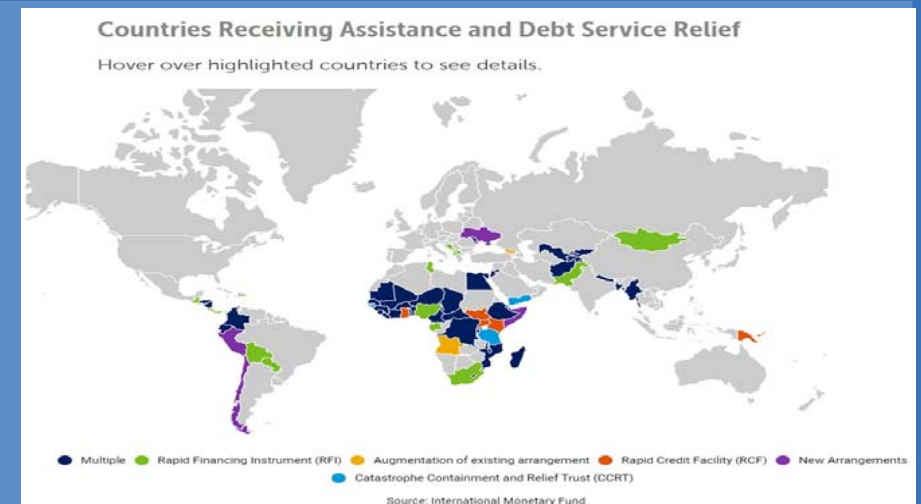
Context: 2030 is approaching, the pressure to act with an increasing sense of urgency in a context of unprecedented pandemic and ensuing financial and economic challenges

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)

	2019	PROJECTIONS	
		2020	2021
World Output	2.8	-4.4	5.2
Advanced Economies	1.7	-5.8	3.9
United States	2.2	-4.3	3.1
Euro Area	1.3	-8.3	5.2
Germany	0.6	-6.0	4.2
France	1.5	-9.8	6.0
Italy	0.3	-10.6	5.2
Spain	2.0	-12.8	7.2
Japan	0.7	-5.3	2.3
United Kingdom	1.5	-9.8	5.9
Canada	1.7	-7.1	5.2
Other Advanced Economies	1.7	-3.8	3.6
Emerging Markets and Developing Economies	3.7	-3.3	6.0
Emerging and Developing Asia	5.5	-1.7	8.0
China	6.1	1.9	8.2
India	4.2	-10.3	8.8
ASEAN-5	4.9	-3.4	6.2

- Severe decline in economic activity across sectors: IMF's global growth projections are negative for 2020 (-4.4%).
- Due to scarcity of national resources, the IMF has made available **US\$250 billion** out of its **US\$1 trillion** lending capacity to EMDE.
- Governments remain key players in re-boosting national economies
- Domestic financial solutions remain important for governments to consider as instruments in favor of economic recovery.
- **It is about unlocking the potential of public procurement as key policy instrument.**





Sustainable Public Procurement as Accelerator of Sustainable Development

Public procurement accounts for...

In Asia
20%
of GDP

In the MENA region
18%
of GDP

In OECD countries
29% of government expenditure
12% of GDP

In Africa
15%
of GDP

In Latin America and the Caribbean
22% of government expenditure
7% of GDP

In the European Union
14%
of GDP

- Governments are the largest buyers in economies: 29% of government expenditures in OECD countries.
- Public Procurement is a powerful tool for value for money and efficiency but also for achieving secondary policy objectives: sustainable green growth, SMEs development, innovation, responsible business conduct or industrial policy objectives.
- Target 12.7 of Agenda 2030 focuses specifically on promoting “public procurement practices that are sustainable, in accordance with national policies and priorities”.





Lessons Learnt from developed countries at central & local levels

Innovation Procurement of the year

Winner:

**MINISTRY OF DEFENCE
NETHERLANDS**

Procurement of textiles from recycled fibres



In its procurement of towels and overalls, the [Ministry of Defence of the Kingdom of the Netherlands](#) (MODNL) followed a circular policy and explored recycled content in the new textiles.

The products contained at least 10% recycled post-consumer textile fibres, with two contracts awarded: one for supply of 100,000 towels and 10,000 cloths, and one for 53,000 overalls. MODNL consulted the market and challenged suppliers to source post-consumer textile fibres, with the winning bid creating estimated savings of 233,000,000 litres of water, 69,000 kg CO2 and 23 MJ of energy.

Winner

CITY OF ROTTERDAM NETHERLANDS

Making the city accessible for citizens with special mobility needs



In Rotterdam, 30,000 citizens with special needs make use of transportation services. There are different services available to different target groups, which in the past has led to fragmented and sometimes insufficient services. The City of Rotterdam decided to integrate all mobility services, operate their fleets more efficiently and as a result provide transportation that serves the needs of their customers best.

Rotterdam undertook comprehensive customer-focused research to uncover the unmet needs and customer journeys that called for multidisciplinary solutions. The city used an innovative Forward Commitment Procurement procedure, with a competitive dialogue process that included representatives from end user groups giving direct feedback. The winning contractor is a consortium of various market parties that is now implementing a user-centred transportation service with mechanisms for constant improvement. Results include an accelerated transition to nearly fully zero emission (electric) and annual investment exceeding €2m in social return on investment.

Lessons learnt - CHILE



Lessons learnt from developing countries showed that national priorities prevailed in applying SPP, tackling one or more of the its three dimensions:

Chile:

- Chile Compra developed procurement processes to favor persons with disabilities, unemployed youth and indigenous peoples.
- The online procurement platform “**Mercados Públicos**”, contributed to gender equality and addressed the structural disadvantages faced by women in the labour market.
- In 2014, 7,000 micro and small suppliers launched their businesses through the platform.
- 57% of values traded by local governments came from micro and small enterprises, the majority of which are women, marginalized and disabled

<http://www.financia.gov.lb/en-us/Finance/DC/Pages/default.aspx>

SPP Implementation Challenges

Source: H. Carsten. SPP and the 2030 Agenda, August 2020



Legislative & Policy Framework

- Insufficient legislative and policy framework to guide SPP implementation and prioritizations.
- Inconsistent SPP definitions and application of government policies and regulations.
- Lack of embedded SPP goal setting in overarching policies and public communication on SPP targets.
- Lack of SPP monitoring and evaluation system overseeing policy application and outcomes.

Capacities and Tools

- Training gap in designing and implementing SPP-informed tendering procedures.
- Lack of category-specific expertise, tools, and criteria to assess life cycle costs.
- Lack of processes and tools for conducting consistent and effective supplier due diligence.
- Lack of practical tools to guide procurers and suppliers.

Organizational and Buy-in

- Absence of organization-wide awareness on SPP
- Absence of high-level buy-in & support from executive management.
- Reluctance to change & organizational culture barriers.
- Lack of organizational guidelines & performance measurement.
- Limited empowerment & enabling institutional frameworks.
- Lack of financial resourcing of procurement departments for SPP implementation.

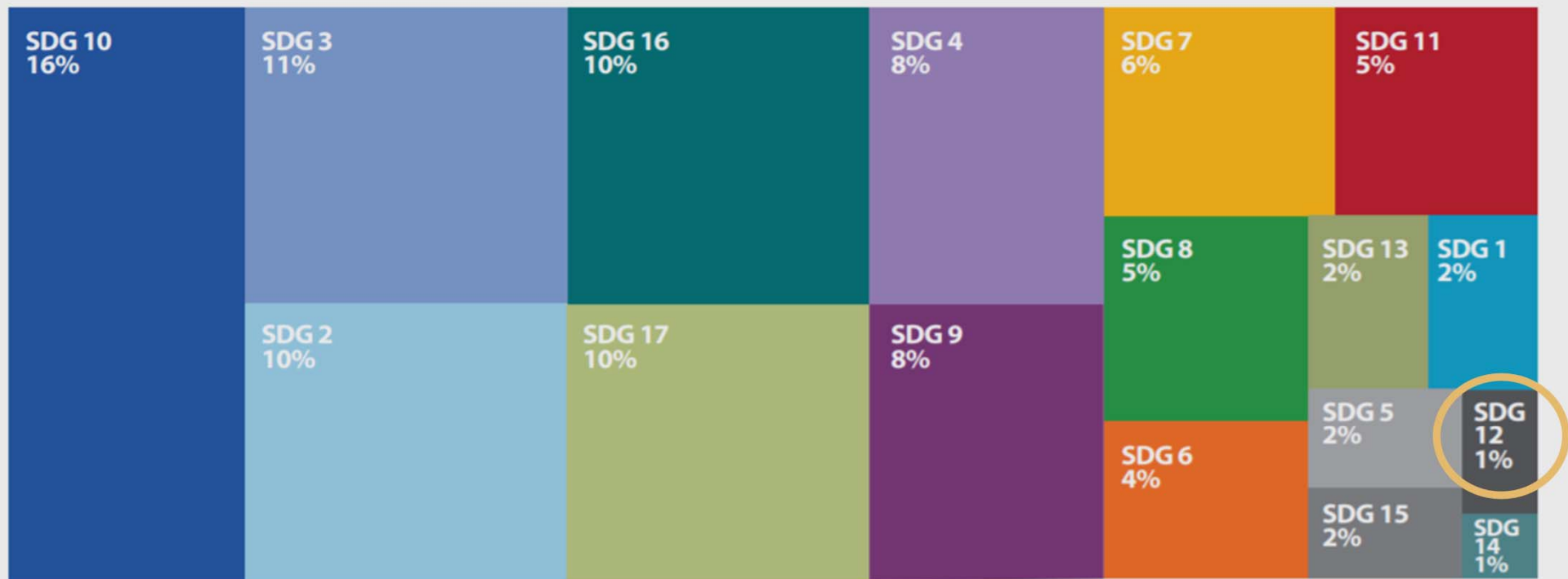
Supply Market Readiness

- Lack of industry & individual supplier awareness of SPP criteria & evaluation processes
- Lack of communication on SPP goals & objectives to market makers.
- Absence of available sustainable goods & services (context and category-specific).
- Lack of market incentives for developing sustainable technologies & innovation, or fiscal/tax incentives.



ODA for SDG 12 is limited to 1%

Gross ODA disbursements by SDGs, 2017
(Percentage of total)

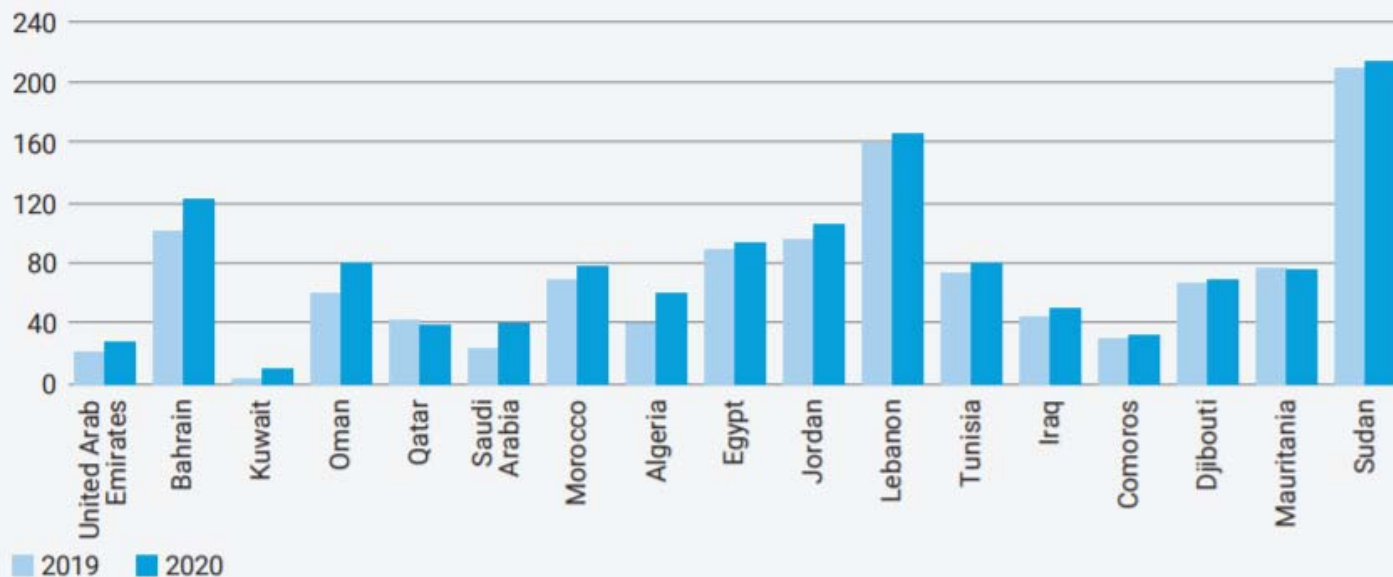


Source: OECD SDG Financing Lab based on OECD/DAC data.



Arab Region: Exacerbated financial pressures and debt risks

FIGURE 4: GROSS DEBT TO GDP RATIO (percentage) IS EXPECTED TO INCREASE FOR MOST COUNTRIES IN THE REGION IN 2020 DUE TO COVID-19



Source: ESCWA, *Survey of Economic and Social Developments in the Arab Region 2019–2020*, Summary, 2020.

- **Loss of nearly \$20 billion in indirect taxes**
- **Increase fiscal deficits** from an average of 2.9% in 2018 to more than 10% of GDP in 2020.
- **Increased borrowing** will increase debt burden
- **High public debt-to-GDP ratio** for most Arab middle-income countries, reaching unsustainable levels



Definition:

UK Sustainable Procurement Task Force (2006):

“a process whereby organizations meet their needs for goods, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage to the environment”



Diagnostics:

“The methodology for assessment of national procurement systems is intended to provide a common tool which developing countries and donors can use to assess the quality and effectiveness of national procurement systems”



Monitoring:

“Effective monitoring of SDG indicator 12.7.1, which monitors country-level implementation of SPP policies and action plans, is critical for benchmarking progress and ensuring continued momentum for SPP implementation

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Thank You



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