

## SUSTAINABLE PUBLIC PROCUREMENT IN ACTION

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*У статті розглянуто поняття «державних закупівель», проаналізовано порядок розробки політики державних закупівель, а також механізм їх здійснення та на прикладі економіки Азербайджану. Розроблено пропозиції щодо підвищення ефективності державних закупівель у Азербайджані.*

**Formulation of the problem in general terms.** Today “through public procurement, governments can “raise the bar” for the respecting of labor and environmental standards by all market operators, thereby improving the “quality of jobs” while facilitating sustainable development.”<sup>1</sup> In this publication, the term “sustainable public procurement” is hereafter understood as “public procurement as a perfect instrument of sustainable development” since the SPP (Sustainable Public Procurement) involves many issues that the sustainable development has to deal with.

In developing public procurement policy, Governments are concerned with creating the best value for money considerations such as price, quality, availability etc. Efficient public procurement policy means that public institutions have achieved purchasing higher quality goods and services at lower prices from the best suppliers. European Union experience proves that up to 10 per cent of public expenditure can be saved by applying open and transparent procedures into public procurement.

The nature of the public purchasing is determined by the needs of the population. To perform its functions the government is using the resources, material goods and non-material services. Purchase of goods, works and services for delivery to the consumer sector in different markets is the basis for determining the essence of public procurement.

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<sup>1</sup> ITC ILO – Master in Public Procurement Management for Sustainable Development – About the Programme  
<http://lamp.itcilo.org/masters/proc/index.php?id=114>

**Statement of the problem.** Organization and management of procurement is aimed at obtaining the right materials at the right moment in time, in the right quantity, right quality, to the right place, from the right supplier, and of course, for the right cost. Public procurement impacts the economy in a significant way by generating demand and consumption. Public procurement, ideally, is an effective and efficient tool of economic management that is to ensure free and fair competition and to achieve the best value for money, cost reduction and leadership. Traditionally, one of the main powers of the government in the economic life of any country is a system of public purchasing, procurement of works, acquisition of goods and services for different public needs. Governments which often are the biggest consumers in the country (public procurement accounts for between 8-30% of the GDP, 13-17% in OECD (Organization for Economic Cooperation and Development) countries, 16% in the EU, 14% in the UK (United Kingdom), 10% in Switzerland, 20% in Japan), by activating its levers of state regulation, can steer the market in a particular direction. Likewise, if bound by the good practices to apply, the government can have a positive impact on private purchases. In addition, the governments can harness its purchasing power to advance conceptions of sustainable development into public procurement. Therefore it is regarded as an instrument of economic regulation.

Sustainable procurement is not just a new fashion. Sustainable procurement is a key indicator of government's commitment to sustainable development. SPP is a policy tool that fosters competition, global integration and good governance. This way taxpayers' money is not spent by procuring entities having in mind not only how to follow "six rights"<sup>2</sup> but at the same time how to pursue other objectives which are worth to be considered in both protecting the environment and respecting the fundamental social rights. The lowest price alone is not a sole and a final indicator for the procuring entities to gain economy, efficiency and effectiveness. Sustainability here is an important ingredient of effectiveness. As such, the best value for money can be attained by promoting social and environmental objectives.

Public procurement is called sustainable if it integrates criteria and specifications that consider the environmental and social considerations, namely that seek efficient and optimal use of the limited resources. Actually, gaining the best value for money at the end of the day is still the major concern.

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<sup>2</sup> *of the right material in the right quantity, of the right quality, at the right time, at the right price, from the right supplier, to the right place.*

Environmental considerations are about the environment, climate, ecology, sustainability, i.e. the green procurement, which opts for the preservation of natural resources (air, water, soil, energy), respecting the carrying capacity of ecosystems, biodiversity, reducing the pollution and the ecological footprint, in other words, thinking about the impacts on the environment that the product or service has during its life-cycle. Specifically, the most common environmental considerations are: reduction of greenhouse gas emissions and air pollutants; use of renewable resources; improved energy and water efficiency; reduced waste, including toxic and hazardous substances, and support for reuse and recycling. Social considerations are about the ethical/social aspects, in other words, thinking about the challenges linked to the effects of the public procurement on issues such as inequality in the international distribution of the resources, poverty eradication, life conditions, labor conditions, human rights (gender and ethnic equity), ageing population in the developed world, mobility problems due to urbanization and fair trade.

**The main material of the research.** The initiative on sustainability reform can have effective outcomes if proper vision and mission are formulated within a relevant Action Plan in view of renovating the existing procurement laws and by-laws and setting forth the policy based on the general principles of SPP. The process of formulating the Action Plan shall be based on the findings from the current status analysis in the field of sustainability (or from the surveys of performance in public procurement), examination of the legislation in force, market readiness analysis stakeholder analysis, problems analysis, objectives analysis, alternatives analysis and the selection of the final plan of actions. In particular, the priority sectors of SPP and the product groups shall be identified and the enforcement thereupon shall be in place by the government ensuring that all public agencies follow the sustainability criteria to be developed for the priority groups. The Action Plan shall start with the statement of government's decision explaining that the SPP is the only way of achieving the efficient, transparent, fair and effective public procurement. Furthermore, the Action Plan shall trigger the analysis of strengths, weaknesses, opportunities and risks for the implementation of the sustainable public procurement throughout the procurement cycle from the tender notice to the notice of award and the contract management.

The Action Plan on SPP can be developed in 5 stages: identifying the needs, drawing up the technical specifications, choosing the suppliers, awarding the contract, and managing the contract.

The needs identification stage is the most important point where the sustainability issues shall be considered. The obligations of the procuring authorities shall be defined as to substantiate the decision on the need to prefer more environmentally friendly product or service to the existing products or services.

Once the decision is taken on what product or service needs to be purchased, this shall be transferred into the technical specifications.

The technical specifications which encompass the sustainability considerations shall include the environmental performance criteria, designed-for-all requirements (including the handicapped people), safety or dimensions, design and cost methods, quality assurance procedures, testing and test methods, and inspection and commissioning requirements, which are altogether form the part of employers' requirements.

The technical specifications shall bear on the following:

- equal treatment of all tenderers, so that no competitive advantages for certain tenderers or barriers to international trade arise;
- the best interest of the procuring authority is ensured;
- generic and competition-driven technical specifications, and no brand name is indicated;
- the use of sustainably sourced materials specified;
- water consumption minimized;
- transport impacts decreased;
- pollution reduced;
- use of renewable energy;
- use of recycled materials and materials which can easily be recycled or reused or recycled at the end of their life;
- other relevant features which may be identified by the procuring authority as appropriate.

The suppliers shall be chosen in respect of fair treatment principle. The same criteria shall be applied to all potential suppliers. Suppliers may be rejected if they have been found guilty of a criminal offence, concerning their professional conduct, or they have been found guilty of a grave professional misconduct. Environmental issues will be considered in both of the cases.

As far as the large contracts are concerned, the potential suppliers shall be requested to fill in a pre-qualification questionnaire to demonstrate that they can take a serious commitment to standards in the field of environment. The suppliers shall be required to share with the procuring authority the information related to their environmental technical competence in order to conclude on

their historical experience in the implementation of similar contracts and failure thereof, for example in the construction of submarine waste water outfalls. Again, it is important that the suppliers are treated fairly and the evidence asked for in the questionnaire is directly related to the subject matter of the contract.

The contract establishes the framework within which the relationship between the employer/procuring authority and the contractor/supplier is administered. The conditions of the contract are used for setting environmental and/or sustainability targets and measuring the contractor's performance against the technical specifications and, per se, the contract. In order to ensure sustainability, the employer and the contractor have to work together on continuous improvement of performance.

The Action Plan shall also stand for leadership, comprehensive spending review, planning of procurement activities, accountability, raising the procurement standards, market engagement and innovation, monitoring and reporting, remedies, measurement tools and techniques, and the capacity building.

**Conclusions.** The need for SPP in the Republic of Azerbaijan – It comes from the widespread and continuously growing demand of including sustainability criteria in the procurement cycle and technical specifications. Moreover, the introduction of SPP Action Plan has a number of positive implications for Azerbaijan. The Action Plan can push the government's priorities toward the diversification of the economy, transfer of innovation and technologies. The policy concentrated on SPP can give an impetus to green production and use of environmentally friendly technologies. The repercussions of the SPP for the Government of Azerbaijan will include economic and social benefits. The Government thus will create for itself the additional instruments to achieve numerous targets expressed in terms of saving resources when the life cycle cost of products are considered; raising the awareness of environmental issues; energy efficiency; helping establish high environmental performance standards for goods and services; providing incentives to the supply of innovative products; and improving the quality of life.

A challenge for the government is to attain the SPP by enforcing the mandatory quantitative and qualitative shift in the current practice of public procurement. The targets should be set for short and long terms while the Action Plan should be developed for 3 years with the breakdown of activities on an annual basis.

The objectives and priorities of the sustainable public procurement in Azerbaijan shall take into account the local conditions, but also be stringent to

accomplish the expectations. The integration of economic objectives with environmental and social considerations is the only manner in which the SPP can be achieved.

A variety of studies, books and experiences of the EU Member States on sustainable public procurement demonstrate there are many different tools, activities and policies which play an important role in carrying out and implementing green and social public procurement. As the international experience implies, it is not sufficient to have an adequate legislation on SPP in place in order to guarantee the implementation of SPP. Both commitment and support to the production and supply of green products are necessary for the realization of SPP strategies and action plans. However the importance of commitment reflected on specific papers at the level of central government or higher level relating to green public procurement (GPP) cannot be exaggerated in promoting and driving the GPP activities. It shall be emphasized that the influence of procurement structures has a key role in determining both the character of the approach to take and the success of such approaches. It shall also be stressed that implementing the GPP is possible irrespective of whatever the current system is.

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*Abstract*

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**Sustainable public procurement in action**

Over the past half century functions of states / governments increased substantially, in particular in the industrialized countries. Hence sustainable development has become a key milestone against the global challenges which requires: implementation of comprehensive measures to boost the national wealth; promoting life and health conditions; diminishing unequal distribution of income; and eradicating extreme poverty and hunger.