



Sustainable Public Procurement for crisis recovery, alleviation of inequality and just transition

Policy Brief

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1 Introduction

In many developing countries government procurement spending is significantly higher than the average of 15% in global gross domestic product (GDP). In Kenya, for instance, according to the World Bank Country Profile of 2020, public procurement expenditure accounts for approximately 26% of the GDP (The World Bank). A strategic “update” of public procurement systems can be a powerful “tool for socioeconomic change” and thus, “a fundamental component of green, resilient, and inclusive development (GRID)” (World Bank 2021) in partner countries of German development cooperation. Furthermore, procurement is a cross-cutting governance topic which can exert catalytic impacts in regard to both different policy areas and different levels of government (World Bank 2021).

A substantial part of the economy can be influenced by what ministries, subnational public entities or public institutions such as schools and hospitals purchase. The range of works, goods and services is also large, ranging from investments in infrastructure projects such as streets, to the procurement of military devices to every-day products such as office supplies, vehicles and catering.

As with most technical terms, there are a number of different definitions of sustainable public procurement (SPP), with nuances of meaning. The following definition of the United Nation’s Environment Programme (UNEP) is one of the most recent and comprehensive ones: “[SPP is a] process whereby public sector organisations meet their needs for goods [and] services, [...] 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 organisation, but also to society and the economy, whilst minimizing, and if possible, avoiding, damage to the environment” (UNEP, 2021, p. 15).

SPP is probably one of the most powerful – though still largely unused – levers for a market transformation towards sustainability, both in developed and low- and middle-income countries (LMICs). SPP contributes to cleaner air when low-emission vehicles are purchased, reduces waste when circular economy principles are incorporated, can save money by introducing life-cycle costing (LCC)¹ and can improve the lives of workers by incorporating social criteria. The public sector is a major consumer of goods and services and is thus able to foster market-readiness of already available sustainable products at competitive prices as well as the development of new products (being part of innovative procurement approaches). Furthermore, SPP is not about massive extra costs, it is about using money that will be spent anyway to reach fundamental domestic and international sustainability goals, including the Agenda 2030 of the United Nations (UN). On the contrary, recent research from UNEP’s United for Efficiency (U4E) initiative – in line with findings from the European Commission – point to significant cost savings through SPP (UN Environment, 2022). Thus, it is recommended that SPP becomes common practice in all public bodies. To achieve this, relevant departments (finance, sustainability, economic development etc.) must work together in SPP policy formulation and implementation rather than remaining in institutional silos.

In addition to fostering the achievement of long-term international targets such as the

¹ By applying LCC public purchasers take into account the costs of resource use, maintenance and disposal which are not reflected in the mere purchase price.

UN sustainable development goals (SDGs), SPP can also be used to address the current crises. This policy brief provides practical policy recommendations on how SPP can be used to

1. mitigate the economic and social consequences of the COVID-19 pandemic and Russia's war in Ukraine,
2. alleviate wealth and income inequality in the sense of "leave no one behind",
3. ensure a socially just transition of the economy towards more climate neutrality and to
4. support gender equality in partner countries of German development cooperation.

The following section introduces advisory approaches for SPP that were developed in the study² accompanying this policy brief. In a second step, these results are connected with the four crisis areas, followed by key conclusions.

2 Advisory approaches for SPP

The study this policy brief builds upon develops key advisory approaches for GIZ along five areas of activity for SPP cooperation: policies, laws and regulations, institutions, individuals as well as data and monitoring (Müngersdorff & Singer, 2022).

The advisory approaches were developed building on publications from relevant institutions such as OECD, the World Bank and UNEP as well as academic literature and two interviews conducted with technical advisors in GIZ projects in Kenya and Uganda.

Below is an overview of the advisory approaches developed in the accompanying study. The approaches proposed include cooperation activities on

SPP in an early and a consolidating phase. The advisory approaches are not mutually exclusive but offer synergies (please find a detailed overview of the advisory approaches in Annex 1).

For **policies**, including statements, strategies and/or action plans for SPP, an early action initiative is to secure an SPP policy statement from the highest level of government, ideally issued by the relevant minister(s) or even head of state. Subsequently, the development of an SPP Action Plan represents the first consolidating advisory topic. A second topic is to support the development of SPP policies that promote the participation of micro-, small and medium-sized enterprises (MSMEs) as well as women-owned businesses (WOBs) or other disadvantaged groups in public procurement.

For **laws and regulation**, the early action consists of assessing the current regulatory framework to kick-start SPP action. At a later stage, advise on a new or revised regulatory framework in procurement and related fields is a further cooperation topic for SPP.

With regard to **institutions**, initiating SPP pilot procurements is a key measure to secure support and to show that it is worth taking the effort. To consolidate SPP structures in cooperation countries, GIZ can advise on implementing (parts of) an e-procurement system. Beyond, the set-up of an initial structure for internal and external SPP governance, followed by initiating a strategic procurement management structure for SPP development and implementation represent two advisory topics that should proceed in sequence.

For **individuals**, including the role and capacities of key stakeholders from politics and administration, an early action

² GIZ (2023). Sustainable Public Procurement - General Advisory Approaches for GIZ projects.

is to secure commitment and support from political and administrative decision-makers. Another key action is to provide capacity-building for procurement practitioners. This advisory activity should be followed by structured and long-term capacity-building for procurement practitioners in the consolidating phase. In parallel, capacity-building for suppliers and market exchange for green transition should be offered in the cooperation countries.

The final area, **data and monitoring**, is somewhat overarching in nature. The early action here is to conduct a status assessment on procurement organisation, regulation, policies and stakeholders. At a more mature stage, a system of continuous monitoring, evaluation and improvement of the national SPP environment can be developed.

3 Sustainable Public Procurement – Powerful lever to address current crises

SPP can be used as a strategic tool to reach a variety of goals. This also goes for the current priorities of the BMZ. These are: addressing the structural causes of hunger, poverty and inequality, providing socially just responses to the global challenge of climate change within the framework of a just transition, preventing future pandemics and being better prepared with functioning health systems, and implementing a feminist development policy to eliminate structural inequalities and discrimination (BMZ, 2022).

In this policy brief, the four current crisis dimensions related to the priority areas of the BMZ are addressed as follows:

1. Mitigate the economic and social consequences of the COVID-19 pandemic and Russia's war in Ukraine

2. Alleviate wealth and income inequality in the sense of "leave no one behind"
3. Ensure a socially just transition of the economy towards more climate neutrality
4. Support gender equality in partner countries of German development cooperation

Mitigate the economic & social consequences of the COVID-19 pandemic and Russia's war in Ukraine

The COVID-19 pandemic and Russia's war in Ukraine drastically revealed the fragility of global supply chains and the low resilience of national economies. Better knowledge of supply chains is therefore an important component to increase resilience. Relying on single countries and/or producers as the main (or only) supplier for a specific raw material or component can lead to large-scale supply disruptions. Many businesses have scant knowledge of the complex relationships of their suppliers' suppliers, much less deeper into the supply chain. SPP can have an effect here by requiring transparency. Having a deeper understanding of supply chains can lead to more resilience through diversification and planning. Concretely, partner countries can be supported to generate data for monitoring the supplier base and its degree of diversification by introducing or refining e-procurement systems.

Through working with civil society, robust supply chain management can be included in the procurement process in the form of standards, bidder concepts detailing individual risk management approaches. Other options including splitting contracts into lots can also allow for more bidders to participate, thus diversifying the pool of suppliers. Public entities may also increase the share of local providers and/or purchase from a greater variety of countries. Joint procurement of several buyers can lead to

a higher volume, which in turn opens possibilities of more negotiation power. Experience also shows that joint procurement or other forms of cooperation can lead to more effectiveness, for example by engaging with suppliers directly (Paulović, 2021).

In a more direct way than the effects on supply chains, SPP can also have a positive impact on ensuring that health systems are more resilient and that some of the negative effects of pandemics are less strong. Strategic planning and procurement can contribute to stable availability of protective equipment and medicine. Concretely, this could mean diversifying suppliers or finding larger suppliers that are less volatile, purchasing locally or keeping more stock (Paulović, 2021).

In the longer run, the fight against corruption also massively benefits health systems, by leaving more resources to their dedicated purpose and safeguarding against counterfeits. Some measures that were taken as a reaction to the COVID-19 pandemic, for example changing financial thresholds, reducing complexity of procurement processes or demanding less stringent verification are therefore not to be recommended as they make for a less transparent process (Paulović, 2021).

Alleviate wealth and income inequality in the sense of "leave no one behind"

SPP can play a strategic role with regards to alleviating wealth and income inequality in the long term because it supports partner countries in becoming resilient, sustainable and climate-friendly (BMZ, 2022).

The key approach here is to support workers' rights in the supply chain, thus improving conditions in a variety of sectors globally. This includes having the regulatory possibility to include social

criteria in procurement contracts that address production methods, as well as availability of data through monitoring.

To further address wealth and income inequalities within a country, allowing an inclusive access to the procurement process to small and medium sized businesses, women owned businesses and other disadvantaged groups can distribute government spending throughout society.

Case Study Kenya

In Kenya, public procurement is being used to economically empower women, youth and individuals with disabilities. Affirmative action is part of the constitution to champion disadvantaged individuals. Purchasing entities are required to spend a third of their budget on these businesses. (Ali, 2020)

Ensure a socially just transition of the economy towards more climate neutrality

Just transition means that the phasing out of nuclear energy and fossil fuels is done in a socially just way and includes, for example, securing the incomes and economic prospects of people in this transition (BMZ, 2022), SPP can play a contributing role. SPP can help to develop new technologies by encouraging innovation and shifting markets. Shifting markets occurs, for example, when governments buy innovative, green or socially advantageous alternatives, thus ensuring they are economically viable and available to other private and business consumers. The power to shift markets is particularly large in some sectors where governments have a large market share as buyers, such as infrastructure construction, public transport or military textiles.

Beyond shifting the market, SPP can contribute to a just transition by including clauses for re-training of workers and

supporting their participation in changing business models, for example from fossil fuels to renewables. In order to achieve this, a holistic view of sustainability is required, by integrating social factors when addressing energy and technology challenges.

Partner countries can be supported through programmes establishing procurement of innovation, which “includes

- the development of innovative solutions through the procurement of research and development services
- the procurement of innovative solutions that are not yet available or do not exist on the market
- the procurement of innovative solutions that do exist, but are not yet widely available on the market” (European Commission)

Furthermore, they can structure their procurement of green technologies in a way that it includes hiring disadvantaged workers or training those familiar with “old” technologies, for example as part of the contract performance.

In more mature markets this can include capacity-building for suppliers and market exchange for green transition.

Support gender equality in partner countries of the German development cooperation

Giving advantage to WOBs through procurement is a specific way of working with economically disadvantaged groups. This can be an important contribution to gender equality as WOBs face a number of obstacles and are largely underrepresented in public and private purchasing (UNEP, 2021).

For feminist development policy, the wider scope of Gender Responsive Public

Procurement (GRPP) can be used, going beyond supporting WOBs. GRPP “means that buyers and suppliers look at the impact of all of the contracted activities related to women’s and men’s interests and concerns and design and deliver contracts in a way that reduces gender inequalities. GRPP may target inequalities in the workforce through the delivery of a contract (whether local or remote), in the way a contract is performed and/or via the impact it has on users or recipients of the [works or services] purchased” (Caimi, Helfferich, Mans, Semple, & Singer, 2022, S. 11).

Therefore, equality can be fostered, by taking gender differences into account

- during the needs assessment,
- by purchasing products and services and
- in some cases, with gender-sensitive contract performance clauses.

As with all strategic goals, it is key to integrate gender-focused policy and programmes with procurement and vice versa to create synergies rather than obstacles. Therefore, groups working on women’s rights or the government’s gender equality office are relevant actors when gender is a focus area for the strategic use of public procurement. Having an inter-ministerial working group is key here, as those officials responsible for gender equality and responsible for public procurement often do not have a daily working relationship.

The policy and general approach should be intersectional, taking into account other factors such as race, class, etc. Otherwise, there is a risk of only benefitting those women who are already in an economically better position (Open Contracting Partnership, UN Women, 2021).

Beyond purchasing from WOBs and fostering wider GRPP, anti-corruption work can also disproportionately advantage

women, as they are more negatively affected by corruption (Williams-Elegbe, 2021). Finally, focusing on the gendered impacts of labour and other rights in the supply chain could also support gender equality.

Case Study in Buenos Aires, Argentina

In Buenos Aires, lawmakers wanted to increase economic autonomy for women through their improved incorporation into the public market for the purchase of goods and services. The approach was to develop the seal [Sello Empresa Mujer](#) defining a standard for WOBs. The seal was developed in line with the city's gender equality strategy, which also includes guidance on positive weighting of businesses that have a gender policy in place. (Hintz, 2020)

4 Conclusion

The potential of SPP as a strategic tool to achieve policy goals is far from being used effectively in German development cooperation. To successfully address the current crises, a combination of different advisory approaches can be useful. Most of the developed advisory approaches, both for early action and during consolidation, contribute to higher resilience and to reaching strategic goals via SPP.

The advisory activities presented in this policy brief must always be interpreted in and adapted to the country context, particularly with regard to specific content, sequencing and potential partners to cooperate with. Regarding the selection of potential partner countries, we would further like to share the following assessment of the OECD:

“There is ample evidence that a certain level of development favours the implementation of SPP. As of today, SPP is mainly implemented in high-income countries and in a number of developing countries that perform rather well in terms of broader development indicators. A country embarking on SPP should not be in a state of emergency where basic needs should be satisfied first. The existence of an economy that encourages free market competition and is supportive of investments and innovation is an advantage.” (MAPS, 2021).

This does not exclude that some of the advisory activities listed above could not also be applied in a country with a low development status. For instance, a country with high corruption rates could still benefit from a project focusing on contract management, i.e. investigating whether contractual conditions have been fulfilled or not. However, a long-term and multidimensional project structure to promote SPP – which is necessary to unfold the full potential of public

procurement systems to foster strategic policy goals – should only be implemented together with partner countries that perform comparably well in terms of broader development indicators.

Appendix

Table 1: Overview on advisory topics and activities for GIZ for SPP implementation in partner countries

ACTIVITY DIMENSIONS FOR SPP COOPERATION	TIMING OF SPP COOPERATION	
	Early Action Initiatives	Consolidating Initiatives
Policies	<p>Advisory topic: Securing an SPP Policy Statement from highest level of government</p> <ul style="list-style-type: none"> → Support the responsible actor(s) to secure political backing for SPP in general and for preparing an SPP Policy Statement in particular → Support formation of a consultative group of stakeholders, ideally as a formal steering committee → Validation workshop before finalising SPP Policy Statement → Content-support in drafting the SPP Policy Statement 	<p>Advisory topic: Development of an SPP action plan</p> <ul style="list-style-type: none"> → Support SPP unit in developing a strategy for multi-stakeholder communication and consultation → Content-support in the drafting process of the SPP action plan <p>Advisory topic: Development of SPP policies that promote the participation of MSMEs and WOBs in public procurement</p> <ul style="list-style-type: none"> → Consult on and support information and capacity-building initiatives, both for public procurers and/or representatives from MSMEs and WOBs → Advise NFO on the inclusion of gender- and MSME-responsive measures in the SPP action plan and the procurement strategy <p>Advisory topic: Procurement strategy to secure sustainable and strategic procurement</p> <ul style="list-style-type: none"> → Content-support in drafting procurement strategy → Support exchange and capacity-building to foster development and implementation of the procurement strategy
Laws and Regulations	<p>Advisory topic: Assessment of current regulatory framework in procurement and related fields to kick-start SPP action</p> <ul style="list-style-type: none"> → Support assessment of how far the core public procurement legislation is already conducive to SPP → Explore and develop opportunities for SPP based on the regulatory framework in related fields 	<p>Advisory topic: New or revised regulatory framework in procurement and related fields</p> <ul style="list-style-type: none"> → Joint review or development of core regulations with the ministries, parliaments and/or authorities in charge → Conducting a review on SPP-related legal frameworks from other countries as a reference → Peer-to-peer workshops with stakeholders from politics or administration from other countries which are further advanced in SPP but share a similar SPP approach and legal system
Institutions	<p>Advisory topic: Initiate SPP pilot procurements</p> <ul style="list-style-type: none"> → Support organisation of exchange and learning events → Advise on the set-up of pilot procurements 	<p>Advisory topic: Implementing (parts of) an e-procurement system</p> <ul style="list-style-type: none"> → Support capacity-building and/or information workshops for decision-makers and/or procurement practitioners → Contribute to the development of a new e-procurement system or the SPP-related update of an existing system

ACTIVITY DIMENSIONS FOR SPP COOPERATION	TIMING OF SPP COOPERATION	
	Early Action Initiatives	Consolidating Initiatives
		<p>Advisory topic: Set-up of an initial structure for internal and external SPP governance</p> <ul style="list-style-type: none"> ➔ <i>Provide external expertise, i.e., technical experts, temporarily promoting and supporting initial SPP implementation</i> ➔ <i>Advise on key components of an organisational reform that stipulates SPP implementation</i> ➔ <i>Support internal and external communication and partnerships</i> <p>Advisory topic: Set-up strategic procurement management structure for SPP development and implementation</p> <ul style="list-style-type: none"> ➔ <i>Support expert evaluations that analyse how to integrate key components of a strategic procurement management structure for SPP in national procurement organisation</i> ➔ <i>(Co-)organise events (one-time workshops, series of capacity-building, consultative multi-stakeholder processes)</i>
Individuals	<p>Advisory topic: Securing commitment and support from political and administrative decision-makers</p> <ul style="list-style-type: none"> ➔ <i>Advise on the organisation of focused events on SPP-topics for political and administrative decision-makers</i> <p>Advisory topic: Providing capacity-building for procurement practitioners</p> <ul style="list-style-type: none"> ➔ <i>Support and advise on capacity-building programmes for procurement practitioners</i> 	<p>Advisory topic: Securing structured and long-term capacity-building for procurement practitioners</p> <ul style="list-style-type: none"> ➔ <i>Support the development of a comprehensive and long-term oriented Procurement Capacity Building Plan</i> ➔ <i>Support the integration of strategic and sustainable public procurement in the core curricula of national training institutions</i> <p>Advisory topic: Capacity-building for suppliers and market exchange for green transition</p> <ul style="list-style-type: none"> ➔ <i>Support capacity-building trainings and/or exchanges for suppliers</i> ➔ <i>Linking advising activities on SPP to activities in the field of green and/or sustainable market development</i>
Data and monitoring	<p>Advisory topic: Status assessment on procurement organisation, regulation, policies and stakeholders</p> <ul style="list-style-type: none"> ➔ <i>Consult responsible units to identify the assessment's scope regarding content areas, governance levels and the composition of the project group</i> ➔ <i>Set-up of accompanying event and workshop structure</i> ➔ <i>Cooperate with the partner country's NFO in accomplishing the status assessment</i> 	<p>Advisory topic: Development of a system of continuous monitoring, evaluation and improvement of the national SPP environment</p> <ul style="list-style-type: none"> ➔ <i>Support the NFO in collecting data and in publishing the first report by (co-)financing this process and/or by providing direct input and support, e.g., on quantitative and qualitative methods for data gathering</i>

ACTIVITY DIMENSIONS FOR SPP COOPERATION	TIMING OF SPP COOPERATION	
	Early Action Initiatives	Consolidating Initiatives
	<p>Advisory topic: Development of an effective and transparent monitoring system on critical stages of the procurement cycle</p> <p>➔ <i>Monitoring-projects of execution and contract management phases together with local CSOs</i></p>	

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