

# The business case for Green Public Procurement

**Oshani Perera**

**20 September 2011**

Better living for all—sustainably

**Sustainable public procurement enables the public sector to meet its needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis.**

-

## Value for money on a whole life basis

### Environmental and social safeguards across the procurement cycle

- Prequalification
- Specifications
- Projection of costs and revenues
- Financing
- Award criteria
- Monitoring and supervision

### Environmental and social safeguards across the works cycle

- Design
- Mapping
- Environment and social impact assessment
- Material selection, use and waste
- Energy and GHG reduction
- Construction
- Operation (inputs and outputs)
- Maintenance
- Decommissioning

## Why procure green?

The upside of the business case is all about **scale**

- Provide an incentive for companies to invest, innovate and commercialise green infrastructure
- Create green jobs
- Incentive to upgrade education and cross career re-skilling Opportunities for technology transfer
- *Walk the talk* on sustainable development
- Realise cost savings during use
- Reward responsible enterprises

*Public procurement accounts for at least 12% of GDP*

## **The business case for green roads and transport:**

- **Create a market for green roads and transport**
- **Pre commercial public procurement: public sectors takes on risks of innovation**
- **Green transport infrastructure can cost more the build. Governments can use procurement to share costs and risks of start ups/prototypes.**
- **Diversify funding sources: 'green' may help preferential lending by donors and state banks**
- **Deliver on election mandates related to the deployment of efficient public services that incorporate environmental and social value**

## **The rise of Public Private Partnerships (P3s) or Private Finance Initiatives**

- **Crowd in private sector investment for the delivery of public services**
- **Transfer of risks to the private sector: investment, resign, construction, operation**
- **Return of asset to the public sector when contract ends**
- **Off balance sheet funding – an important resource for cash strapped governments**

## The downsides

The procurement process is complex, involve a large number of uncertainties and high transaction costs.

- Forecasting future use and profitability is difficult
- Integrating environmental and social safeguards into the procurement process is challenging (from prequalification to specifications, tender award criteria, contracting, monitoring).
- In the case of PPPs – creation of monopolies
- Getting the future costing and pricing right
- In time on austerity – agreeing on tax payers rebates from suppliers and PPPs

## The downsides

- Legislative, regulatory, supervisory frameworks that mandate *value for money across the whole life cycle* may be weak
- Potential savings may be small and accrue over a very long term
- Related loans are prime products for securitization
- Difficulties to raise capital – few municipalities can issue bonds
- Long negotiation and construction time frames make it difficult to get future costing and pricing right
- Open to corruption and ‘regulatory capture’



iisd

International  
Institute for  
Sustainable  
Development

Institut  
international du  
développement  
durable

Thank you

Oshani Perera

<http://www.iisd.org>