Webinar Green Public Procurement: Interplay of PFM Systems with Climate Change

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Paper presentation

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RESEARCH FOCUS

How can climate change considerations be mainstreamed into the PP process so that government spending can serve as a lever for green growth and ultimately contribute to a reduction in CO2 emissions?

Our focus: identifying enablers for greening PP by looking through the PFM lens.

To this end, three features of the PP function are examined – its form of organization, operation mode and financial conduct.
RESEARCH QUESTIONS

Research question 1:
Can public procurement contribute to the reduction of CO2 emissions?

Research question 2:
Is there an implementation gap between the GPP regulatory framework and GPP practice?

Research question 3:
How can the PFM system contribute to closing the implementation gap and greening PP?
METHODOLOGIES APPLIED

Desk Research
- develop the hypotheses
- select countries for case studies
- develop the questionnaire

Interviews With Relevant Stakeholders In Selected Countries
- validate the hypotheses
- identify good practices in GPP
- derive policy recommendations
CASE STUDY COUNTRIES

- The Netherlands
- Austria
- South Korea

- Forerunners in GPP
- Allow in-depth investigation of our three research questions
- PFM environments / GPP measures offer promising solutions to address the implementation gap
FINDINGS (I)

Governments can create an impact on CO2 emissions through GPP, but the size of the impact is unclear.

In the majority of countries, there is a gap between GPP regulatory framework and actual GPP implementation.

The PFM system can contribute towards closing the implementation gap and greening PP through PFM enablers.
FINDINGS (II)

PFM ENABLERS

Elements & features of the PFM system to address the implementation challenges:

- **Form of organization.**
  Two main structural archetypes of PP - centralized and decentralized systems

- **Operation mode.**
  Automation of the PP function and application of e-procurement

- **Financial conduct.**
  Integration of cost accounting methods such as LCC in the PP process
A certain degree of centralization is necessary to mainstream environmental considerations into the PP function and to institutionalize GPP.

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<th>PFM ENABLERS</th>
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<tr>
<td>Minimum option: buyer groups</td>
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<td>Joint purchases: for homogeneous contracts for similar products and services</td>
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<td>Central purchasing bodies: institutionalized joint procurement</td>
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<td>State-of-the-art e-procurement compensates for organizational form</td>
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E-procurement is seen as an effective enabler for including horizontal policy goals, such as environmental considerations, in the PP function.

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<th>Preparatory stage: screening markets for suitable suppliers</th>
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<td>Tendering and award phase: automation of more administrative stages frees resources</td>
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<td>PP portals: generates competition and lowers the barrier for suppliers wishing to participate</td>
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<td>Generating post-award data: contract management and monitoring tools</td>
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PFM ENABLERS

Life Cycle Costing makes sense for product groups that have follow-up costs, but it is not crucial for greening PP.

| LCC should be mandatory for product, service, or work groups with significant post-acquisition costs |
| Focus on relevant direct life cycle costs and forgo the monetization of external effects |
| Third party ecolabeling: a good alternative |
| Political commitment: willingness to take the higher price premium |
CONCLUSIONS

GPP implementation should be seen as a PFM reform, not as a purely legal matter.

Reforms to the PP system should be addressed through a comprehensive change process.

Complex and fragmented environments can affect the potential for pursuing PFM reforms.

GPP cannot be a singular measure if a government wants to achieve a reduction in its CO2 emissions.
THANK YOU FOR YOUR ATTENTION!

WE LOOK FORWARD TO YOUR COMMENTS