

SUSTAINABLE PROCUREMENT AND PROCUREMENT EFFICIENCY IMPLEMENTATION

Efficiency Programme Guidance

What is Sustainable Procurement?

Sustainable procurement refers to all “policy-through-procurement” issues – where public procurement is seen as a lever to achieve wider policy objectives. These include environmental or “green” issues; the creation of jobs and wealth in regeneration areas; opportunities for Small and Medium Enterprises (SMEs) and Ethnic Minority Businesses (EMBs); fair trade and the inclusion of developing countries; adult basic skills; disability, race and gender equality; innovation; and the promotion of ongoing and contestable supplier markets. These issues are sometimes also known as “exogenous issues”.

Who has overall responsibility for sustainable procurement?

Sustainable procurement is just one aspect of the sustainability agenda. The lead policy department for each area of sustainability is responsible for promoting its objectives by the most effective means possible. For example, the Department for Environment Food and Rural Affairs (Defra) is responsible for promoting green issues, the Department for Education and Skills (DfES) is responsible for promoting adult basic skills, and the Department for Trade and Industry (DTI) is responsible for promoting innovation. Where these lead departments can demonstrate that public procurement is an effective means of achieving some of their sustainability objectives, they can seek guidance and advice from OGC.

How can OGC help departments with sustainable procurement?

Public procurement in the UK must be consistent with EU procurement rules. These rules prevent member states from distorting competition in public procurement and discriminating on a geographic or nationality basis. Public procurers must also adhere to the Government’s Value for Money (VfM) policy. This means that decisions in public procurement must be based on an assessment of whole life cost and quality (or fitness for purpose), rather than lowest price alone.

OGC’s role is to advise departments and other bodies how, or if, they can pursue sustainable procurement in line with Government VfM policy and EU rules. Examples of where OGC has had a major role in the production of advice and guidance to support lead policy departments include: the sustainable food initiative and energy saving products (with Defra); adult basic skills (DfES), race equality (Home Office/ DWP/Commission for Racial Equality); fair trade (Department for International Development); and various strands of work to help SMEs, EMBs and the voluntary and community sector.

In addition, OGC has a delivery role with regard SMEs, EMBs and Voluntary and Community Organisations (VCOs). One of our core priorities is to make the Government marketplace more attractive to SMEs and other suppliers by reducing barriers to entry and driving excessive bureaucracy from the procurement process. For more information on the work OGC has been doing with Small and Medium Enterprises please see the [Government Market](#) section of the OGC website.

OGC does not, however, have the remit or the expertise to decide what should be procured to achieve wider policy objectives. While we will always work with other departments where we can, our remit is to provide an advisory function only.

How much scope is there to pursue sustainable procurement under UK policy and EU procurement rules?

There is scope to take account of sustainability issues in line with UK policy and EU rules under a strict set of circumstances. It is crucial that the Government's VfM policy, set out in Chapter 22 of Government Accounting, is adhered to.

In addition, under EU law, the requirement must be:

- relevant to the subject matter of the contract
- non-discriminatory and transparent
- consistent with what the directives say about the criteria allowed at each stage of the process (this means that sustainable procurement objectives should be taken into account as early as possible in the procurement process i.e. in the business case); and
- tested critically for cost effectiveness, efficiency and affordability in using public expenditure

It also needs to be clear that public procurement is the right solution, compared with other courses of action. In some circumstances, for example, grants, training programmes or legislation might be a more appropriate way of taking the issue forward. This is particularly important because in some instances, the pursuit of sustainable procurement can work against the interests of SMEs and VCOs, by adding an additional burden of bureaucracy to the public procurement process.

Finally, sustainable procurement must square with the efficiency agenda, which means that issues of cost and affordability must be addressed.

For more detailed information on how sustainability can be taken into account in public sector purchasing please see the [Procurement Policy and EU rules](#) page of the OGC website.

Does the efficiency agenda mean that sustainable procurement will now be forgotten?

The efficiency agenda will not sacrifice longer-term benefits in a drive for cost cutting. Sir Peter Gershon's efficiency review contained various references to SMEs, innovation, competitive markets and whole-life costing, because efficiency does not equate to lowest-price. Like all things in UK public procurement, the efficiency agenda must be, and is, fully compliant with VfM policy and EU law. This means that public procurement decisions will continue to reflect whole life costs and quality (or fitness for purpose) as efficiency is implemented, rather than focussing on lowest initial price. Innovation, competition and opportunities for SMEs are all vital to ensure that the public sector's supply markets remain contestable in the long term, and to ensure that the efficiency gains we are working to achieve can be sustained in the future.

In some instances, particularly in the case of environmental issues, sustainable procurement can also bring down whole life costs and improve quality through recyclability or a reduction in disposal costs. These are legitimate VfM considerations in setting specifications and in making contract award decisions under EU rules. In addition, sustainable procurement can provide longer-term gains in the form of job creation or encouraging ideas with growth potential. These wider benefits should be considered at the business case and specification stages.

If procurement is done properly, that is, basing decisions on whole life costs and quality, and if sustainability issues are relevant to the subject of the contract and built in at the most appropriate stage (normally early on in the business case), sustainable procurement should be compatible with the efficiency agenda. OGC remains committed to working with lead departments to provide advice and guidance on sustainability in public procurement, and will continue to take forward this work in line with efficiency implementation.

February 2005