

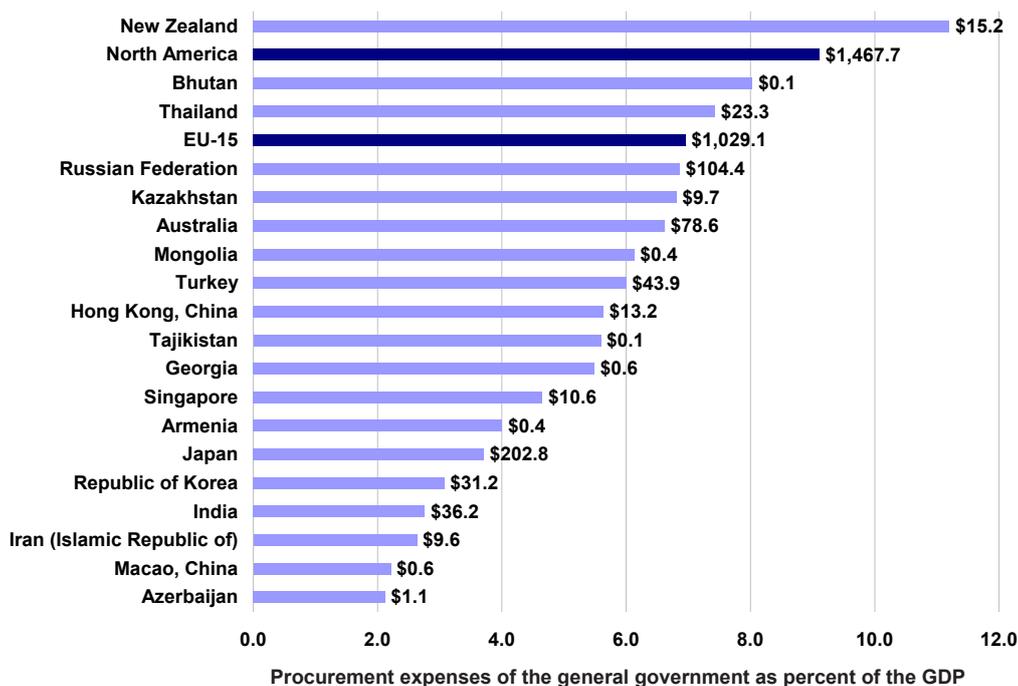
Governments can use sustainable public procurement to foster inclusive and sustainable development in Asia and the Pacific

Every year governments spend significant amounts of money in the goods and services needed to run their activities. The general governments of selected Asia-Pacific countries shown in Figure 1 spent 582 billions in procurement in 2010. These expenses, which represented 5.6 percent of the GDP and 18.6 percent of total government expenses for the median country, could promote the creation of greener jobs and improve labour conditions through the adoption of sustainable public procurement practices.

As emphasized in the *Economic and Social Survey of Asia and the Pacific 2013*, government procurement expenses, because of their quantitative importance, have the potential to leverage the private sector to reduce adverse environmental impacts of production activities and to improve labour conditions in Asia and the Pacific. For that purpose, central and local governments throughout Asia and the Pacific region could consider adopting sustainable public procurement (SPP) practices.

Sustainable procurement looks beyond the up-front cost to make purchasing decisions based on the entire life cycle of the goods and services, taking into account environmental and social risks and benefits and broader social and environmental implications.¹ Examples of environmental and social impacts of procurement decisions include inputs of natural resources, energy and water, and labour conditions in the production, use and disposal of goods or in the delivery of services.

Figure 1. Procurement expenses of the general government, 2010 (As percent of the GDP and in billions of US dollars)



Sources: ESCAP based on data from International Monetary Fund, Government Financial Statistics and International Financial Statistics; and World Bank, World Development Indicators

Notes: Data for the year 2010 except for Bhutan (2009), India (2008), Islamic Republic of Iran (2009), and Tajikistan (2004). North America comprises Canada and the United States. Procurement expenses indicated at the right of each bar in the graph are in billions of US dollars.

Reducing adverse environmental impacts and/or maximising favourable social impacts in the production of goods and services may require suppliers of goods and services to modify the ways in which they produce and deliver goods and services – which would require investments in R&D and/or higher costs of production and delivery. In a market economy, no supplier of goods and services would have the incentive to be the first to undertake such innovations, as they would result in higher prices and losses in sales. In this context, the economic role of SPP is to create markets for private companies, making it profitable for them to develop new technological capabilities and solutions.² This way, the government would absorb the initial learning costs of making the production of goods and services more sustainable.

SPP could be an effective policy tool for social and environmental policy. As noted by Fuguo et al. (2010) for the case of China, suppliers have enormous incentives to comply with procurement contractual provisions because of the “immense government’s buying power and the risk of exclusion from the government procurement market ... in case of noncompliance”. The effectiveness of SPP as a policy tool for sustainable development can be further strengthened if suppliers who fail in their bidding for the contract have access to a grievance redress mechanism in case that public entities or the successful bidders fail to comply with the social and environmental requirements of the contract.³

The role of SPP as a policy tool to support inclusive and sustainable development is similar to the role of the industrial policies of the past in support of economic development. Although the goal of SPP is broader, covering the environmental and social pillars in addition to the economic pillar, both policy tools aim at enhancing the productive capacities of domestic producers. As such, both tools favour domestic vis-à-vis foreign producers, which would contravene the WTO’s Government Procurement Agreement (GPA). However, as noted by Kattel and Lamber (2010), the general WTO framework includes flexibilities that provide developing countries with enough policy space to utilize public procurement tools to foster development.⁴

Although SPP is still a novel policy tool in the Asia-Pacific region, some countries in the region have already gathered valuable experience which they could share with other countries. A case in point is China’s Sustainable Public Procurement in Urban Administrations project (SuPP-Urb). This project consisted in implementing SPP practices in Municipal Public Procurement Centres of three target cities, Tianjing, Qinhuangdao and Lanzhou,

between December of 2008 and December 2011. A key goal of the SuPP-Urb project’s was to provide policy recommendations for the improvement of the legal and regulatory framework for the implementation of SPP policies at the national level in China.⁵ The SuPP-Urb project showed that it is possible to achieve very good and tangible results at the local level in a very short time through the active engagement of local stakeholders. By changing their purchasing procedures, the target cities successfully strengthened local markets for sustainable products and services, promoted local innovation, and effectively reduced CO₂ emissions by more than 105,000 tonnes.⁶

Regional cooperation for sharing useful experiences such as that acquired by China through the SuPP-Urb project could help build capacities for the formulation and implementation of SPP policies in other countries. ESCAP has been providing capacity development support to countries in the region for the development and implementation of sustainable consumption and production (SCP) policies and can play a productive role for furthering regional cooperation in sustainable public procurement. Among other activities, ESCAP has partnered with UNEP to establish a Regional Helpdesk on SCP and to support countries through the SWITCH-ASIA programme.⁷ ESCAP and partners organized a series of regional policy dialogues, developed training modules and provided regional and national training support. More information is available in the following websites: www.greengrowth.org and www.greengrowth-elearning.org/lms.

¹ Australian Government, Sustainable procurement guide, 2013. Available from www.environment.gov.au/wastepolicy/publications/pubs/sustainable-procurement-guide.pdf (accessed 26 September 2013).

² Edler, J. and L. Georghiou (2007). Public procurement and innovation: Resurrecting the demand side. *Research Policy*, 36, pp. 949-963.

³ C. Fuguo, Y. Yuying and Z. Fen (2010). Towards sustainable public procurement in China: Policy and regulatory framework, current developments and the case for a consolidated green procurement code. Paper presented at the 4th International Public Procurement Conference, Seoul, Republic of Korea.

⁴ R. Kattel and V. Lamber (2010). Public procurement as an industrial policy tool: An option for developing countries? *Journal of Public Procurement*, 10, pp. 368-404.

⁵ E. Schwerin (2012). China and a sustainable future: Growth and sustainable public procurement policies and strategies. Paper presented at the 5th International Public Procurement Conference, Seattle, United States.

⁶ Wuppertal Institut (2011). Sustainable public procurement in urban China: How the government can drive sustainable consumption and production. Available from http://wupperinst.org/uploads/tx_wupperinst/SUPP-Urb-Booklet.pdf.

⁷ See www.switch-asia.eu.

The MPDD Policy Briefs aims at generating a forward-looking discussion among policymakers, researchers and other stakeholders to help forge political will and build a regional consensus on the needed policy actions and pressing reforms. Policy Briefs are issued without formal editing. This issue has been prepared by Mr. Alberto E. Isgut of the Macroeconomic Policy and Development Division, ESCAP. It is based on the *Economic and Social Survey of Asia and the Pacific 2013: Forward-Looking Macroeconomic Policies for Inclusive and Sustainable Development*. For further information on the policy brief, please contact Mr. Anis Chowdhury, Director, Macroeconomic Policy and Development Division, ESCAP (escap-mpdd@un.org)