

Green economy in the Alpine region



Practical guide

Public sustainable procurement



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WHY? What does sustainable procurement have to do with green business in the Alps?

At international level, various programmes set the framework for a green economy. With its seventeen “Sustainable Development Goals”¹ (SDGs) adopted in 2015 by the United Nations General Assembly in Agenda 2030, the global community has set itself goals for social, economic and ecological development. The European Green Deal, presented by the European Commission in 2019, ties in with the global Sustainable Development Goals in terms of content. It aims to make the transition to a modern, resource-efficient, and competitive economy with no net greenhouse gas emissions by 2050 and with growth decoupled from resource use.² Looking specifically at the Alps, the “Convention on the “Protection of the Alps” which came into force in 1995 commits Alpine states³ to protecting natural ecosystems and sustainably developing the economic and cultural interests of the resident population. The Alpine Convention thus by far pre-dates the global sustainability goals.

Sustainable procurement, i.e. the consideration of social, environmental, and economic aspects in public procurement, is an important measure for the development of a green economy. Both the SDGs and the European Green Deal emphasise the importance of sustainable public procurement for achieving the set goals. Published in 2020, the Progress Report on the Green Economy in the Alps⁴ likewise identifies sustainable procurement as a promising approach, taking it up in the thematic recommendations for a Green Economy in the Alps.

The public sector, and local authorities in particular, are key purchasers. About 14% of Europe’s GDP is spent by public administrations on goods and services of various kinds⁵. Public institutions also constitute an important economic factor in the Alpine region.

With their large purchasing power, they are able to influence the market in the medium term and to support sustainable economic structures. As a result of specific demand for more sustainable products, these are increasingly being offered on the market, while producers and retailers are increasingly paying attention to complying with social and environmental standards in production. In addition, by taking social and environmental standards into account in calls for tenders, the public sector is acting as a role model, encouraging companies and citizens to follow suit. The public sector can thus help improve working conditions worldwide, reduce pressure on the environment and promote innovation. Moreover, it can also save money by taking lifecycle costs into account (in addition to the purchase costs, the costs incurred during the use and disposal phase are also included)⁶, for example in the evaluation of tenders.

1 <https://sdgs.un.org/2030agenda>

2 https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_de (21.01.2022)

3 Germany, Austria, Switzerland, France, Italy, Slovenia, Liechtenstein and Monaco

4 https://www.alpconv.org/fileadmin/user_upload/Topics/Green_Economy_progress_report_2020.pdf

5 https://ec.europa.eu/info/policies/public-procurement_en (21.01.2022)

6 When purchasing goods and services, the lowest-priced offer is often not also the most economical. Inexpensive products can incur higher follow-up costs than more expensive alternatives. These result, for example, from the consumption of auxiliary materials or energy during the use phase, the installation and maintenance costs, and the costs at the end of the useful life (in particular collection, disposal and recycling costs). It also includes the costs arising from external effects of environmental pollution and associated with the tendered service during the life cycle. Life cycle costing incorporates these factors when calculating the actual cost of a product. With this in mind, the method can also be used to promote environmentally friendly products, thus helping to reduce the burden on the environment.

WHAT? What are the framework conditions?

The legal framework

The recast EU Public Procurement Directive (2014/24/EU)⁷ significantly expanded the options for including environmental and social aspects in public procurement. Its Article 18 (2) stipulates that “Member States shall take appropriate measures to ensure that in the performance of public contracts economic operators comply with applicable obligations in the fields of environmental,

social and labour law established by Union law, national law, collective agreements or by the international environmental, social and labour law provisions listed in Annex X”. Moreover, the link to the subject matter of the contract is defined more broadly, including also factors that do not form part of the material substance of the product such as working conditions.

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0024>

Use of labels

The possibility of using labels has also been concretized and expanded in the Directive. For example, the sustainability criteria belonging to relevant labels can be used for the technical specifications of the subject-matter of the contract, award criteria and contract performance conditions. At the same time, certain labels can be required as proof of compliance with the required criteria, whereby equivalent labels must be accepted by the awarding authority. In addition, overall reference may be made to labels, provided that the relevant quality criteria are met.

For a label to be used as means of proof that the works, services or supplies correspond to the required characteristics, it must fulfil all of the following conditions⁸:

- the label requirements only concern criteria which are linked to the subject-matter of the contract and are appropriate to define characteristics of the works, supplies or services that are the subject-matter of the contract;
- the label requirements are based on objectively verifiable and non-discriminatory criteria;
- the labels are established in an open and transparent procedure in which all relevant stakeholders, including government bodies, consumers, social partners, manufacturers, distributors and non-governmental organisations, may participate;
- the labels are accessible to all interested parties;
- the label requirements are set by a third party over which the economic operator applying for the label cannot exercise a decisive influence which the economic operator applying for the quality mark cannot exercise a decisive influence.

Labels may be required as evidence in the technical specifications, award criteria or contract performance conditions.

⁸ Article 43 EU Public Procurement Directive 2014/24/EU

Considering sustainability aspects in the procurement process

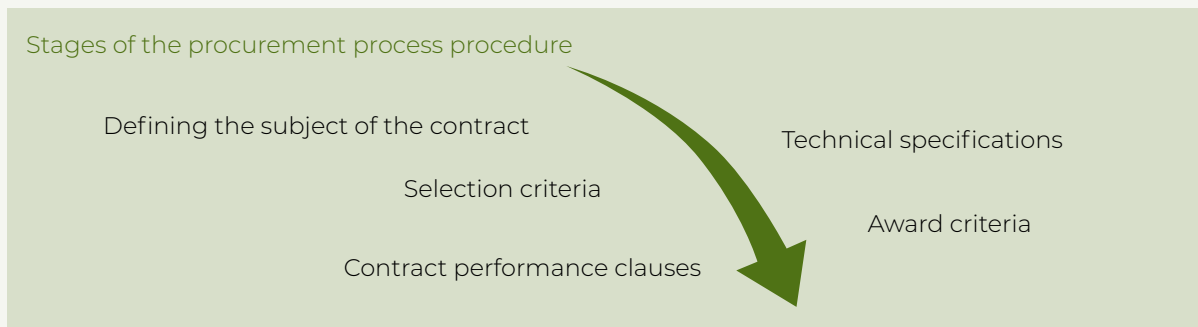


Figure 1: Stages of the procurement process procedure

In principle, sustainability aspects can be taken into account at all stages of the procurement process, with them being defined in accordance with one's own requirements. However, they must always be described transparently, clearly and exhaustively.

Stage 1: Defining the subject of the contract

If possible, a clear title should be chosen for the contract, emphasizing the importance of the sustainability aspect. For example: "Fair Trade Food" or "Electricity from renewable energy sources (green electricity)". This does not preclude the products offered from only partially meeting the criteria (only certain foods or a certain percentage of the electricity).

Stage 2: Technical specifications

There are wide-ranging possibilities for defining social and environmental aspects in the call for tenders. These can take the form of technical specifications or performance or functional requirements. For example, you can require that a product be made of a certain material or exclude certain ingredients. Similarly, appropriate thresholds may be specified to limit energy consumption or emissions. Other characteristics may refer to manufacturing conditions along the supply chain, even if they have no material impact on the product, as in the case of working conditions.

Stage 3: Selection criteria

Selection criteria are used by the procuring entity to verify that bidders have the necessary expertise and capability to perform the contract. The criteria relate to the following aspects: Qualification and suitability to pursue the professional activity, economic and financial standing, and technical

and professional ability.

There is also the possibility of checking aspects relevant to sustainability. For example, in the case of environmentally relevant services (e.g., cleaning services, construction projects, catering), companies may be required to provide proof that they have introduced environmental management measures.

Stage 4: Award criteria

Tenders that meet the selection criteria are evaluated on the basis of award criteria. The most economically advantageous tender, i.e., the tender with the best price-performance ratio, is awarded the contract. In addition to price, social and environmental aspects may also be taken into account. Thus, a contract may be awarded on the basis of a tender that goes beyond the social and ecological requirements specified in the call for tenders (which are required as mandatory criteria).

In addition, the price can be evaluated on the basis of the life-cycle costs of the procured service or product. Follow-on costs, such as a product's cost of use, can thus be included.

Stage 5: Contract performance clauses

Contract performance clauses must be fulfilled by the bidding companies when performing the contract. In particular, respect of labour and human rights (compliance with ILO core labour standards⁹) in the manufacture of products and compliance with fair trade criteria are often included in the contract performance conditions. Obligations to provide regular training for services are also frequently specified as a contract performance condition.

9 ILO: International Labour Organisation, Internationale Arbeitsorganisation <https://www.ilo.org/declaration/lang--en/index.htm>

HOW? How can sustainable procurement be implemented in practice? What experiences have others gathered?

There are already many positive examples of Alpine municipalities that have ventured down the path of sustainable procurement and whose experience and expertise can be drawn upon. One noteworthy pioneer is the Austrian Vorarlberg Association of Municipalities and its ÖkoBeschaffungsService (ÖBS), which began regular operations in 2004 and is now able to draw on a wide range of experience. The ÖBS supports Vorarlberg municipalities as well as public institutions based in Vorarlberg in the procurement of sustainable products. The ÖBS online store now offers municipalities items from over 50 product groups. These include products for offices, municipal services, waste management, fire departments, cleaning, schools and vehicle fleets.¹⁰

In the following interview, find out how purchasing works at ÖBS and what tips the former Head of Procurement, Dietmar Lenz, can give you for getting started with sustainable procurement.

Interview questions Dipl. Ing. Dietmar Lenz



Figure 2: Dipl. Ing. Dietmar Lenz

What services do you offer to municipalities using your procurement service?

The **ÖkoBeschaffungsService** is a central procurement agency in the Vorarlberg region

through which municipalities can procure products centrally. Depending on the product group, framework agreements with suppliers form the basis for procurement. ÖBS employees specify the performance criteria together with the users in the sense of sustainable procurement within the framework of the Federal Procurement Act.

What are the opportunities and challenges for municipalities in terms of using the ÖBS?

First of all, it is a decisive advantage for smaller municipalities, as no member municipality is left to deal with the organisational challenges on its own. Central procurement also has technical advantages, with the ÖBS experts making their accumulated product know-how available to all member municipalities. In addition, the large procurement volumes ensure good conditions and thus price advantages in comparison to individual procurement, offsetting any ÖBS overheads. Due to the certainty of procurement law, municipalities do not have to issue calls for tenders themselves, but can use the platform.

I definitely see the willingness of municipalities to give up purchasing responsibility and trust the ÖBS process as a challenge. Ultimately, we will award the contract to the best bidder, with our award decision having to be accepted by the municipalities. The ÖBS has the advantage that its 96 members finance the ÖBS and are thus the ultimate decision-making body. This structure brings great advantages in terms of trust compared to an outside institution. The goal of the ÖBS is to make the procurement process so good that the contracting authorities want to participate in the process voluntarily. The motto here is: "Conviction yes, coercion no".

How are the criteria for the products set?

The performance criteria are set by teams of experts assembled by the municipalities themselves. Repeat calls for tenders are merely adapted. The expert teams receive guidance from

¹⁰ [https://www.gemeindeverband.at/Themen/Nachhaltige_Beschaffung_und_Vergabe/OekoBeschaffungsService_OeBS_\(21.01.2022\)](https://www.gemeindeverband.at/Themen/Nachhaltige_Beschaffung_und_Vergabe/OekoBeschaffungsService_OeBS_(21.01.2022))

government EcoLabels and the Austrian Action Plan for Sustainable Public Procurement. In addition, the teams can draw on years of experience. For new products, market research is carried out to obtain an overview of the status quo.

In your opinion, what are the biggest challenges in switching to sustainable procurement? In your experience, which approaches have proved successful?

Individual municipalities basically need a political decision to switch to sustainable procurement. This process can take a long time. In addition, practical implementation can be very complex, while markets can be confusing. Procurement law as a whole also repeatedly overtaxes those responsible for procurement. Our goal is to use a central procurement system to make sustainable procurement easier than conventional procurement. Particularly for small administrations, the bundling of competences is a key approach, meaning that nobody has to reinvent the wheel.

Is sustainable procurement necessarily more expensive and what options are there to offset any difference?

For normal, everyday products, sustainable procurement is not necessarily more expensive, especially when lifecycle costs are taken into account. The upcoming CO₂ pricing is also set to change things. In certain cases, the cost of more expensive products can be reduced through regional procurement and large order volumes. The bottom line is that sustainable procurement is the best solution from an economic point of view.

What practical recommendations would you give to municipalities that want to anchor sustainable procurement strategically in their everyday administrative work?

I recommend municipalities wanting to introduce sustainable procurement to have their existing procedures analysed by external experts. It is essential to find out the best starting point and what tools are already available. If procurement is to be changed within an organisation, in my experience this is often doomed to failure due to

nobody taking responsibility. In addition, a political decision including a budgetary provision is a prerequisite for the introduction of or changes to such a system.

Could you contemplate the range of services offered by ÖBS being transferred to other countries? What would have to be considered?

Yes, I can definitely contemplate that, though in my mind a straight copy-and-paste approach would not be very effective. Regional structures would have to be analysed in detail on a case-by-case basis. In addition, an interesting question is whether a relationship of trust can be established between the participating municipalities and an existing structure or larger administrative unit assigned to take over the role of the central procurement office.

Could you provide a step-by-step description of the sustainable procurement process based on an exemplary product?

The first step is a request from a participating authority for a new product. We forward this request to all municipalities to find out whether the product in question could be of interest to several municipalities. If this is the case, we put together a team of experts who perform a market survey. This leads to a bill of quantities and the corresponding award criteria being defined. Following a call for tenders, the successful tenderer is listed in the ÖBS online store. Participating municipalities can then purchase the product either via the online store or via an internal ordering system directly from the supplier. The same conditions apply here, as the web store is merely intended as an additional offer. At the end of the year, the suppliers report the volumes ordered to the ÖBS. 1.5%-2.5% of the total volume finances the ÖBS as a service agency. Overall, this process takes between 4 weeks and 6 months, depending on the product. However, the process is quickly abandoned if the ordering procedure cannot be standardized, e.g., when too few municipalities express interest in this product. In this case, no call for tenders is initiated.

How does purchasing work at ÖBS;



Figure 3: How does purchasing work at ÖBS; source: Vorarlberger Gemeindeverband

AND NOW? Building blocks for sustainable procurement

The implementation of sustainable procurement often presents challenges. It works best if these are tackled step by step. Support is also important – both from within the organisation and from external organisations or experts.

1. Secure political support

Before any practical implementation, political support is a *sine qua non* for more sustainable and socially acceptable public procurement. In many municipalities, procurement commitments are embedded in political resolutions or municipal strategies. No matter how general or specific these resolutions are, they provide the necessary backing for implementation. To ensure that the objectives are not lost sight of in day-to-day business, it is advisable to report regularly, e.g., in city or municipal council meetings.

2. Establish a working group

After the goal has been set, the next step is the practical implementation. Within an administration, it is indispensable to appoint persons responsible for this. The concept of a working group coordinating all further steps has proved to be particularly effective in recent years. This can include, for example, management, procurement officials, sustainability officials and the finance department. In addition, it should be considered whether the inclusion of external organisations or other municipalities within the region could lead to a fruitful exchange and promising cooperation.

3. Internal stocktaking

Stocktaking within a municipality is an important preparatory step on the way to more sustainable procurement as it allows the status quo to be precisely recorded. The main questions of interest are how centrally or decentrally procurement is organised and who buys what, when and in what quantities. In addition, existing purchasing criteria and product standards and current contracts with suppliers need to be recorded.

4. Selection of product groups

Based on the stocktaking and depending on the goal set by the municipality, the working group decides on the product groups to be procured in accordance with sustainable and socially acceptable criteria. Selection factors may include environmental and social urgency, the availability of alternative products and services, the procurement volume and frequency. It is important not to take on too many product groups at once, but to start with a few and simple – in terms of sustainability – product groups readily available on the market. Many municipalities also start with a pilot call for tenders. Other product groups can follow.

5. Information and training

Continuous awareness-raising via information and training within the administration tailored to the objectives increases the acceptance of purchasers and product users. In addition, potential bidders and the public should be informed about the changed requirements, thereby anchoring the sustainable procurement process in the long term.

6. Including eco-social criteria in calls for tenders

Criteria for the procurement documents must now be created for the selected product groups. Here, existing procurement aids can be used (see links at the end of the document). Moreover, the external organisations and initiatives represented in the working group can inject additional expertise for developing the criteria.

7. Regular review

The selection of products and criteria should be regularly reviewed and updated in line with market developments. Again, cooperation with civil society and governmental actors is of great importance.

WHERE? Where can I get more information and support?

There is no need to reinvent the wheel when implementing sustainable procurement. There are already numerous guides on the subject as well as templates for council resolutions, text modules for calls for tenders and detailed procurement criteria. In addition, numerous municipalities and authorities already have experience in sustainable procurement and make this available in the form of good practice examples.

International

Green procurement website of the European Commission: http://ec.europa.eu/environment/gpp/index_en.htm

PROCURA+ European Sustainable Procurement Network: www.procuraplus.org

Sustainable Procurement Platform: <https://sustainable-procurement.org/resource-centre>

Austria

Austrian Action Plan for Sustainable Public Procurement (naBe): <https://www.nabe.gv.at>

France

French Action Plan for Sustainable Public Procurement: <https://www.ecologie.gouv.fr/achats-publics-durables>

Germany

Information service of the Federal Environment Agency on green procurement: <https://www.umweltbundesamt.de/themen/wirtschaft-konsum/umweltfreundliche-beschaffung>

Competence Centre for Sustainable Procurement of the Federal Ministry of the Interior: <http://www.nachhaltige-beschaffung.info>

Compass Sustainability of the Federal Ministry for Economic Cooperation and Development: <https://www.kompass-nachhaltigkeit.de>

Italy

Information site for Green Public Procurement of the Ministry of Environment and Energy Security: <https://gpp.mite.gov.it>

Switzerland

Knowledge platform sustainable public procurement Switzerland: <https://www.woeb.swiss>

Compass Sustainability of the State Secretariat for Economic Affairs SECO <https://www.kompass-nachhaltigkeit.ch/>

Impressum

This practical guide was prepared on behalf of the German Federal Environment Agency as part of the project "Implementation of the Action Program 'Green Economy in the Alpine Region'" (research code 3719 18 102) and funded by the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection.

Green Economy in the Alpine space is a topic of the Alpine Convention since 2014 and is addressed, among others, in the 6th Report on the State of the Alps "Green Economy" (2016), in the Green Economy Action Programme (2019) and in the Green Economy Progress Report (2020). Further information is available at <https://www.alpconv.org>.

Published by:

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Doi: <https://doi.org/10.53197/0004-SP>



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