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**Research Report**

## Pathways for integrating socially responsible public procurement in municipalities

Briefing Paper, No. 13/2020

**Provided in Cooperation with:**

German Institute of Development and Sustainability (IDOS), Bonn

*Suggested Citation:* Müngersdorff, Maximilian; Stoffel, Tim (2020) : Pathways for integrating socially responsible public procurement in municipalities, Briefing Paper, No. 13/2020, Deutsches Institut für Entwicklungspolitik (DIE), Bonn, <https://doi.org/10.23661/bp13.2020>

This Version is available at:

<https://hdl.handle.net/10419/242597>

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## Pathways for Integrating Socially Responsible Public Procurement in Municipalities

### Summary

Public procurement expenditures of European Union (EU) member states are enormous, accounting for approximately 14 per cent of value creation in the EU. In many European countries, municipalities are responsible for a large share of these expenditures, as is the case in Germany. By integrating sustainability criteria in tenders for goods, works and services, municipalities can significantly contribute to Sustainable Development Goal (SDG) 12 of the 2030 Agenda for Sustainable Development, which is to ensure sustainable consumption and production patterns.

Sustainable public procurement (SPP) practices are, however, the exception rather than the rule. While environmental criteria are increasingly considered, social standards have thus far been considered far less in public tenders. Thus, we analysed what could be done to support the implementation of Socially Responsible Public Procurement (SRPP) practices in German municipalities.

Our empirical evidence shows that there is no gold standard for implementing SRPP in municipal contexts. Figure 1 presents a map with different entry points from which practitioners and policy-makers may embark on fitting pathways. We recommend measures in the following three dimensions.

#### *Regulatory dimension*

Regulations and their “translation” for administrative bodies should be ambitious and clear. The regulatory framework on the municipal level should clearly specify how SPP is introduced and implemented, especially by defining concrete

SPP goals and translating goals and policies for civil servants.

#### *Institutional dimension*

The basis for effective SPP measures is a strategic procurement organisation. Municipal stakeholders may take action in three areas to make procurement organisation more strategic. First, decision-makers can attach a higher value to procurement as an instrument to realise the strategic goals of the municipality. Second, a huge variety of procurement instruments is applicable to support this value shift. Third, due to the decentralised procurement structures in municipalities, coordination and communication between departments and persons should be streamlined, or municipal procurement should become more centralised.

#### *Individual dimension*

Information and capacity building should be offered to all stakeholders. In order to adjust regulatory and institutional conditions for effective SRPP implementation, support from administration and political decision-makers on all levels is a prerequisite. Providing customised information and offering capacity building can raise the level of support. In this regard, SRPP is most likely to be achieved when specific staff is assigned responsibility for its implementation.

Based on insights from German municipalities, this paper outlines further success factors and underlying triggers to utilise public procurement in the transformation towards sustainability.

### Guidance for municipalities to implement SRPP

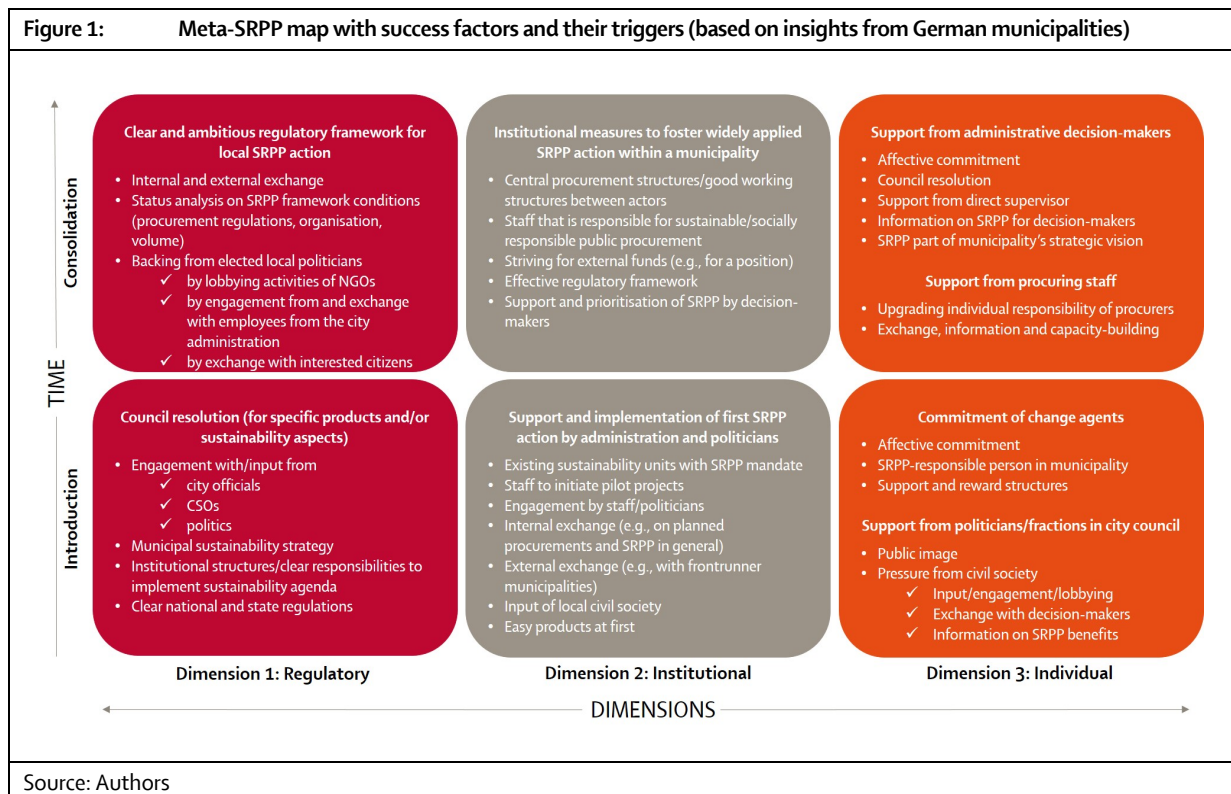
In the EU, public procurement accounts for EUR 2 trillion per annum, or 14 per cent of the EU’s gross domestic product (EC, 2019). In many EU member states, public entities on the sub-national level have the largest share of public procurement (EC, 2019). In Germany, municipalities are responsible for more than 50 per cent of the EUR 460 billion total procurement expenditures. By applying sustainability criteria in their calls for tenders, municipalities can help make production patterns and product characteristics more sustainable, thereby promoting the achievement of SDG 12 of the 2030 Agenda (“ensure sustainable consumption and production patterns”).

However, European municipalities do not generally implement SPP effectively. While environmental criteria are increasingly considered in public tenders, social standards are considered far less often. Therefore, a closer look into SRPP is needed. SRPP includes, for instance, compliance with labour laws, equal opportunities, and decent work along global production chains of goods, works and services procured by the public sector.

Drawing on change management literature (Grandia, 2015), we have developed an evaluation map to group success factors for SRPP implementation and their triggers along three dimensions, namely the regulatory, institutional and individual dimensions. The resulting map includes two time dimensions to provide procurement practitioners with information on which measures could be applied to foster SRPP during the introduction and consolidation phases.

### Council resolution as a legal basis for municipal SRPP measures

Adopting a municipal council resolution is the key success factor during the introductory phase of the regulatory dimension. Such a resolution could, for instance, exclude child labour in the production process of a specific product group regularly procured by the municipality. We identified six triggers that could foster the adoption of a resolution. The first is commitment of city officials, for example, by establishing cross-departmental working groups that lobby internally. The second is input and engagement from the civil society, particularly with representatives of the city administration and political decision-makers. The third is political pressure, which in practice often comes from single politicians or parliamentary groups. An exchange between those three groups, for example, within steering committees of Fairtrade Towns, can further trigger processes that lead to regulatory measures. Fourth, municipal sustainability strategies or urban development plans and debates about their implementation can serve as points of departure for SRPP initiatives. Fifth, clear responsibilities and institutional structures to implement those agendas, for example, in the form of Agenda 21 offices or sustainability departments, have been shown to stimulate discourse that leads to SRPP regulations. The sixth and last trigger is clear and ambitious national and especially state regulation on sustainable procurement and its translation to local action. However, legal guidance from above is not the one and only solution. Cities like Bonn, Cologne and Munich have shown that bottom-up initiatives can also be successful in the early stages.



When aiming to develop a clearer and more ambitious regulatory framework for local SRPP during the consolidation phase of regulatory measures, backing from politicians as well as the collection and preparation of procurement data are key. Regarding the latter, we are referring to data on local procurement regulations, organisation and volume as well as the portfolio of procured goods, works and services. Due to the decentralised procurement organisation in most German municipalities, information is mostly missing or only partially available. Yet, such an overview is key to developing an ambitious regulatory framework on SRPP with concrete targets. Internal exchange (among departments, employees and politicians) as well as external exchange and support (e.g., from NGOs or consulting companies) can help gather the data.

### **Institutional “upgrade” for public procurement to foster SRPP**

Turning to the second dimension, the institutional sphere, during the introductory phase the overarching goal is to ensure the support and implementation of initial SRPP action, often through pilot tenders. It is essential to start with easy products to demonstrate feasibility to municipal decision-makers and the working level. Having a council resolution as described above is a key success factor. Beyond that, we have identified three success factors and their underlying triggers. First, early SRPP action depends on the emergence of institutional structures for its implementation and communication. The structures may be facilitated by existing sustainability-related entities or individuals that receive a new mandate to communicate SRPP introduction to decision-makers and procuring staff. Having this unit and/or person at a high position in the organisational hierarchy is a further advantage. The second success factor refers to input from civil society organisations and information exchange among municipalities. Support from local politicians and administrative decision-makers triggers the emergence of such exchange networks.

When it comes to consolidating institutional structures for long-term and widely applied SRPP practices, three success factors are of particular importance. First, a strategic procurement organisation, meaning centralised procurement structures or an effective coordination between involved departments, should be established. Second, the use of strategic procurement instruments, such as e-procurement platforms or framework agreements, should be intensified. Third, the strategic importance of local procurement procedures should be reflected by an advanced maturity level of procurement (Beck & Schuster, 2013). Thus, procurement should be defined as an instrument for contributing to the strategic goals of the municipality, for example, by limiting social injustice in production chains of procured goods. In concrete terms, the appointment of strategic buyers for specific product groups with a clear SRPP-mandate in the central procurement department represents a possible step towards increasing the maturity of procurement. Most triggers in the consolidation phase match with the introduction phase. However, the following triggers are worth mentioning since they are either new or of increased significance: staff to

implement SRPP and do internal lobbying (especially in the central procurement department); an increased obligation to cooperate with the central procurement department; political support and prioritisation of SRPP; and training and knowledge on SRPP for civil servants.

### **Individual commitment – The backbone of SRPP action**

Individual efforts play by far the most important role in promoting SRPP, particularly in the introductory phase. Two success factors are key here, first, the support from politicians and/or political groups in the city council and second, the existence and commitment of change agents. Regarding politicians and/or political groups, pressure from civil society is a key trigger to raising the interest of politicians and political groups. Second, the presence of change agents is key. We define change agents as internal or external individuals that foster changes that benefit SRPP over a longer period within the administration, for example, by initiating and leading cross-departmental working groups. Change agents are often civil servants tasked with implementation (e.g., from a sustainability-related department or the procurement department), local decision-makers (e.g., heads of departments or even the lord mayor) or a representative from the civil society (typically from an NGO). The most important trigger for change agents to promote SRPP is their affective commitment to sustainable development. Affective commitment constitutes a rather soft trigger that reflects a person's essential belief system, which is difficult to influence from outside. Thus, this finding is problematic when it comes to transferring and upscaling good practices. To reach a high level of broad and ambitious SRPP action, the focus should lie on measures in the regulatory and institutional dimensions.

In the consolidation phase of SRPP, on the individual level, support from administrative decision-makers and procuring staff is key. For both stakeholder groups, affective commitment is again crucial to prompt their support. Since this trigger is difficult to influence, emphasis should be given to the second group of triggers, which includes exchange, information and capacity-building. Exchange between administrative decision-makers and SRPP responsible personnel or external stakeholders, for example, from the civil society, is often neglected in practice. However, securing support from decision-makers is fundamental for the broad implementation of SRPP practices. Additionally, building up capacity among procuring staff is a precondition to make them less risk-averse and more prepared to try out new strategic procurement instruments in tenders to promote SRPP.

### **European pathways to SRPP**

Our findings from the German case are largely supported by European examples, with some important nuances. First, municipal actors from European frontrunner municipalities are more often involved in international exchanges than their German counterparts, both on the European level and beyond. Second, local council decisions are less important.

In the Netherlands, national action plans and local strategies with concrete goals assume this function. Third, outside Germany, particularly in the Netherlands and Scandinavia, the staff situation is often better, with public officers or even whole departments in charge of implementing SRPP. Fourth, the use of strategic procurement instruments, such as electronic procurement platforms to manage the whole process, is often more advanced. Fifth, a higher importance is given to the contract management stage. Cities like Rotterdam and Malmö occasionally engage in supplier audits to verify their adherence to social criteria. Sixth, institutions for strengthening of and knowledge sharing on SRPP at the national level are an important means to supporting implementation effectively and should be part and parcel of public procurement policy.

### Policy recommendations to boost SRPP

Our research shows that many different pathways can lead to SRPP. Yet, we can distil nine policy recommendations for decision-makers and practitioners.

Political decision-makers should (1) make laws and regulations on SRPP clear and ambitious.

Municipal decision-makers should (2) ensure compliance by

civil servants and translate SRPP regulations, policies and targets as precisely and clearly as possible; (3) promote a broad motivation for the topic through exchange, cooperation and training; (4) strengthen the competencies of the central procurement office and ensure functioning communication structures between decentralised departments/persons involved in procurement; (5) make human resources available and allocate responsibility (having a person formally responsible for SRPP implementation makes its achievement more likely); and (6) make use of external support and resources to promote the topic.

Actors working on socially responsible public procurement within the municipality and in NGOs should (7) provide local decision-makers and procurers with tailored information on the importance and implementation of SRPP.

Officials working on public procurement should (8) work towards understanding their procurement, for example, by conducting a status analysis to define targets on SRPP implementation; and (9) facilitate and use external input and support by engaging in exchanges on SRPP with official support bodies, civil society, consulting institutions and frontrunner municipalities.

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*This Briefing Paper represents an additional result from data that was collected during the project "Municipalities Promoting and Shaping Sustainable Value Creation (MUPASS) – Public Procurement for Fair and Sustainable Production". The MUPASS project took place 2018/2019 in close collaboration with Engagement Global and its Service Agency Communities in One World (SKEW) funded by the German Federal Ministry for Economic Cooperation and Development (BMZ).*



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DOI: 10.23661/bp13.2020



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ISSN (Online) 2512-9384



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