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SUSTAINABLE PROCUREMENT IN THE PUBLIC SECTOR

Challenges, Solutions, and Success Stories

Discover how public agencies can integrate sustainability into procurement strategies to reduce environmental impact, promote supplier diversity, and enhance long-term cost savings. This guide explores key challenges, innovative solutions, and successful case studies from public sector agencies leading the way in green procurement.

EXECUTIVE SUMMARY

Sustainable procurement has emerged as a pivotal strategy for public sector agencies aiming to align their operations with environmental and social responsibility goals.

By integrating sustainability into procurement processes, agencies can significantly reduce their environmental footprint, promote social equity, and drive economic efficiency.

But while sustainable procurement is a growing priority for public agencies looking to reduce environmental impact while maintaining fiscal responsibility, procurement teams face multiple challenges, including regulatory hurdles, budget constraints, and supplier engagement issues.

This white paper explores key sustainability challenges in public procurement, actionable solutions for implementing green procurement, data supporting the importance of sustainability, and case studies of public agencies successfully integrating sustainability into their procurement strategies

By adopting sustainable procurement practices, public agencies can achieve both environmental and economic benefits, ensuring a responsible and cost-effective procurement process.

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Public sector procurement wields substantial influence, accounting for a large chunk of a state or city's economic impact. And those procurement decisions have a profound impact on the environment. In fact, researchers at Arizona State University and American University reported in 2024 that public agencies' procurement decisions account for about 92% of their carbon emissions.

Regional and local governments are increasingly adopting sustainable public procurement policies to embed sustainability criteria into their purchasing processes. Leveraging purchasing power to favor sustainable goods and services can lead to profound positive impacts on the environment and society.

However, transitioning to sustainable procurement practices is fraught with challenges that require strategic solutions and collaborative efforts. We address some of these challenges, and how to best address them, here.

REGULATORY AND POLICY BARRIERS

The Challenge

Many times, an agency's procurement regulations do not explicitly mandate sustainability, making it difficult for purchasing teams to prioritize eco-friendly vendors, projects, goods, services, and contracts. Inconsistent guidelines across different levels of government create further complications, leading to hesitancy in adopting sustainable policies, even in the face of impending climate issues.

According to the 2022 State of Procurement Practices Survey Report by the National Association of State Procurement Officials (NASPO), 34 of 50 states responding (76%) implementing green purchasing programs or initiatives, and those programs vary from state to state.

This lack of standardized policies and requirements and the inconsistencies in programs from state to state can cause confusion, hampering environmental impact efforts.

The Solution: *Implementing Sustainability Policies and Guidelines*

To successfully integrate sustainability into procurement, agencies should establish and enforce clear, standardized procurement policies that prioritize environmental considerations.The National Association of State Procurement Officials (NASPO) recommends integrating environmental criteria into bid evaluations and rewarding vendors that demonstrate strong sustainability commitments.

According to a McKinsey & Company report, procurement teams should also leverage external sustainability experts when defining technical specifications and award criteria to ensure solicitations are comprehensive and transparent.

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A structured approach can help agencies successfully transition to sustainable procurement practices. ICLEI – Local Governments for Sustainability USA outlines the following key steps:

Step 1

Conduct a sustainability assessment of current procurement practices to identify gaps and areas for improvement.

Step 2

Develop sustainability criteria for bids, such as carbon footprint limits, ethical sourcing, and lifecycle cost evaluations. Agencies can refer to key sustainability standards such as:

FedCenter	Government Sustainability Programs
EPA	Framework for the Assessment of Environmental Performance Standards and Ecolabels
GRI	Sustainability Reporting Standards
UN	Sustainable Development Goals for Procurement

Step 3

Implement a sustainability scorecard in bid evaluations to quantify environmental impacts and ensure vendor accountability.

Step 4

Train procurement teams and vendors on new policies to improve adoption and compliance.

By developing clear policies, leveraging sustainability frameworks, and training procurement teams, public agencies can successfully integrate eco-friendly purchasing criteria into their procurement processes. Standardized policies not only increase accountability and efficiency but also drive long-term environmental benefits. As procurement teams navigate evolving regulations, digital procurement platforms and expert guidance can provide the necessary structure and support to implement sustainable procurement effectively. This topic will be discussed more later in this paper.

CASE STUDY

As part of a major infrastructure expansion, **San Diego International Airport** leveraged sustainable procurement to meet environmental targets while increasing contract awards to small and diverse businesses. The e-procurement system enabled automated bid evaluation, enhancing vendor selection transparency.

Impact: The airport reported a 30% reduction in carbon footprint associated with procurement activities.

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BUDGET CONSTRAINTS AND PERCEIVED COSTS

The Challenge

Sustainable solutions often lead to long-term cost savings over the lifecycle of the purchase. For example, the U.S. Green Building Council reports that LEED-certified buildings are, on average, 25% more energy-efficient and generate $1.2 billion in energy savings annually. Agencies implementing green building standards can see a return on investment (ROI) within three to five years than non-certified buildings.

However, in some cases the initial investment in eco-friendly materials and services can appear expensive. The purchase price or installation may be higher, or the time to delivery longer due to the use of materials that are less readily available. Cost was perceived to be a primary obstacle to adopting digital technologies for sustainable procurement policies by researchers at ASU and AU.

Public agencies operating on strict budgets may struggle to justify higher upfront costs to their budget approvers and to taxpayers, despite the well-demonstrated long-term financial benefits of green procurement.

The Solution: *Shifting to Total Cost of Ownership Analysis*

Instead of focusing solely on upfront costs, agencies should evaluate the Total Cost of Ownership (TCO), considering long-term savings from energy efficiency, lower maintenance costs, and waste reduction. While traditional views of cost include the purchase price, the supplier costs, and the product development costs, TCO is an all-in cost focus that considers future costs like:

- Repair and rework
- Maintenance and equipment service calls
- Legal and administrative costs
- Inventory and disposal
- Logistics and supply disruptions

The National Institute of Governmental Purchasing (NIGP) reports that agencies using TCO-based evaluations see a significant reduction in overall expenditures, driving long-term and sustainable cost savings for the agency and facilitating best value in selecting goods and services. It also allows purchasing teams to incorporate private market best practices and enables effective supplier relationships.

CASE STUDY

Renewable Water Resources (ReWa) in California transitioned to a digital procurement system to minimize waste and streamline vendor onboarding The platform allowed for real-time sustainability tracking, ensuring that procurement decisions aligned with environmental goals.

Impact: The agency reduced paper usage by 85% and increased the number of environmentally preferred vendors by 18%.

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If your agency is unsure how to calculate the Total Cost of Ownership of green purchasing, there are several free TCO calculators available online, or you can use the following methods:

Simple Method

This method is best for basic purchases, like office supplies, school textbooks, or when you need a quick, high-level overview of costs and detailed analysis isn't necessary.

1. **Determine the purchase price.** Identify the amount your agency pays the supplier or seller for an item or asset, including all available discounts.

2. **Determine costs incurred by the agency during the asset's lifespan.** These costs can include maintenance, operations, and disposal expenses.

3. **Add the two measures.** The formula looks like this: *TCO = Purchase price + Costs incurred during item's useful life.*

Depreciation Method

This method works well for considering the total cost of purchases that lose value over time due to wear and tear or obsolescence, like vehicles and machinery.

1. **Determine the initial cost (I).** This is the same as the purchase price in the simple method.

2. **Establish the maintenance cost (M).** This could include engineer inspections, modifications or improvements over time, industry regulations, etc.

3. **Determine the remaining cost (RC).** The remaining cost is the value in the long term. This can help you consider depreciation and the remaining value after the item's useful life. Choose the appropriate depreciation calculation method, such as the straight-line approach or declining balance method.

4. **Compute the TCO.** Add the initial cost to the maintenance cost before subtracting the remaining cost to get the TCO.

TCO = (I + M) − RC.

Comprehensive Method

This is a great method to use when considering the TCO of significant, long-term investments, like new buildings, especially when comparing different options or assessing the true value of an asset over its entire lifecycle.

1. **Determine the initial cost (I).** This is the same as the above.

2. **Predict the operation cost (O).** This is the amount the agency will spend to use the product, which may include any additional resources required for this product to work, such as fuel, additional implementations or acquisitions, etc.

3. **Establish the maintenance cost (M).** This is the same as the above.

4. **Estimate the downtime cost (D).** This is the money an agency can lose when the asset or equipment malfunctions. You can estimate this by examining the history of similar items. Planning and maintaining the equipment properly can reduce downtime and lower the downtime cost.

5. **Calculate the production cost (P).** This is the money a company spends to use the asset, such as raw material required to help in production, etc.

6. **Determine the remaining value (RV).** This is the item's value after its useful life, which may include resale or scrap value, or may be zero.

7. **Calculate the TCO.** First, add the initial cost, operational cost, maintenance cost, downtime cost, and production cost, then deduct the remaining value.

TCO = (I + O + M + D + P) − RV.

SUPPLIER ENGAGEMENT AND DIVERSITY

The Challenge

Identifying and engaging suppliers that meet sustainability criteria remains a challenge. Many small or disadvantaged businesses lack the resources to meet stringent sustainability standards, limiting their ability to compete in the procurement process and allowing larger corporations to edge them out and set the bar for cost.

Greenwashing is another issue that can muddy the waters for procurement teams. This practice of promoting a company's "greenness" in advertisements can include vague and dubious claim about environmental friendliness to make their product look more enticing and gain market share.

The Solution: *Expanding Vendor Pools*

Finding vendors that meet your sustainability requirements, especially small and disadvantaged businesses, means setting clear, measurable, and achievable criteria up front in your solicitations and specifications. Adjust your bid criteria to encourage small and minority-owned businesses to participate in your bid process.

Collaboration with other agencies can also be helpful. Join with private businesses in a public-private partnership or use cooperative purchasing, or "piggybacking," to leverage new opportunities with existing contracts.

To work with existing vendors rather than finding new ones, offer training programs and technical assistance to help smaller businesses meet sustainability requirements.

The Urban Institute emphasizes that supplier education and mentorship programs significantly improve vendor participation in green and diverse procurement initiatives.

NIGP recommends identifying suppliers with negative sustainability performance/impacts through a review and analysis of established indicators and encouraging identified suppliers to work in partnership with the organization to improve their performance. Research and implement requirements for third-party certifications like LEED, B Corp, Cradle-to-Cradle, and FSC certification to prevent greenwashing by vendors, and introduce vendor sustainability audits to verify their claims and ensure proper delivery.

CASE STUDY

To promote sustainable sourcing, the **Metropolitan Water District** implemented vendor training initiatives and quick-quote capabilities through an e-procurement platform. This strategy helped increase participation from eco-conscious suppliers while maintaining cost efficiency.

Impact: The agency reported a 20% increase in contracts awarded to vendors with sustainability certifications.

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Finally, leverage a procurement software solution that offers vendor management, including business certification management, like PlanetBids' end-to-end procurement platform. This allows agencies to easily monitor vendor certifications and pre-qualifications, while providing vendors the ability to view and connect with certified counterparts for subcontracting opportunities. With multiple certification types and vendor self-management, automated renewal notifications, search functionality, and audit capabilities, Business Certification in the PlanetBids platform enhances control, compliance, and reporting for public agencies wanting to focus on sustainability.

LACK OF STANDARDIZED TRACKING AND ANALYSIS

The Challenge

Procurement professionals are already stretched thin with a lack of resources, a shrinking budget, increasingly strict transparency requirements, and all the back-and-forth of the daily procurement process. Adding sustainability tracking to this equation may seem like a tall order, and it can hinder the organization's ability to embrace a more eco-friendly focus.

Consistent changes in leadership that coincide with political appointments and the requirement to justify spending through transparency and auditing also can contribute to a hesitancy to adopt environmental initiatives. Without a standardized system to track sustainability data, agencies may struggle to measure progress, report compliance, and ensure vendors are aligned with their environmental goals.

The Solution: *Leveraging Digital Procurement Software for Sustainability Tracking*

Adopting digital procurement software, such as PlanetBids' end-to-end procurement platform, streamlines sustainability tracking by centralizing all procurement activities and providing automated tools to manage vendor compliance, certifications, and environmental impact metrics.

How Digital Procurement Tools Support Sustainability

- **Vendor Management & Certification Tracking:** Agencies can ensure suppliers meet sustainability requirements by automating the collection and verification of vendor certifications, such as green business certificates and environmental compliance documentation. PlanetBids alerts procurement teams to upcoming expirations, ensuring continuous compliance.

- **Bid Specification Template Libraries:** With prebuilt templates for sustainabile procurement, agencies can integrate environmental requirements into every solicitation, ensuring alignment with eco-friendly purchasing goals.

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- **Carbon Footprint & Compliance Reporting:** Automated reports provide real-time insights into vendor sustainability credentials, emissions reductions, and compliance metrics, helping agencies meet transparency and auditing requirements.

- **Paperless Bidding & Contracting:** By digitizing the entire procurement lifecycle, agencies significantly reduce paper usage, helping to decrease their overall environmental impact.

- **Collaborative Evaluation & Decision-Making:** Procurement teams can easily compare vendor sustainability commitments and make informed decisions through a centralized evaluation process.

Key Benefits of Procurement Tools for Sustainability

- Reduce administrative burden by automating sustainability tracking.

- Improve vendor engagement by simplifying the submission and renewal of sustainability credentials.

- Enhance transparency with automated reports that align with state and local compliance requirements.

- Streamline bid creation with sustainability-focused specification templates, ensuring every contract contributes to environmental goals.

In choosing a digital procurement system and justifying the purchase to your decision-making team – whether a board of supervisors, a chief procurement officer, or the finance department – it's important to demonstrate the key performance indicators (KPIs) that will demonstrate a that the software has a significant impact on the agency's bottom line and sustainability targets.

These KPIs include:

- **Procurement ROI:** The money and time saved in your agency by automating parts of the purchasing process. PlanetBids offers a helpful ROI calculator here.

- **Cost Competitiveness:** The estimated cost savings and cost avoidance achieved through the use of the software.

- **Procurement Lifecycle Time:** The amount of time from requisition of a purchase request to delivery of the purchase, including solicitation creation, tender, bid acceptance, evaluation, and contract award.

- **Cost Savings:** The estimated amount of money saved through software usage, based on comparing estimated total contract amounts to actual contract amounts awarded for each bid.

- **Spend Under Management (SUM):** The percentage of total agency spend managed by the procurement department, highlighting effective resource management.

- **Cost Per Invoice:** Measures the total procurement cost for each invoice, including labor, overhead, and software costs (also known as Purchase Order Cost).

- **Emergency Purchase Rate:** The percentage of unplanned or emergency purchases, indicating potential issues with forecasting or typical procurement processes.

- **Supplier Defect Rate:** Measures the percentage of defective or substandard deliveries received from suppliers.

- **Supplier Compliance Rate:** Tracks how well suppliers adhere to compliance requirements and business needs.

- **Compliance Rate:** Measures the percentage of procurement activities that comply with established policies and procedures.

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Standardizing sustainability tracking doesn't need to be complicated. Digital procurement platforms like PlanetBids empower public agencies to align their purchasing decisions with environmental goals through automated tracking, streamlined bid management, and comprehensive vendor certification oversight. These tools can help procurement teams make a measurable impact on the environment by reducing carbon footprints, improving supplier compliance, and driving long-term sustainability success.

CASE STUDY

The **City of Fort Myers** adopted PlanetBids' procurement system to eliminate paper-based processes and enhance vendor diversity. This transition not only improved efficiency but also ensured greater participation from small and minority-owned businesses, aligning procurement with sustainability and inclusivity goals.

Impact: The transition reduced procurement processing times by 40% and increased participation from small businesses by 25%.

CONCLUSION: THE FUTURE OF SUSTAINABLE PROCUREMENT

Sustainable procurement is not just a trend. It's an essential strategy for public agencies aiming to balance environmental responsibility with fiscal efficiency. By implementing strategic policies, embracing a Total Cost of Ownership models, expanding vendor engagement, and leveraging digital procurement solutions, agencies can drive meaningful change in public procurement.

Integrating sustainability into procurement with the help of digital tools is achievable and beneficial. As more agencies adopt these best practices, the public sector will continue to play a pivotal role in advancing sustainability nationwide.

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