



ევროკავშირი
საქართველოსთვის

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EU4Environment
Green Economy in Eastern Partner Countries



LEARN MORE ABOUT THE IMPLEMENTATION OF SUSTAINABLE PUBLIC PROCUREMENT IN GEORGIA



Action implemented by:



A number of activities related to Sustainable Public Procurement have been conducted in order to fulfil obligations as they are defined by the Association Agreement and implement the sustainable public procurement concept into the national policy and practice.

This publication aims at raising awareness of the Georgian contracting authorities and business representatives on the concept and benefits of sustainable public procurement.

Disclaimer

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SUSTAINABLE PUBLIC PROCUREMENT IS AN EFFECTIVE INSTRUMENT TO ACHIEVE SUSTAINABLE DEVELOPMENT GOALS



By signing the **Association Agreement** with the European Union (EU), Georgia has undertaken the obligation to promote **sustainable development** and stressed the importance of labour and environmental issues related to trade. The commitments determined by the Association Agreement include, inter alia, approximation Georgian public procurement system to EU directives and implementation sustainable public procurement into the national legislation.

5 GENDER
EQUALITY



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



8 DECENT WORK AND
ECONOMIC GROWTH



TABLE OF CONTENTS

What is Sustainable Public Procurement?	3
Importance of Sustainable Public Procurement	5
Sustainable Public Procurement as an effective instrument to achieve Sustainable Development Goals	6
Legal framework of Sustainable Public Procurement	7
Practical implementation of Sustainable Public Procurement	8
Defining specifications	9
Selection criteria of the economic operator	11
Sustainable Public Procurement requirements in the supply chain of a product	12
Rights and obligations of the parties of the public procurement	13

What is Sustainable Public Procurement?

Sustainable public procurement is a process whereby public organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life-cycle basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst significantly reducing negative impacts on the environment.¹



Life-cycle of a product includes all consecutive and interconnected stages, such as:

- Research and development to be carried out;
- Production;
- Trading and its conditions;
- Transportation;
- Use and maintenance;
- The whole period of existence of the product or execution of works and provision of services, from the moment of acquisition of raw material or generation of resources at disposal, through clearance and end of service or utilization.



For example, in case of food products, **the life-cycle** consists of planting, growing, producing, distributing, supplying and delivering the product to the consumer, disposal of food waste.

Sustainable public procurement aims to strike the right balance between the three pillars of sustainable development - the economic, social, and environmental aspects.

- **The economic aspect of sustainable public procurement** is related to the use of the methodology for calculating **the total life-cycle costing** and it means accepting the most economically advantageous bid.



Life-cycle costing includes the costs borne during delivery of goods, provision of services or execution of works inter alia:

- Utilization;
- Consumption of energy and other resources;
- Maintenance;
- Recycling.

¹ Source: Procuring the future – The report of the UK Sustainable Task Force, June 2006. Definition adopted by the Marrakech Task Force on Sustainable Procurement.



Life-cycle costs are costs imputed to environmental externalities provided their monetary value can be determined.

- **The social aspect of the sustainable public procurement** relates to the protection of social equity, various social groups, human rights and the principles of labour law.
- **Environmental aspect of the sustainable public procurement** includes air, water and soil emissions, climate change, biodiversity, and proper use of natural resources throughout the life-cycle of the procured product.



Importance of Sustainable Public Procurement

Public procurement makes up around 25-30% of GDP of the countries with economy in transition. In Georgia total volume of public procurements carried out in 2021 amounted to 5.7542 billion GEL that constitutes approximately 10% of the country's GDP.¹ Taking into account the importance of the public procurement, each acquisition provides a potential opportunity to promote and encourage sustainable development. Sustainable public procurement is one of the efficient instruments for shifting to green economy patterns, since it takes into **consideration social, economic and environmental aspects**.

From an economic point of view, sustainable public procurement has the **potential to reduce costs and improve technologies**, since life-cycle costing is taken into account and it ensures procurement of the better quality products that will last longer.

The increased **demand of the contracting authorities on sustainable goods, works or services** will become the major driver of innovation and a real creator of a market of sustainable products, goods, works and services.



¹ Source: Annual Report 2021 of the State Procurement Agency, available at: <http://procurement.gov.ge/files/showfiles?id=ad93b8d6-98b6-44ee-b035-2f6bd53df946>

Sustainable Public Procurement as an effective instrument to achieve Sustainable Development Goals

Sustainable public procurement is one of the effective instruments to **achieve Sustainable Development Goals (SDGs)**. In line with this **Goal 12 — Ensure Sustainable Consumption and Production Patterns** should be mentioned. This goal is considered as an instrument to ensure energy efficiency, sustainable infrastructure, resource efficiency, and access to decent work conditions. In addition, target 12.7 **aims at promoting sustainability-oriented public procurement in line with national policies and priorities**.

The concept of the sustainable public procurement also takes into account **the social aspects** of sustainable development during the procurement process. In this regard, attention is also paid to the provision of ensuring rights of vulnerable groups, people with disabilities, underrepresented sex as well as securing **labour and social rights** by economic operators. Thus, sustainable public procurement is also directly related to the **SDG 5 (Gender Equality)** and the **SDG 8 (Decent Work and Economic Growth)**.

Therefore, the introduction of the **sustainability inclusive public procurement – sustainable public procurement**, contributes to achievement of a number of SDGs. Thus, it helps Georgia to implement the 2030 Agenda for Sustainable Development at the national level.



Legal framework of Sustainable Public Procurement

The legal provisions related to sustainability are provided by the **Constitution of Georgia, by the Association Agreement, by the Law of Georgia “On Public Procurement,”**¹ as well as the **draft Governmental Decree elaborated based on the Law.** It should be mentioned that one of the criteria of sustainable public procurement – **Energy Efficient Public Procurement approach** is already included in the Governmental Decree.²

The Law of Georgia “On Public Procurement” determines that in the cases defined by the Decree of the Government of Georgia, **the achievement of the goal of sustainable development** shall be mandatory when implementing public procurement. In addition, the draft Governmental decree defines the Common Procurement Vocabulary (CPV) codes of the procurement object, during the procurement of which it is obligatory to take into account the sustainability aspects.



- 1 In order to ensure the fulfilment of the obligations set out in the Association Agreement with the European Union, the State Procurement Agency drafted the Law of Georgia “On Public Procurement”, which, together with the accompanying legislative package, was submitted to the Parliament by the Government of Georgia on June 8, 2022. On February 9 of 2023, the Parliament of Georgia adopted the Law “On Public Procurement” with 90 votes in the third reading.
- 2 Decree “On the Approval of the Procedures and Guideline Principles for the Implementation of Energy Efficiency in the Field of Public Procurement and National Monetary Thresholds for the Purpose of Carrying out Energy Efficient Public Procurement” approved by the Government of Georgia on 1 August 2022.

Practical implementation of Sustainable Public Procurement

When implementing sustainable public procurement, it is important to take into account the specifics, priorities and goals of the contracting authorities. The coherent implementation of sustainable public procurement includes consideration of all stages of procurement transactions - **from the procurement planning, market research, publication of prior information notice, and drafting the terms of procurement to awarding the contract and monitoring of its implementation.**

Before making a decision to implement sustainable public procurement, it is recommended for the contracting authority to consider the costs associated with such procurement, in particular, it should assess **whether there is a better alternative** that saves costs and whether it achieves the same goal. For example, in the case of procuring transport services, instead of conducting a meeting in person, the contracting authority may decide to conduct the meeting online, which is a more environmentally friendly decision.

According to the Law of Georgia “On Public Procurement” implementation of sustainable public procurement is possible while:

- Planning of a public procurement;
- Elaborating the technical specifications of the procurement object;
- Establishing the selection criteria for the economic operator;
- Establishing the tender award criteria;
- Drafting the public procurement contract;
- Monitoring the fulfilment of the obligations defined by the public procurement contract.

This chapter is about the practical implementation of SPP even in the cases when contracting authorities intend to apply SPP to non-prioritized products.

Since the brochure is mainly aimed at raising awareness on general SPP issues, I believe it is more advisable not to mention them here. Prioritized products are given in SPP manual. Where more detailed provisions are included.



Defining specifications

The composition of a product and the means for its production of it could be one of the criteria to define the environmental impact of an object of procurement.

For the implementation of sustainable public procurement, if the contracting authority wishes to take into account environmental, social or other similar issues while describing the object of procurement, it can indicate about the necessity of having labels in the specifications. Furthermore, if a contracting authority does not request that the object of procurement meets all the label requirements, it shall indicate which requirement is mandatory to be satisfied.

In the contracting authority determines the specifications of the procurement object by reference to the relevant standards, such reference shall be indicated in the following order: international standard; or when the standard referred to does not exist - **regional standard**; or when it does not exist – state standard applicable in Georgia on the bases **of international treaties of Georgia**; or when it does not exist either – **Georgian standard**.

It should be emphasized that reference to standards means that if compliance of the offered procurement object **with an “equivalent” standard** is proved, such an offer will be considered compliant with the procurement terms.



Use of international, regional (including, the EU-based), and national eco-labels **to verify environmental or social attributes are one of the successful** ways of implementation of sustainable public procurement. Eco-labels provide the contracting authorities with the information about the product and justify the compliance with certain requirements.

Therefore, eco-labels as a mean of verification, could be used in order to **check compliance of the product with the requirements of sustainability set by the procurement terms.**

The Law of Georgia “On Public Procurement” establishes concrete clauses (cases) when a contracting authority can indicate in specifications about the necessity of having particular ecological labels (like “eco”, “bio”, “organic” and/or others). **In such cases, it shall be necessary for the label to meet all of the following requirements:**

- The label concerns only those criteria, which are linked with the object of procurement and are used as an established method for determining the specifications of such an object of procurement.
- The label requirements are based on objectively verifiable and non-discriminatory criteria.
- The label is established by the process in which all the stakeholders such as governmental bodies, consumers, entrepreneurs, manufacturers and non-profit organizations could participate.
- The label is accessible and available 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.



Selection criteria of the economic operator

It is possible to introduce environmental elements in the selection criteria of an economic operator by laying down the provisions in the terms of procurement related to the **technical and professional capabilities of an economic operator**. In this regard, it should be borne in mind that in terms of technical and professional compliance, a contracting authority is authorized to determine necessary requirements such as **sufficient human and technical standing, as well as working experience** of the economic operator.

Environmental technical capacity can include technical competence in minimizing waste creation, avoiding spillage/ leakage of pollutants, reducing fuel consumption or minimizing disruption of natural habitats. In this context, one of the useful instruments is the information/records of contracts carried out. This information can be required by defining, in the terms of procurement, a relevant provision regarding submission of the information related to previous experience of an economic operator.



Sustainable Public Procurement requirements in the supply chain of a product

Environmental impact may arise not only in the delivery of a particular procurement object, but also further back along the **supply chain of the procurement object**.



For example, IT equipment generally has components sourced from many parts of the world, including metals and other substances which pose a high risk of environmental damage in their extraction and processing.

Therefore, when there are social and/or environmental risks involved in production, delivery and/or trading stages of the life-cycle of the relevant product, it makes sense for contracting authority to look back at the complete chain of subcontractors (if any) presented by an economic operator in the stage **of selection and evaluation and analyse whether required environmental criteria are met beyond the primary or first-tier contractor**. Furthermore, economic operators should provide the relevant evidence that they are ensuring the respect of human rights and labour laws along the supply chain.



Rights and obligations of the parties of the public procurement

For the implementation of sustainable public procurement:

Contracting authority is entitled to require the economic operator to comply with social, environmental and labour law norms in order to achieve the goal of sustainable development.

Economic operator shall be obliged to comply with social, environmental and labour law norms established by Georgian legislation including international treaties of Georgia, while fulfilling the procurement contract.





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By signing the Association Agreement with the European Union, Georgia has undertaken the obligation to promote sustainable development for the benefit of present and future generations and stressed the importance of labor and environmental issues related to trade. This commitment includes, inter alia, promoting the development of international trade to meet the key goals and objectives of sustainable development.

In order to fulfill the abovementioned obligations a number of activities have been conducted in order to implement Sustainable Public Procurement into the national legislation and practice of Georgia since August 2020. This brochure intends to raise awareness of the Georgian contracting authorities, as well as economic operators for the effective implementation of Sustainable Public Procurement in the country. As a result of its application, rational, responsible, and sustainable spending of public funds by the contracting authorities will serve as an example for economic operators to pursue sustainable policies, environmental and social goals, and will motivate them to apply innovations and new technology.

This work is implemented within the framework of the EU-funded EU4Environment Programme under the guidance of United Nations Environment Programme (UNEP), in close cooperation with the Environmental Information and Education Centre of the Ministry of Environmental Protection and Agriculture of Georgia and the State Procurement Agency, national and international experts.



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