

USING PUBLIC PROCUREMENT AS A LEVERAGE FOR SUSTAINABLE SUPPLY CHAIN MANAGEMENT

23 November 2023

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Studies:

- **Ph.D. candidate in Management**, Faculty of Economics of the University of Rome Tor Vergata
- Master degree in **Development Studies**, University of Rome “La Sapienza” and a Bachelor degree in **International Relations**, University of Bologna.



Work experience:

- **10 years** as **Public Administration expert** for International Organizations and Governments **across Sub-Saharan Africa, South-East Asia, Europe, the Middle East and North Africa region.**



- Areas of expertise: **Public procurement, anti-corruption, and change management in public sector reform.**



01

Sustainability issues in
Global Supply Chains

02

Why can Public
Procurement contribute to
address these issues?

03

How to use it?

Agenda

1. SUSTAINABILITY ISSUES in Global Supply Chains

Published: 09 February 2023

Written by Simon Glover

Canadian brands 'unaware' of child labour risks

Premium



H&M, Zara and Marks & Spencer linked to polluting viscose factories in Asia



Coronavirus economic impact + Add to myFT

China's closed-loop crisis: 'I'm human, not a machine'

The sustainability of a system meant to keep factories operating is under intense strain



10 years after Rana Plaza, is Bangladesh's garment industry any safer?

Oscar Holland, CNN

8 minute read · Published 10:04 PM EDT, Sun April 23, 2023



- Contribute to Global Emissions. Most of firms' global emissions are linked to the supply chain (Scope3)
- Environmental degradation (unsustainable extraction of raw materials, pollution, unsustainable waste management practices)
- Present Human Rights abuses, Poor working conditions and Health & Safety Issues

GLOBAL SUPPLY CHAINS

To benefit from Globalization, firms have adopted global procurement strategies (c.d. global sourcing) to benefit from:

- Lower costs of qualified and unqualified labor;
- Lower costs of raw materials;
- Tax benefits;
- Favorable trade tariffs;
- Access to new markets

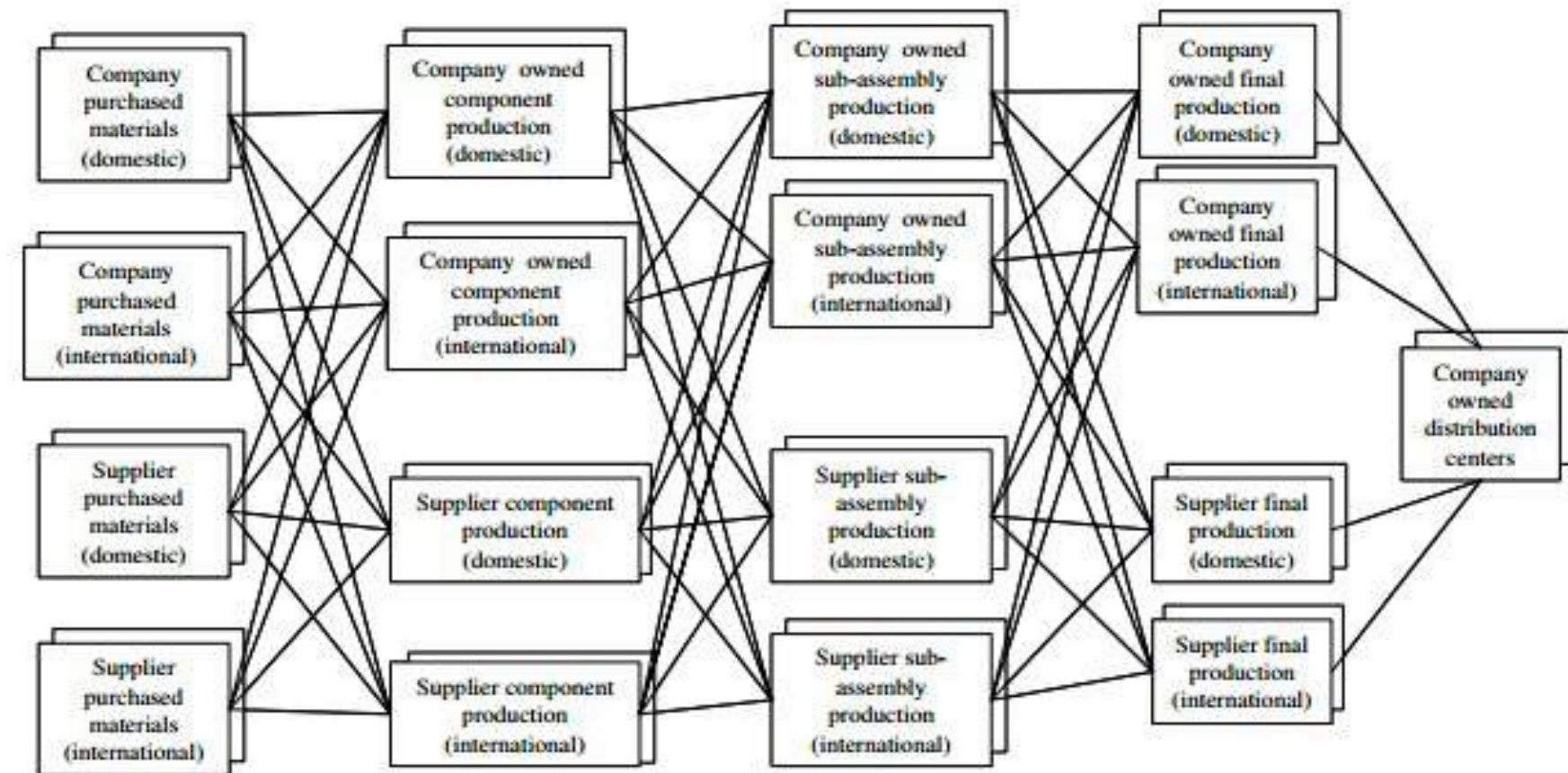


Fig. 1. Alternative production locations in a global supply chain.

Source: Meixell, M.J., Gargeya, V.B., 2005. Global supply chain design: A literature review and critique. *Transportation Research Part E: Logistics and Transportation Review* 41, 531–550.

**...increasing their
COMPLEXITY**

“

*The management of material, information and capital flows as well as cooperation among companies along the supply chain while taking goals from all **three dimensions of sustainable development**, i.e., economic, environmental and social, into account which are derived from customer and **stakeholder requirements**.*

*In sustainable supply chains, environmental and social criteria **need to be fulfilled by the members to remain within the supply chain**, while it is expected that competitiveness would be maintained through meeting customer needs and related economic criteria.*

Source: Seuring, S. and Müller, M. (2008), “From a literature review to a conceptual framework for sustainable supply chain management”, *Journal of Cleaner Production*, Vol. 16 No. 15, pp. 1699-1710

Firms SSCM DRIVERS:

Cost savings, regulatory compliance, and pressure from suppliers are the top three motivators for improving supply chain sustainability.

Cost savings



Compliance with regulatory requirements



Pressure from partners/suppliers



Potential for improved revenue growth



Pressure from customers



Pressure from workforce



Sense of ethical responsibility



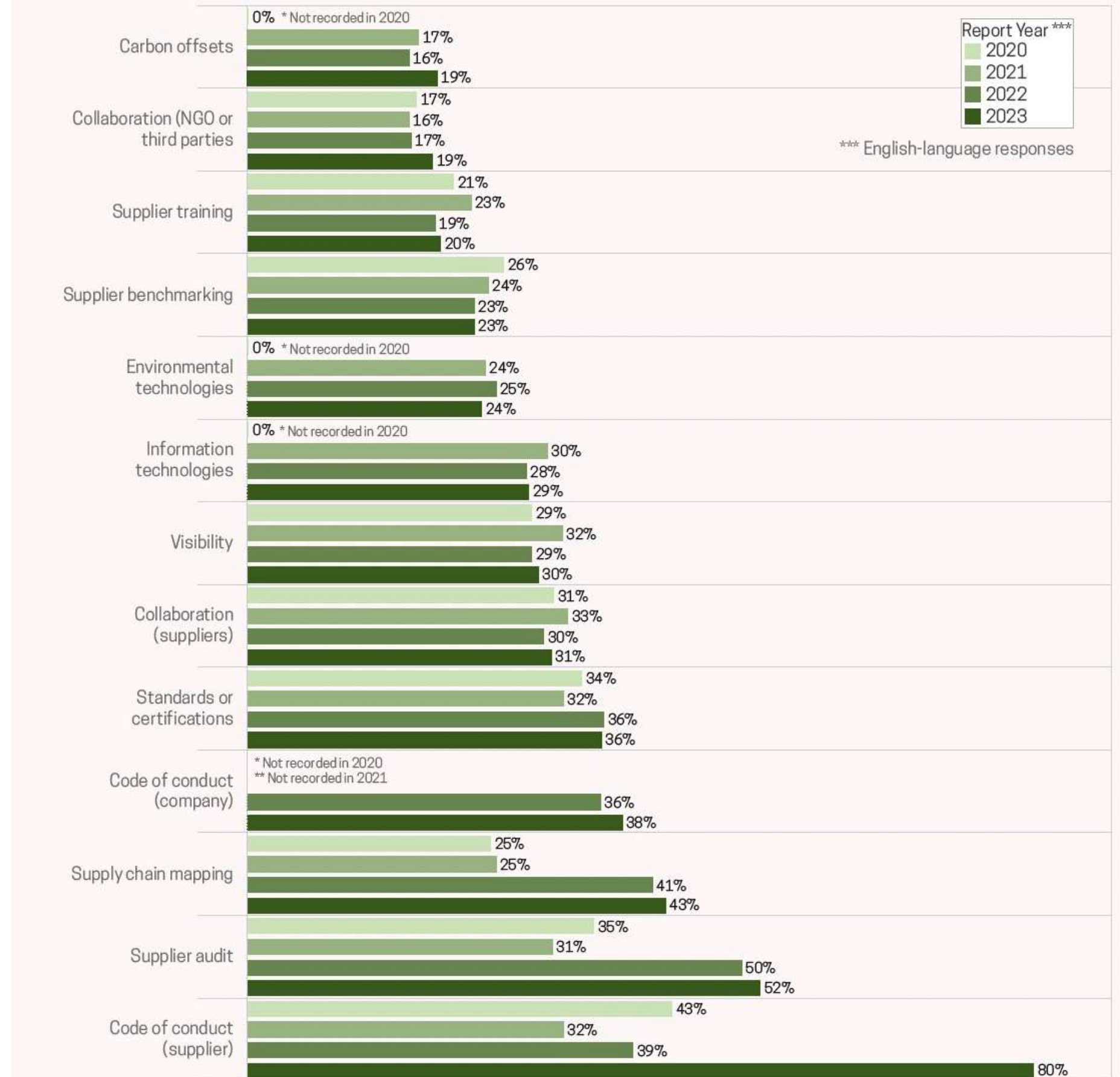
Source: 2022, ERNEST & YOUNG Report on [“Building supply chain sustainability that can drive revenues and reduce operational risks”](#)

Who are the firms that are more likely to effectively introduce sustainability in their SSCM?



- Firms who have or invest resources for making the SC sustainable. *Firms size matters.*
- Firms that operate in sectors with strong consumer pressures and visibility tend to be more sustainable. *B2C rather than B2B.*
- Firms having leaders that prioritize sustainability and embed it in the company's vision, values, and strategic decision-making. *Leadership commitment.*
- Firms that invest in capacity building and professionalization of the purchasing function and in supplier development. *Human capital investments.*
- Firms that engage in mid to long-term relationships with suppliers and also with third parties (stakeholder engagement). *Mix Compliance with Collaborative approaches.*

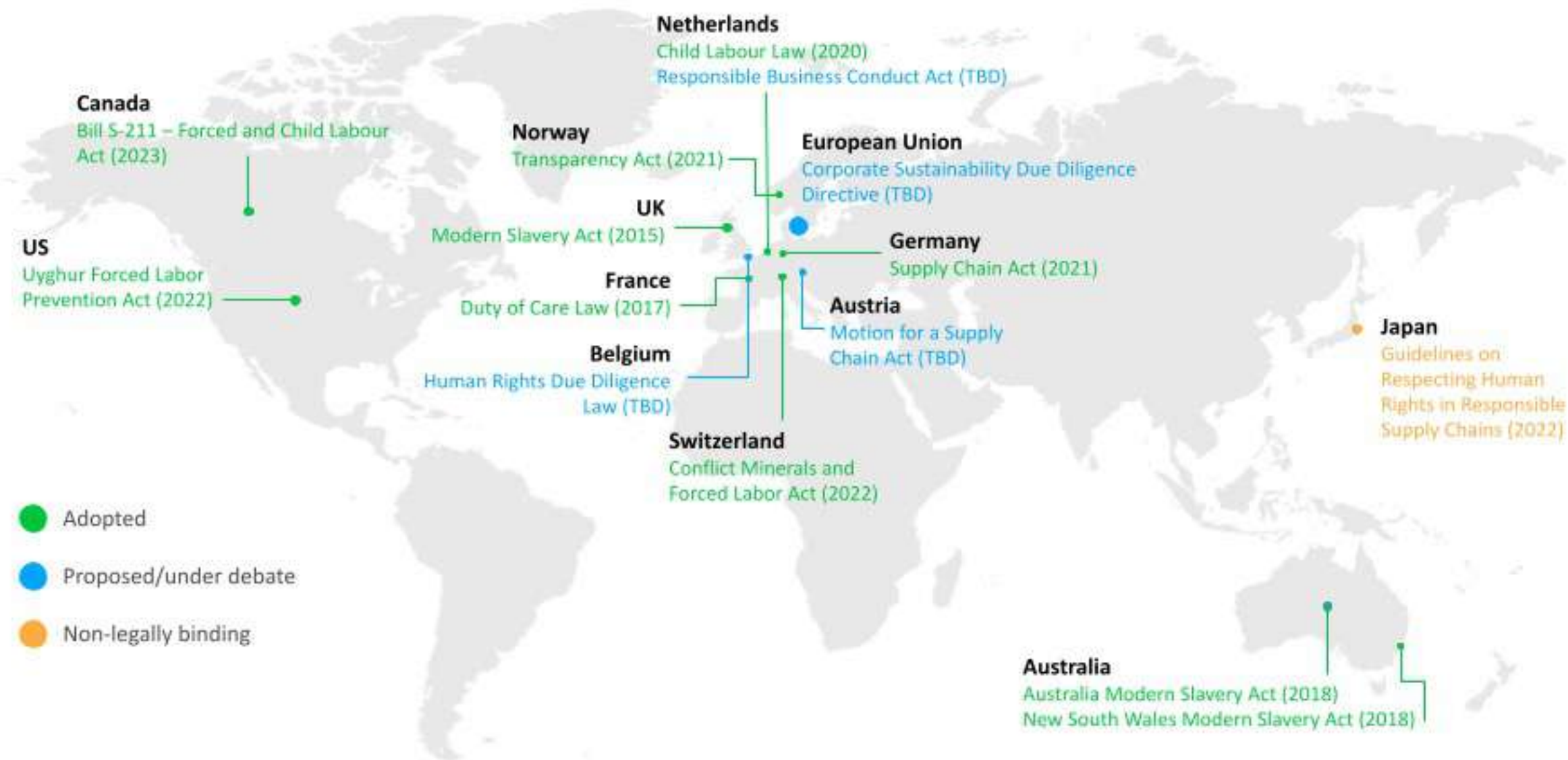
What do firms do to improve sustainability in their GSCs?



Source: MIT Report on ["STATE OF SUPPLY CHAIN SUSTAINABILITY 2023"](#)

Recent laws requiring firms to address and report on sustainability risks in their SCs

Worldwide Supply Chain Due Diligence Laws



2. Why using **PUBLIC PROCUREMENT** to make **GSCs more sustainable?**

ECONOMIC REASONS:

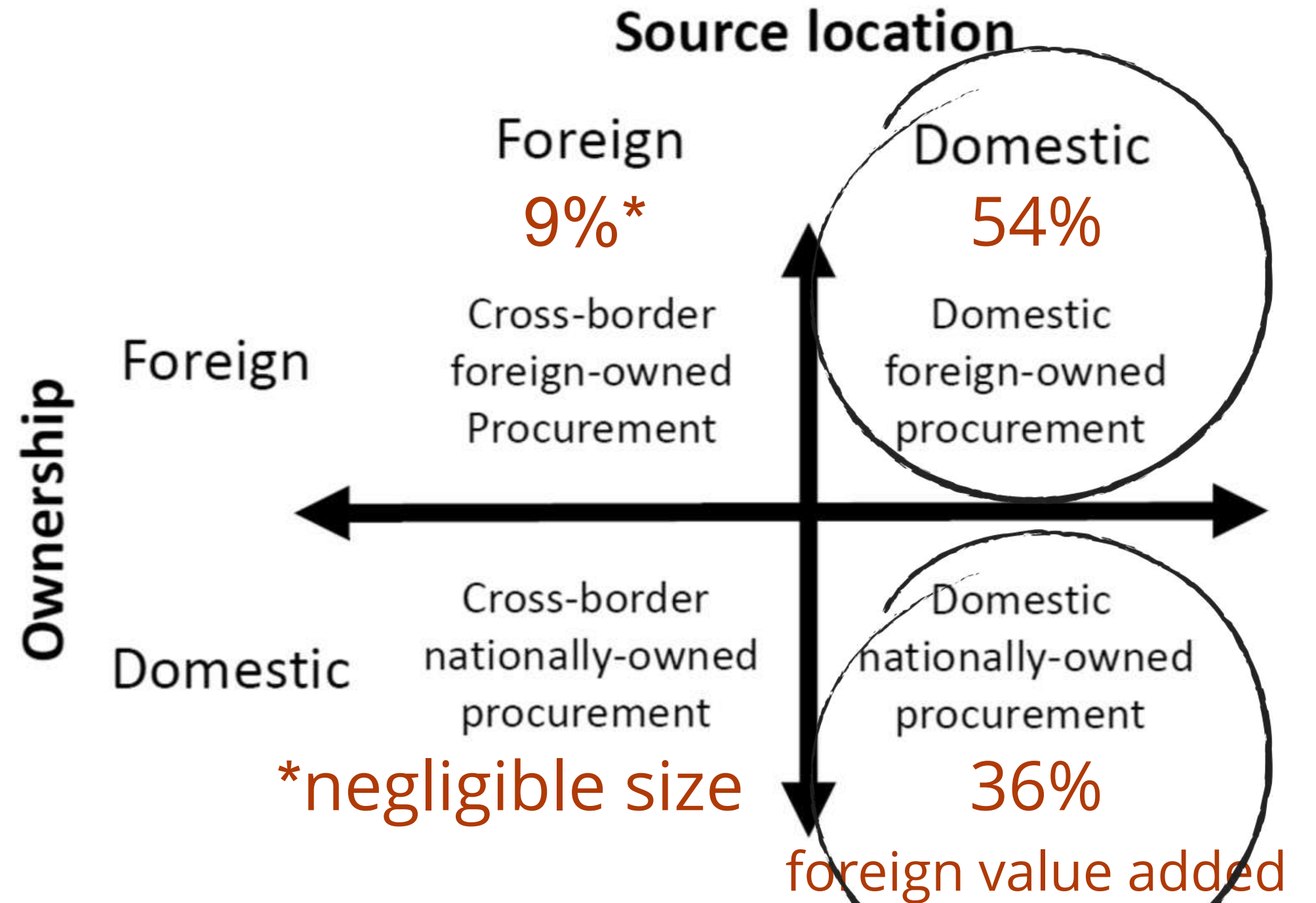
- **In the EU** Public Procurement represents **13.3% of GDP**
- **20-45%** of OECD 'countries' expenditures
- **Out of the EU** can be even more (developing countries)
- Key role played by **State-Owned enterprises** in Global Value Chains

NON-ECONOMIC REASONS:

- Public organizations have the duty to act to the benefit of **public interest**
- **“Secondary objectives”** are NOT secondary anymore
- Public sector supply chains are not immune from **risks**

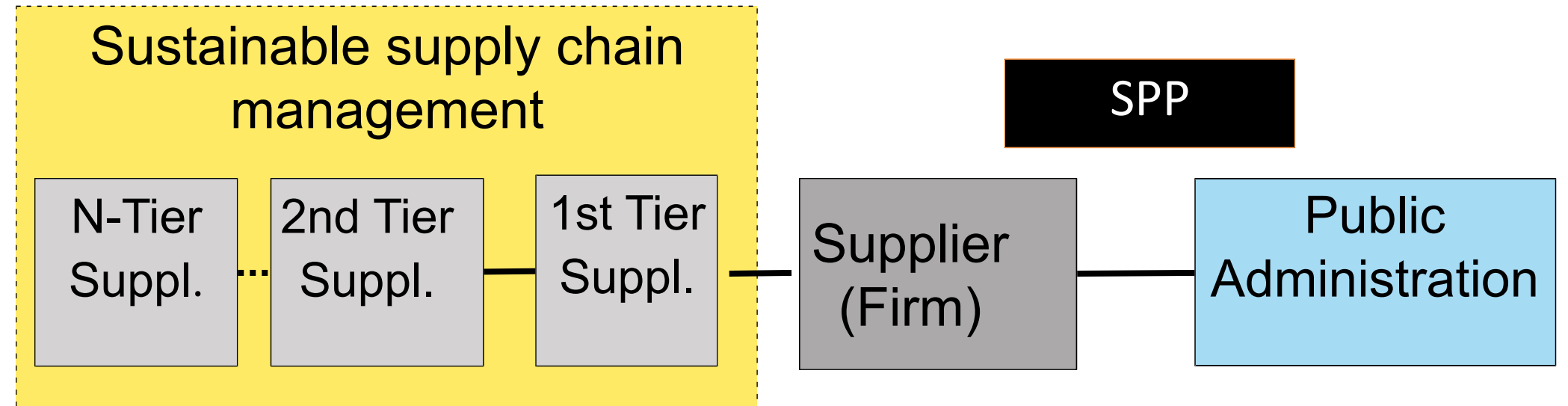
A large share of goods and services bought by Governments is linked to GSCs

2017 Data about EU tenders
(International Public Procurement):



Source: Van Assche, A., Pasha, A. A., Cernat, L., & Voss, H. (2023). From the editor—Governments as buyers: the international business implications of public procurement. *Journal of International Business Policy*, 1-14.

The nexus between PP and Sustainability in GSCs



Expected Results

- Suppliers adopt the sustainable practices required by Public buyers
- The social, environmental and economic performance of the suppliers is fostered/enhanced
- The P.A. gets goods and services that meet the sustainable goals enhancing the public organization sustainable performance

Yet Public Buyers rarely adopt a supply chain perspective when implementing SPP

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*The assessment of risks in the supply chain and of impacts induced by the procurement of specific types of products before the development of sustainable procurement criteria and guidelines to optimize the outcome of SPP still remains a **rare practice** (18% of respondents), although such an initiative would significantly contribute to fostering the actual outcomes of SPP.*

3. How to adopt a supply chain perspective in

SPP?



Invest in the Preparatory Stage
CONDUCT A MARKET ANALYSIS MAPPING OUT THE SUPPLY CHAIN VULNERABILITY AND SUSTAINABILITY RISKS RELATED TO HIGHLY SENSITIVE AND FREQUENT PURCHASES



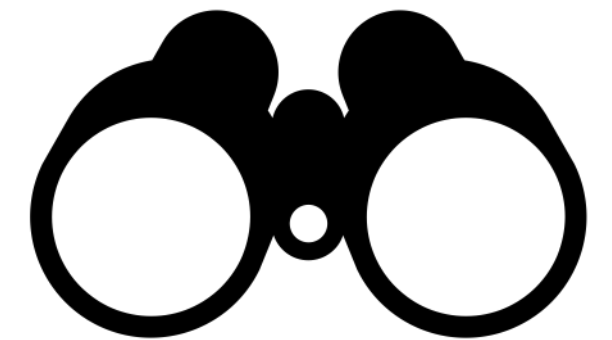
Make a Risk Management Plan and update it regularly
CONTINUOUS IDENTIFICATION, ASSESSMENT AND PONDERATION OF VULNERABILITY AND SUSTAINABILITY RISKS



Introduce Sustainability Criteria and Vulnerability considerations
FROM THE PURCHASE DESIGN STRATEGY TO THE CONTRACT PHASE PAYING ATTENTION TO POTENTIAL TRADE-OFFS



Measure, monitor & evaluate performance
MONITOR SUPPLIERS' PERFORMANCE ALSO THROUGH RATINGS AND MIX COLLABORATIVE WITH CONTROL ENGAGEMENT STRATEGIES

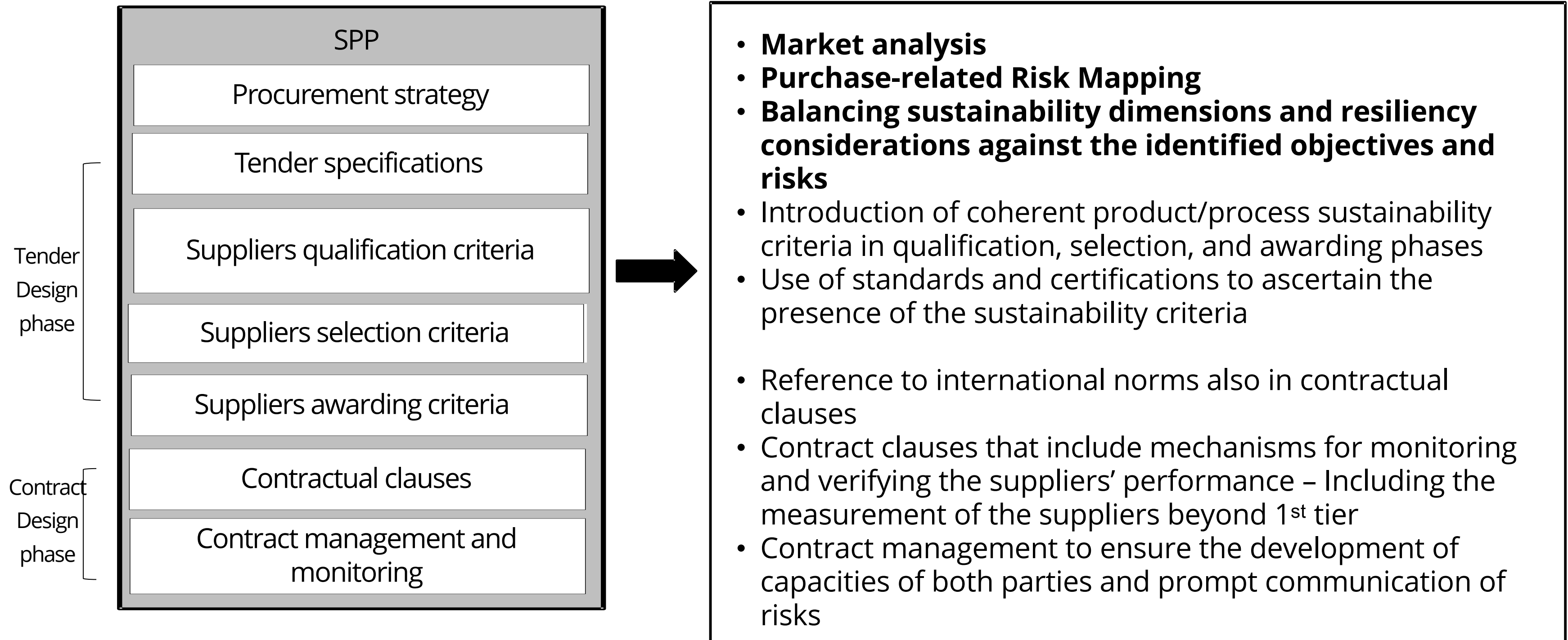


Enhance Visibility and Transparency of the Supply Chain
VIA DIGITAL TOOLS AND CONTINUOUS ORGANIZATIONAL LEARNING PROCESSES

Public vs Private SSCM PRACTICES

PUBLIC BUYERS	PRIVATE FIRMS
Compliance based Supply Chain Governance	Risk, resources and control based Supply Chain Governance
GPP/SPP regulations + codes of conduct	Procurement guidelines + codes of conduct
Mandatory Supply chain due diligence and monitoring	Supply chain risk assessment and monitoring
Mandatory disclosure and reporting requirements	Standards for CSR disclosure
Sustainable supplier selection and evaluation	Sustainable supplier selection and evaluation
Suppliers auditing	Suppliers auditing
Suppliers Performance measurement and incentives in the form of penalties or subsidies	Suppliers Performance measurement and incentives in the form of rewards or termination
Multi-stakeholder collaborations to enforce sustainability contract clauses	Multi-stakeholder collaborations, Suppliers development, remedial efforts and cost-sharing

How to embed sustainability all along the PP process to affect sustainable GSCs management?



Conclusions: Using PP as a Leverage for SSCM



01

Sustainability issues in
Global Supply Chains



02

Why Public Procurement
can be a Lever for
Sustainable Supply Chain
Management?



03

How to use it?

- By adopting SPP public buyers can make their supply chains more sustainable but also more resilient;
- The first step public buyers can take is to increase their knowledge of their supply chains and look beyond their direct suppliers!

Acknowledgements:

This project has received funding from the European Union's Horizon 2020 research and innovation programme under the Marie Skłodowska-Curie grant agreement No 956696.

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Questions & Answers