

ADDRESSING THE EFFICIENCY OF PUBLIC PROCUREMENT IN TERMS OF THE SUSTAINABILITY DIMENSION

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Abstract:

The author presents the public procurement system that must take place in conditions of environmental sustainability and socio-economic development. To carry out the study, the author applied traditional research methods: monographic method, document analysis, comparison, trend analysis, etc. The conclusions resulting from the analysis of documents and case studies confirm the hypothesis that public procurement is an important lever in achieving sustainable development strategies and policies. As a result, some methodological aspects are proposed that would contribute to the creation of a sustainable system of public procurement based on the principles of their regulation applied in EU countries but also in the Republic of Moldova.

Keywords: *sustainable procurement, sustainable public procurement, efficiency, sustainability*

JEL classification: *H6, Q01.*

Introduction

Improving public procurement practices has become one of the key priorities of public authority management. The reasons for the improvement result from the reorientation of public policies to reduce budget expenditures and reduce their fraud, thus ensuring the acquisition of quality goods, works and services, in conditions of limited available financial resources. At the same time, changes in the typology of public procurement have led to a significant change, namely the emergence of a new approach to sustainable procurement whose contribution leads to solving problems of social, economic and environmental development for domestic and international companies. Based on the data provided by the Public Procurement Agency, the legislation of the Republic of Moldova on public procurement, World Bank data, information from the EBRD and other sources, the author presents arguments supported by analytical materials on the need to approach and develop sustainable public procurement.

Description of the Problem

An ecological economy is needed to gain economic sustainability. This type of economy must create renewable resources if necessary, use non-renewable resources when renewable ones dwindle and monitor the level of emissions with a negative impact on the environment [3]. Economic sustainability is fully linked to the results regarding the protection of the environment and in the social field, which the company obtains. Ultimately, economic sustainability depends on the ability of natural ecosystems to obtain and store sufficient amounts of energy to support human life on Earth. In the case of entities, sustainability means managing the organization in such a way that it is able to provide future generations with strong social and environmental programs [4]. In a broad sense, sustainable development involves the application of the principles of sustainability to the company's operations. In the case of the company's operations, sustainability requires the use of resources so that the company continues to operate for a number of years, under the conditions of ensuring profit. Sustainability encourages the responsible use of resources. This implies not only that the entities ensure that they make a profit, but also that the operation does not create environmental concerns that could harm the balance of the environment.

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Methodology and Data

The methodology used in this research largely includes data from the Growth Limits Report from Rome in 1972, ideas from the Report of the World Commission on Environment and Development (1987), ideas and proposals from the Environmental Program Sustainable Development based on public procurement based on the definition of the World Commission on Environment and Development (WCED), discussion paper prepared by Rita Roos on behalf of the United Nations, the Center for Procurement Capacity Development and the United Nations, recommendations of the Program "Promoting" green "economic development in Eastern Partnership countries (EaP GREEN) launched in Moldova, and others.

Results

A sustainable economy has been talked about for decades. A crucial moment in this field was the publication of the Report "Limits of growth" by the Club of Rome in 1972. In recent years, discussions on sustainable development have become one among the priorities of the global agenda. This is due to scientific research, trends in developing countries and practical experience related to environmental degradation and the effects of climate change that clearly show the need to change economic development patterns. Sustainability is the only successful strategy for future business. Awareness of the sustainability of companies and businesses has increased in the last twenty years. Traditionally, companies focus on providing goods and services that meet customer requirements and can be traded at competitive but profitable prices. In a world where there are resource constraints, where ecosystems are degrading, climate change is influenced by human activities and where economic growth has failed to include all the world's citizens so far, the traditional role of the company is no longer enough to generate sustainable development. The report of the World Commission on Environment and Development (1987) [6], known as the Brundtland Commission, considers sustainable development as "a mode of development that meets the needs of the current generation without compromising the ability of future generations to meet their own" . The Federal Ministry for the Environment, Nature Protection and Reactor Safety in Germany suggests that sustainability is a comprehensive development concept that "aims at what is likely to be ecologically, socially and economically possible" (Nachhaltige Entwicklung als Handlungsauftrag, May, 2012). The French approach to sustainability introduces the new term "social / social responsibility", together with that of sustainable development. Corporate social responsibility lies in its contribution to sustainable development efforts. To this end, companies need to consider the effects of their best practices on the environment and society, in order to contribute to the progress of society and the protection of the environment (Corporate Social Responsibilities, 15 February 2013). The publication "Entreprise pour l'Environnement" (October 2005) considers that the term corporate responsibility has the advantage of being company-oriented, but does not include the dimension of development. [2]

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Given the concern about the impact of operations on the community, procurement participants can choose raw materials that are more environmentally friendly and design a waste disposal strategy that does not harm it. From a financial perspective, the three parts of sustainability can be considered as environmental capital, social capital and economic capital.

Sustainability is achieved only if the company succeeds in achieving economic efficiency, social equity and environmental preservation. Whatever the approach to its sustainability, the firm must adhere to the right principles that support its understanding, development and correct implementation as an integral part of its overall strategy [5]. Holism is the first principle to be respected, because it implies close and permanent relationships between the components of sustainability. The challenges of sustainability where relationships matter are ecological, social and economic, and ignoring holism has critical consequences on the functioning of sustainability as a system. The diversity of sustainability suggests the variety of elements or strategies and solutions that are different or not similar to each other.

The real challenge in drawing a long-term course is sustainability, which consists in balancing short- and long-term profitability, economic, social, ethical and moral goals - dimensions that are often not conventionally rewarded in economic systems. This perspective is characterized by the question: "How should entities, organizations, and last but not least, the state learn to innovate and advance in order to excel its management through activities and processes, so as to obtain its contribution to sustainable development? ".

According to a "Balanced Scorecard" study introduced by the British Kaplan and Norton in 1992, it is a management tool that supports the measurement of four perspectives of organizational performance: financial, customer, internal affairs, processes, learning and growth.

The SIGMA project is a traditional approach to stimulate the planning and decision-making process around sustainable development and sustainability. Balanced scores in this situation have two main functions:

- to measure performance from a number of perspectives (using a limited number of key performance indicators);
- to guide the development, communication and implementation of the strategy. Relevant issues include: innovation, lifelong learning, intellectual and human capital.



Fig. 1. SIGMA Sustainability Score - A strategic efficiency management tool.
Source: Developed by the author based on the source [4].

This study is based on the analysis of these strategic management tools of the state, namely:

Table 1.

Strategic efficiency management tools

Name	Role
Sustainability perspective	This perspective is characterized by the question: "How do we understand the success for this organization in terms of sustainable development and the goal of sustainability? What measures are social, economic and environmental performance relevant - in line with the values, vision and mission of the organization? ". Relevant issues in this case could include: environmental sustainability, human rights and economic performance. Therefore, this perspective will be influenced by the interpretation of the contribution of

	sustainable development of governments, organizations. A state or organization can use the SIGMA guiding principles to define the parameters and objectives for its own contribution.
External perspective of stakeholders.	This perspective is characterized by the question: "How should the state / organization engage and be accountable to stakeholders in order to achieve its contribution to sustainable development?" Relevant issues here could include: stakeholder responsibility and satisfaction. This perspective may cover some of the same issues as the sustainability perspective, as an example in which stakeholders see success in terms of a certain level of social performance, but it is differentiated in terms of differences in the organizational perspective of success from other national perspectives.
Internal perspective	This perspective is characterized by the question: "How should the organisation's management activities and processes work in order to satisfy stakeholders and achieve their contribution to sustainable development? Relevant issues could include: eco-efficiency, productivity and cost.
Perspectives of knowledge and skills	This perspective is characterized by the question: "How should the state / organization learn, innovate and improve in order to excel in its management through various activities and processes and obtain its contribution to sustainable development?". Relevant issues could include: innovation , lifelong learning, intellectual and human capital.

Source: Developed by the author based on the source [4]

These elements are of course interconnected. Knowledge and skills can help improve internal processes. Improved internal processes can improve customer service and increase satisfaction for a wide range of stakeholders and directly improve the financial baseline. Stakeholder satisfaction can improve financial performance, but will strongly relate to the social and environmental impact of the state. An improved financial framework can affect the organisation's ability to increase its impact on society beyond the direct impact of its products and services, employment practices and other activities.

Public authorities are major consumers in Europe, spending around 16% of the EU's gross domestic product (equivalent to half of Germany's GDP). By using their purchasing power to choose environmentally friendly goods and services, they can make a significant contribution to sustainable development. Green public procurement covers areas such as the purchase of energy-efficient computers and buildings, environmentally friendly wooden office equipment, recyclable paper, electric vehicles, environmentally friendly public transport, various environmentally friendly food for canteens, electricity from renewable energy sources, air conditioning systems compliant with the most advanced environmental protection solutions. Green procurement is also meant to set an example and influence the market. By promoting green procurement, public authorities can provide the industry with incentives for the development of green technologies. In some product, works and services sectors, the impact can be quite significant, as public purchasers control a large part of the market (in the field of computers, energy-efficient buildings, public transport, etc.). Finally, if the costs of a whole life cycle of a contract are taken into account, green public procurement makes it possible to save money and protect the environment at the same time. By purchasing wisely, you have the opportunity to save materials and energy, reduce waste and pollution, and you can encourage sustainable patterns of behavior.

At the same time, the role of sustainable procurement in the public procurement system becoming a common topic for the current situation, it is necessary to implement various strategies on sustainable public procurement in all countries of the world. At European level, the European Commission and many other governments as well as international organizations are increasingly focused on implementing strategies to use public procurement to achieve environmental or social justice goals, the effective institutionalization of sustainable public procurement. Sustainable procurement is based on "traditional" procurement principles and good practices and is seen as additional factors to maximize the social, environmental and economic benefits for the procurement organization, the supply chain and society as a whole.

In the context of sustainable procurement, the definition most cited by international authorities is: "Sustainable procurement is a process by which organizations meet their needs for

goods, services, works and utilities in a way that earns lifetime value for money. generating benefits not only for the organization but also for society and the economy while minimizing environmental damage. [7]

To implement sustainable public procurement, it is crucial to know the process of public procurement in the light of legal norms and international good practices. A policy of Sustainable procurement may fail if it is not implemented with attention or not are taken into account the legal provisions related to the use of procedures public procurement, the criteria that can be applied or the way of evaluating and verifying the criteria environmental. The procurement process is the same, whether a contracting authority procures an "environmentally friendly" product, service / work or not. When initiating a sustainable public procurement, the following aspects are relevant:

- ✚ The governing principles in the field of public procurement;
- ✚ The legislation that regulates the award process.

The principles set out below are essential and should be taken into account when initiating and conducting a procurement procedure for sustainable products, services, works:

- ✓ **transparency** - involves informing the participants in the procurement procedure about all information regarding the application of the award procedure, including with reference to the implementation of sustainable criteria;
- ✓ **proportionality** - reflects the assurance of the correlation between the need of the contracting authority, the object of the procurement contract and the requirements to be met during the application of the procedure and the execution of the contract;
- ✓ **mutual recognition** - is the recognition of certificates / documents issued by the competent authorities of other states;

✓ **value for money** - implies that any contracting authority is obliged to ensure the efficiency of public procurement, in other words, it must ensure the best value for money. They have the obligation to obtain the best values for taxpayers' money for everything they buy, but identifying the most advantageous offer does not necessarily mean the cheapest offer. Therefore, it means finding a solution that meets the requirements of the authority, including the environment, in the most cost-effective way. Best value not only includes measures related to the cost of goods or services, but also involves taking into account key factors such as quality, efficiency, effectiveness, and environmental protection can be one of these factors.

Regarding the need to implement the principles of sustainable public procurement at the World Summit in Johannesburg in 2002, Resolution 2 on sustainable development was adopted, aimed at "promoting the development and dissemination of sustainable goods and services through public procurement"; to respect the principles implemented for the sustainability of public procurement. The reasons invoked are multiple and diverse. The state being one of the major consumers of various goods, services, works can invoke sustainability conditions when announcing the competition, awarding contracts. Sustainable public procurement is also called "green procurement". The criteria for so-called "green procurement" predominate in EU public procurement law, with Directives 2014/24 / EU and 2014/25 / EU of the European Parliament and of the Council being the basic normative acts. In 2008 the EU Commission adopted the document COM 400 Communication Public Procurement for a Better Environment, whose main objective was to develop and implement recommendations on reducing the environmental impact of consumption for public needs and the use of "green procurement" to stimulate ecological innovations. This goal was for about 50% of EU public procurement to be based on green principles. It also promotes the integration of the three components of sustainable development, namely economic development, social development and environmental protection - interdependent pillars that reinforce each other [1].

Thus, the significance of sustainable procurement appears as a process through which organizations meet their needs for goods, services, works and utilities in a way that obtains value for money for life in terms of generating benefits not only for the organization, but also for society, while minimizing damage to the environment. [7] In other words, sustainable public procurement integrates the following factors generating sustainable procurement, shown in the following figure:

Factors generating sustainable procurement

Economic factors: include the cost of products and services throughout their lives as well as costs for society as a whole to ensure real value for money in the long run.

Environmental factors are necessary to reduce the environmental impact of goods, works and services (impacts on health and well-being, air quality, generation and disposal of hazardous materials) and to minimize the use of resources (reduction, recycling, reuse) throughout supply chain (also called "green procurement").

Social factors: include recognition of equality and diversity; respecting work based on standards; ensuring fair working conditions; increasing employment and skills; and developing local communities (also called "responsible" social procurement)

Fig.2 Generating factors of sustainable acquisitions

Source: Developed by the author based on the source [1]

The European Commission and many other governments as well as international organizations are increasingly focused on implementing strategies to use public procurement to achieve the objectives of society, the environment, social justice and the effective institutionalization of sustainable public procurement (the interconnection between them is in the following figure).

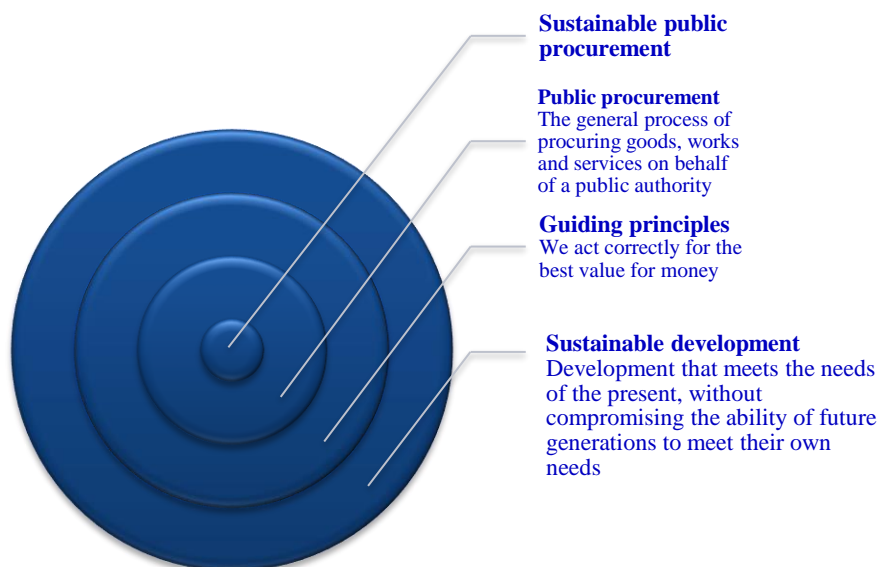


Fig.3 The interconnection between the objectives of societies, the environment, social justice and sustainable public procurement

Source: Elaborated by the author based on the source [8]

According to the figure above, there are different entry points for addressing sustainable public procurement, which can be grouped according to the development and implementation of national policies for sustainable public procurement, so that they participate directly in:

- ✚ the establishment of sustainable public procurement, in a public procurement entity;
- ✚ integrating sustainability, considerations and principles throughout the procurement process;
- ✚ ensuring skills, practices and techniques, which should exist to enable the success of the implementation of sustainable public procurement and the development of sustainable development.

In principle, sustainable development needs to be applied in all areas of activity, in order to meet basic material needs, in order to provide resources for optimizing the quality of life. Economic

development in particular, like any other type of development, requires measures to streamline human resources in particular, but also other types of resources in general. One of the major challenges of sustainable development is to find ways to encourage environmentally friendly economic activities and to discourage activities that cause environmental damage (air, water and soil pollution, respectively subsoil).

Conclusions

The emergence of the hypothesis regarding the clarification of the existence of the conceptual difference between sustainable and green procurement, imposes the need for research and implementation of sustainable procurement, with the primary objective of environmental sustainability and socio-economic development in saving public money. The public sector in our country has little experience in sustainable procurement. Through the legislative changes in the field of public procurement and through this project, the Government wants to give a clear signal - sustainable procurement has a key role for the Government, because it also means economic development, especially of small and medium enterprises. Contracting authorities have been urged to take into account, for the implementation of sustainable public procurement, a set of tools with which they can achieve performance in terms of procurement sustainability - life cycle cost, centralized procurement, energy performance contracts, framework agreements , alternative offers, etc.

Future Directions

According to the EaP Green program, the necessary recommendations to follow in our country are:

1. Implementing the strategy for developing public procurement, including sustainable and innovative public procurement
2. Promoting the concept of sustainable public procurement among contracting authorities through training
3. Supervision of pilot procedures for sustainable public procurement
4. Implementing the concept of public procurement in the institutional development strategies of public authorities
5. Development of the monitoring mechanism, based on qualitative and quantitative indicators.

As for the concept of sustainable development, let's not forget that paradigms or theories, such as species, appear and disappear on the historical scale. We must also keep in mind that "anyone who has never made a mistake has never tried something new" (Albert Einstein).

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