

## SUSTAINABLE PUBLIC PROCUREMENT – METHOD OF ATTAINING SUSTAINABLE DEVELOPMENT NATIONWIDE

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**Abstract:** *The article approaches new issues about the transition to sustainable development from the perspective of sustainable public procurement. Achieving sustainable development is one of the most urgent issues confronting all of the countries around the world. The goal is to ensure economic revival and, at the same time, to protect existing resources and the environment, taking account of the interests of future generations. Sustainable development also includes the stability of the main socio-economic and environmental indicators of economic system. At the same time, the sustainability of economic growth also presumes a set of conditions, factors and regulatory measures which provide the stability of final indicators due to economic balance. In this context, the authors point out on the fact that one of the most effective mechanisms for implementing sustainable development postulates at state level is through sustainable public procurement. Being the largest buyer on the market, the state is able to influence producers and consumers through public procurement and promote sustainable production and consumption. The practical implementation of sustainable procurement promotes the stimulation of green production, resources recycling, stimulation of the activity of small enterprises and the creation of new jobs. Thus, public procurement truly contributes to sustainable development.*

**Keywords:** *sustainable development, economy, society, environment, ecology.*

**JEL Classification:** *Q01, Q56.*

### 1. Introduction

The term "sustainable development" conceived 30 years ago as a solution to the ecological crisis caused by the intensive industrial exploitation of resources and environmental pollution, nowadays, it has become a multidimensional and constantly evolving concept. The definition given to this term in 1987 by the World Commission on Environment and Development (WCED) in "Our Common Future: Report", also known as the Brundtland Report: "sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Perciun, Ganea, Țurcan, Țurcan, 2021, pp. 165-172). Currently, we are talking about the rational use of material resources associated with the modern level of technology and social organization, and also the biosphere's capacity to deal with the consequences of human activity both now, but also for the future.

Economic growth, in order to be sustainable under the conditions of an informational society and the avalanche of crises present in the last few years, can be ensured only through developing a set of objectives and indicators of the sustainable development of society, economy and nature. In this context, it is obvious that a certain amount of government spending can help stimulate market transformation towards innovation and sustainability, thus allowing enterprises to become more environmentally accountable and move towards a greener economy. In the context of sustainable development, over the past decades, the economy has become one of the biggest challenges, as it represents the cornerstone for building a new socio-cultural model. In the sense of created and generated conditions worldwide, a sustainable economy is needed as a component of sustainable development, which is viable in the long term, but which at the same time holds the

capacity of responding both to the needs of conservation of the natural environment, and also of social requirements towards improving the quality of life.

An effective instrument for implementing sustainable development strategies it is represented by the *sustainable public procurement* system (SPP). The notion of sustainable public procurement is defined as the process in which goods, services or various works are procured by the government and state enterprises in order to perform their primary functions and simultaneously a method of protecting the environment, sustainable economic development, alleviating social problems, etc.

For the Republic of Moldova, sustainable public procurement can become one of the effective instruments that can help in implementing a sustainable development, due to the fact that the state is considered the largest buyer on the market, so through this instrument it can influence producers and promote sustainable production. Sustainable public procurements will contribute at stimulating the ecological production, recycling of raw materials, supporting small and medium-sized enterprises, including by creating new jobs, etc. Lately, it is noted that the state is making major efforts to support and promote organic products, which is interpreted by consumers as a signal of confidence to buy organic goods on the market under fair trade conditions. On the other hand, among the state's priorities in the field of science and innovation we can find radical changes in the methods and means of environmental protection, which, due to practical application, will reduce the technogenic impact on the biosphere in the future. Therefore, sustainable public procurement for small developing economies can become an effective instrument for implementing the "Moldova 2030" Strategy. The state being the largest buyer on the domestic market and having the will and political power can directly influence producers and consumers to promote sustainability in production and consumption.

## 2. Description of the Problem

The specific challenges of sustainable development are at least as heterogeneous and complex as the diversity of human societies and natural ecosystems from all over the world. As a concept, sustainable development remains an open, dynamic and evolving idea which can be adapted to suit different contexts. In this context, the concept of public procurement becomes one of the effective implementation mechanisms of sustainable development policies. At the World Summit on Sustainable Development (WSSD), held in Johannesburg in 2002, public authorities were advised "to promote the development and dissemination of sustainable goods and services through public procurement".

Public procurement is the subject of numerous studies, thus in 2009 English authors Walker H., Brammer S. for the first time (Walker, Brammer, 2009, pp.128–137) have defined this notion in the context of sustainable development referring at ensuring a strong, healthy and fair society; living within the boundaries of the environment; and promotion of good governance.

Another key study in this field was realized by Hoejmoose and Adrien-Kirby (Hoejmoose, Adrien-Kirby, 2012, pp. 232-242), which completed one of the first systematic literature analyzes of public procurement from a social and environmental point of view (SERP), based on both a quantitative as well as a qualitative approach.

German authors Akhavan and Beckmann consider that sustainable auction processes constitute a multidimensional approach based on the following three axes: social, environmental and governance. They built a category-based model that includes a valuable framework for analyzing the way how sustainability can be included in contracting strategies and practices:

- internal integration and governance;
- selection procedures of providers based on social or environmental considerations;

- the empowerment of providers, with particular reference to social or environmental considerations;
- external governance and inter-organizational cooperation (Akhavan, Beckmann, 2017, pp.137-151).

Special attention has been given to the role of the state in the promotion of sustainable public procurement. Thus, we support the ideas of researchers that in their studies come up with pertinent arguments sustaining the fact that the states must strive to make public procurement an instrument for integration growth, on the one hand, and focus on national priorities and increased protectionism to protect against the competition, on the other hand, that becomes especially relevant during a crisis.

### 3. Methodology and Data

The key research methods applied in the present paper were analysis, comparison, evaluation, systematization, graphical and tabular presentation, etc. The authors' publications were analyzed on the topic of defining and applying in practice a sustainable public procurement. The information presented in this paper is based on a systemic evaluation of the legislation in force, analysis of the EU and Republic of Moldova statistical databases with the analysis of the reports issued by the Agency of Procurement and the Ministry of Finance of the Republic of Moldova. This paper was supplemented with information provided by the *M Tender* platform.

### 4. Results

Public procurement is normally regulated by both national laws, as well as by international and regional trade through agreements that influence national law. The national legislation in the field of public procurement is regulated by the Law no. 131 of 03/07/2015 on public procurement, that regulates this procedure and sets out a set of general principles regarding the public procurement process, such as: efficient use of public money, ensuring competition, transparency, environmental protection, liberalization and expansion of international trade, free movement of goods, equal treatment, impartiality, non-discrimination with regard to all tenderers and economic operators, taking responsibility in public procurement procedures (Legislație. Agenția Achiziții Publice, 2022). Law no. 74/2020 on procurement in the energetic, water, transport and postal services sectors, which partially applies the Directive 2014/25/EU and concerns to SPP conducted by entities from the stipulated fields (Legea nr.74 din 21-05-2020).

At international level, public procurement in the Republic of Moldova is regulated by the directives of the European Parliament and of the Council of 26 February 2014: 2014/24/EU which mentions the importance of SPP in the Europe 2020 Strategy "for smart, sustainable and inclusive growth". The types of procedures are described and how they can be deployed and the instruments applied for different types of procurement. The document allows at the discretion of the authorities at different stages of the procurement procedure to include environmental analysis, technical specifications, award of contracts and performance stage. 2014/25/EU on procurement realized by entities which operate in the water, energy, transport and postal services sectors and abrogation (European Parliament, Council of the European Union, "Directive 2014/24/EU"; European Parliament, Council of the European Union, "Directive 2014/25/EU"). The provisions at international level, and especially at European level, are transposed into major strategic macroeconomic policies acts at national level (Hotărâre nr.377 din 10 iunie 2020).

The regulatory documents emphasize the achievement of social development objectives based on the public procurement process. These objectives include environmental protection, social responsibility, innovation, combating climate change,

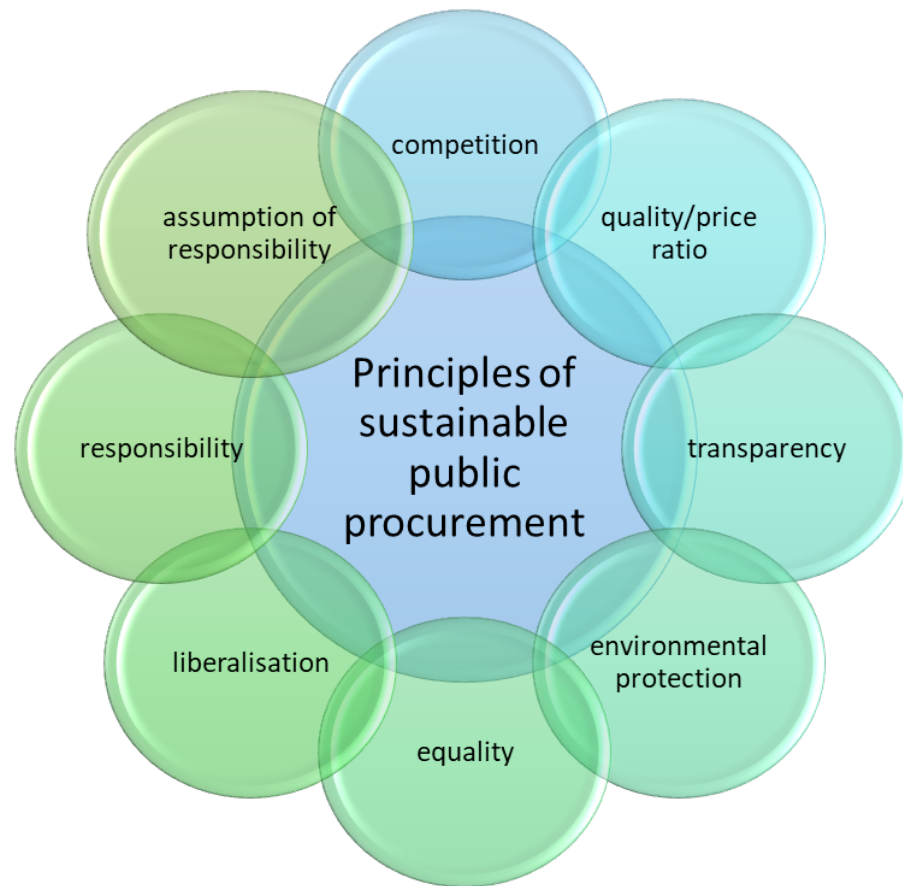
employment, public health and other social and environmental considerations (Legea nr.131 din 03-07-2015).

The sustainable development objectives of the Republic of Moldova with reference to public procurement, mentioned in the National Development Strategy “Moldova 2030” (Hotărâre nr.377 din 10 iunie 2020), can be found in the chapter ”Revenue growth from sustainable sources and attenuation of economic inequalities”. A priority action identified in this regard is the development of the abilities of young specialists in the business environment by establishing a mechanism through which will be given the access to the public procurement market to young innovative enterprises.

It is also an essential aspect to ensure responsibility and minimize corruption. Transparency in the Republic of Moldova is ensured by The Agency of Public Procurement, which monitors the conformity of conducting the public procurement procedure and performs the analysis of the public procurement system.

According to the report regarding the activity in the field of public procurement carried out during 2021 (Agenția Achiziții Publice. Raport privind activitatea în domeniul achizițiilor publice desfășurate în perioada anului 2021) transparency is ensured by the publication of the application on the official WEBSITE – [www.tender.gov.md](http://www.tender.gov.md); The Public Procurement Bulletin (PPB) is published regularly; the list of public contracts is published regularly; workshops, round tables and meetings are organized.

However, we note that at the moment the notion of sustainable public procurement is lacking from the legislation and public documents. *The authors consider that under the current conditions of the national economy sustainable public procurement describes the process by which public authorities seek to achieve the right balance between the three pillars of sustainable development – economic, social and environmental, and can be defined as an effective instrument for improving the quality and promoting goods, works and services on the market, while avoiding in the same time the additional burden on public finances.* In these circumstances, we believe that SPP will rely on the following principles:



**Figure 1 - Principles of the application and implementation of sustainable public procurement**

*Source: Developed by authors*

The principle of *assumption of responsibility* is significant in the public procurement procedure that ensures fair competition by preventing corruption. Violation of this principle can cause serious problems related to the code of conduct, which in the case of public procurement has a much greater impact compared to professionals in other fields.

*Competition* in the field of public procurement is ensured through competitive auctions of products and services. To initiate the public procurement process, it starts with the notice of commencement where all requirements are indicated and is launched an invitation to tender from the relevant providers. After that the tenders are registered and handed over to the tender committee for the evaluation of tenders if they meet all the announced requirements. The credibility of providers and the relevance of the cost are checked along the way. After the tenders' evaluation, the tender is attributed to the most competitive and credible provider. This competitive bidding process reduces the chances of favoritism, corruption and fraud. In addition, it encourages and increases the participation of more providers, also the high competition leads to the reduction of costs and improving the quality of products and services (Albert Sanchez-Graells, 2015, pp.80-87).

*Quality/price ratio* is a basic principle which requires public organizations to administrate public money in an efficient way, thus contributing to policy development by setting the rules and priorities to achieve the best reimbursements and results in relation to expenditure.

*Liberalization, Equality and Transparency* refers to the open system, which makes it very important for the procurement process.

*Responsibility* is an imperative principle of public procurement; contracting authorities constitute working groups, which are responsible for the whole process (Agenția de Cooperare Internațională a Germaniei, 2014, p.10).

*Environmental protection* through the promotion of public procurement involves the elimination of environmental damage and aims the capacity growth of enterprises with sustainability criteria to respond to public tenders.

In the context of the national economy, competition conducted in a fair and transparent manner is a basic principle for public procurement. The procurement process should be carried out in a manner that provides all interested parties a fair trial. The announcement and conduct of tenders shall be performed openly (see Table 1). Each method has its own strengths and weaknesses, thus the interested parties are instantly informed about the strengths and weaknesses of their own tenders. Transparency ensures that any deviations from fair and equal treatment are detected early and makes such deviations less likely to occur.

**Table 1. Procurement methods announced for 2021 in the Republic of Moldova**

Indicators	Amount, million lei	Additional contracts and agreements	Cancelled	The rate of canceled procedures
The announcement and conduct of an open auction through the information system	6449	6163	407	18,86%
Announcement and conduct of procedures by requesting the price offers through the automated information system State Register of Public Procurement (M Tender)	1278	5645	556	56,91%
Conduct of public procurement procedures through negotiation without prior publication of a contract notice	475	710	-	-
Conduct of public procurement procedures through the framework agreement	11	3	-	-
Conducting the public procurement procedures through the automated information system State Register of Public Procurement	229	929	-	-
<b>Totalization</b>	<b>8445</b>	<b>13450</b>	<b>963</b>	<b>-</b>

Source: developed by the authors based on (\*\*\*)Agenția Achiziții Publice, 2021)

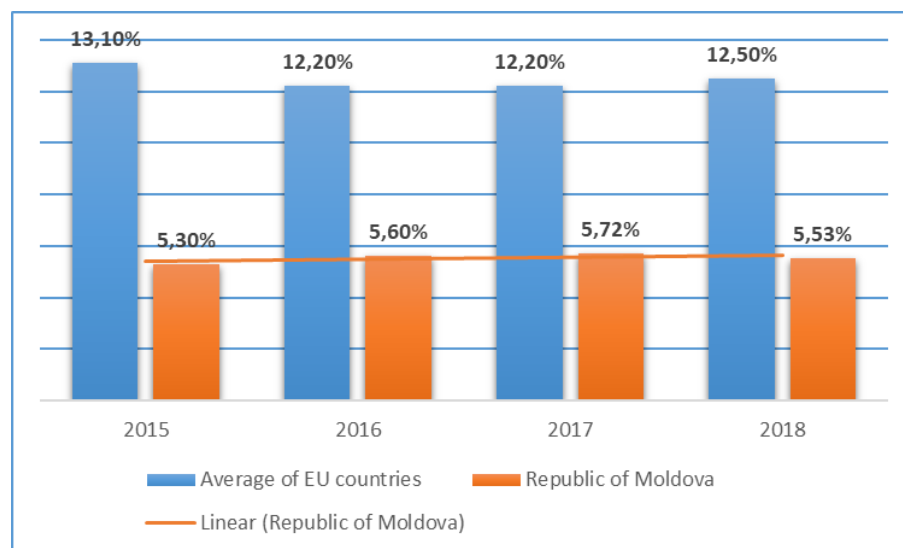
For the Republic of Moldova it would be beneficial to learn from the experience of the countries that have already demonstrated effectiveness in this field. Thus, the OECD study (Organisation for Economic Co-operation and Development) regarding the public procurement established that most countries are oriented into treating environmental

concerns and sustainable public procurement as development policies. This approach is widely accepted in Sweden, Finland, and Denmark. In terms of environmental impact, public procurement increases the demand for agricultural products that produce lower greenhouse gas emissions. A significant benefit of purchasing supplies from local producers is the growth of sustainability in correlation with the country's food system (Risku-Norja, 2016; Sorensen N. et al., 2020, pp. 3428-3435).

The transition to ecological public procurement is also significant in Italy. The main features of the public procurement system in Rome are: consistent implementation of quality requirements while offering manufacturers the time needed to meet these requirements; the availability of sufficiently long contracts for the provision of products which will ensure the stability of supplies; supporting the participation of local providers, including small producers, by breaking the contract into small batches; the presence of a dialog between providers and buyers to discuss problems and find common solutions; constant monitoring of contractors' projects with daily testing and control (Barling, Andersson, Bock, et al., 2018).

The French government proposes that by 2023, at least half of all aliments purchased by the public sector for educational institutions, hospitals and other public institutions must be organic or produced at a local level. This initiative outlines the role of public procurement in supporting national agriculture (France Strategy, 2021, pp. 262-263).

Compared to the indicators of the EU countries, the expenditure on public procurement of goods and services in the Republic of Moldova is twice as low (see Figure 1), but, however, the state is still the largest customer of goods and services in the country. In order to support the business environment, when concluding contracts, the state could firstly priorities local small and medium-sized businesses.



**Figure 2 - Estimation of public expenditure as % of GDP in the Republic of Moldova and the average in EU countries**

Source: developed by the authors based on (\*\*\*)Agenția Achiziții Publice, 2021; (\*\*\*)Public Procurement Indicators, 2018)

The public procurement mechanism can undoubtedly be an effective instrument for the transition to sustainable development. According to the data taken from the official public procurement portal of the Republic of Moldova, in 2021, the total cost of completed

tenders was over 8445 million lei, which is equal to 3.49% of the total amount of state budget expenditures for 2021 (Biroul național de statistică). In general, it can be observed that in the average for the last five years were spent 186,181 million lei and about 4.9% of GDP (Agenția Achiziții Publice, 2021, p. 18), which reveals that the expenditures from the state budget are made for the purchase of products, services and other works. Consequently, these expenditures enable the government to use the power of the market to achieve economic, social, as well as environmental results. Plus value, the market is stimulated to produce and consume in a sustainable and innovative manner.

Therefore, for the Republic of Moldova, the task of creating and implementing a comprehensive program regarding the ecological activities for sustainable public procurement is relevant. The state must actively support the process from a political, organizational and financial point of view. By acting actively in this direction, we will be able to correspond to the global trend of ecological change in economic, social and environmental life by ensuring security and respect for the interests of future generations.

### 5. Conclusions

Public procurement policies emphasize and build a relevant framework and implement the public procurement concept in the context of the economic, social and environmental perspective when procuring projects, products and services. The Government has the responsibility to regulate and control the execution of public procurement in accordance with the normative framework and the provided principles. Also, are provided methods of integrating sustainability and innovation issues into public procurement. This will increase the understanding of public procurement policies and their relevance to sustainability and innovation.

In worldwide practice, sustainable public procurement as a mechanism of implementation the sustainable development policies is becoming increasingly widespread. In order to successfully implement the principles of sustainable public procurement in the Republic of Moldova, it is necessary first of all to improve the legislation in the field of public procurement, which will stimulate the activity of national producers, as well as to pay more attention to the environmental component of the country.

The volume growth of government public procurement for ecological goods would influence private consumers to purchase ecological products and goods, thus stimulating the production of organic products and the development of socially responsible businesses. SPP becomes an effective mechanism in the implementation of sustainable development policy and encourages the procurement of certified goods, the use of reusable packaging, the use of energy-efficient equipment, the limitation of gas emissions, according assistance to NGOs, small enterprises, ethnic minority enterprises, creating new jobs and many other are examples of sustainable public procurement.

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