



Integrating Responsible Business Conduct in Public Procurement



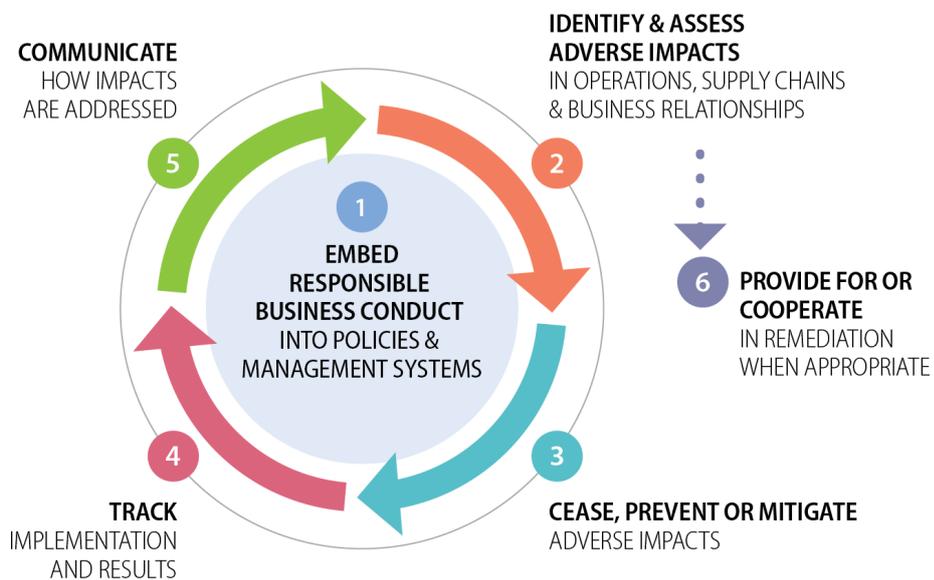
Public Procurement & Responsible Business Conduct

Society has become increasingly aware of environmental and human rights-related risks in global supply chains. Both governments and business are under pressure to take greater responsibility to prevent and address these risks. The purchasing power of governments, in particular, is emerging as an important lever to promote transparency and sustainability in supply chains. This includes strengthening risk management systems in public procurement to cover global value chains comprehensively, and integrating Responsible Business Conduct (RBC) objectives and risk-based supply chain due diligence in public procurement.

Accounting for an average of 12% of gross domestic product (GDP) in OECD countries, the impact of public procurement is vast. However, if public procurement is not managed properly, it may have negative impacts on the environment and society. Increasingly, governments view public procurement as a strategic policy tool to promote sustainability, inclusiveness, and resilience.

The COVID-19 pandemic illustrates the relevance of this agenda as disruptions in global supply chains revealed gaps in risk awareness. Many public buyers have had to admit they were unaware of the provenance of their supplies and the associated risks, including possible over dependence on a few suppliers. **Implementing OECD risk-based supply chain due diligence in public procurement processes can strengthen supply chain resilience and help buyers make well-informed business decisions to prevent and address risks.**

Figure 1. OECD risk-based due diligence process and supporting measures



Societies and economies worldwide are responding to mounting challenges, to recent events like the COVID-19 pandemic and to ongoing mega trends like climate change. Nonetheless, these challenges also provide an opportunity. Governments are now in a unique position to recognise their responsibility to avoid harmful impacts. While building back better, governments can implement efficient and effective measures to ensure responsible conduct in all areas of government action, most notably in public procurement. The OECD's evidence-based analysis continues to support these efforts.

Integrating RBC in Public Procurement

This report highlights how OECD members and adherents to OECD instruments (the [OECD Recommendation on Public Procurement](#) and the [OECD Guidelines for Multinational Enterprises](#)) incorporate RBC objectives and risk-based due diligence into their public procurement systems. The analysis in the report considers three aspects of RBC: coverage of RBC objectives; their integration throughout the procurement cycle; and their application along the supply chain. The analysis shows that the uptake of RBC objectives in public procurement is incomplete and uneven and that limited systematic risk-based supply chain due diligence is incorporated in the frameworks and practices of central purchasing bodies (CPBs).

Challenges also remain on the implementation of a number of RBC objectives and follow-up to monitor the uptake of RBC objectives is weak. For the purposes of this report, RBC objectives include considerations related to the environment, human rights, labour rights, minorities, people with disabilities, the long-term unemployed, gender, and integrity.

Figure 2. Objectives of Responsible Business Conduct



WHAT IS RESPONSIBLE BUSINESS CONDUCT?

Responsible Business Conduct (RBC) is about integrating within the core of businesses the management of risks to the environment, people and society. RBC principles and standards set out the expectation that businesses – regardless of their legal status, size, ownership or sector – contribute to sustainable development, while avoiding and addressing adverse impacts of their operations including throughout their supply chains and business relationships.

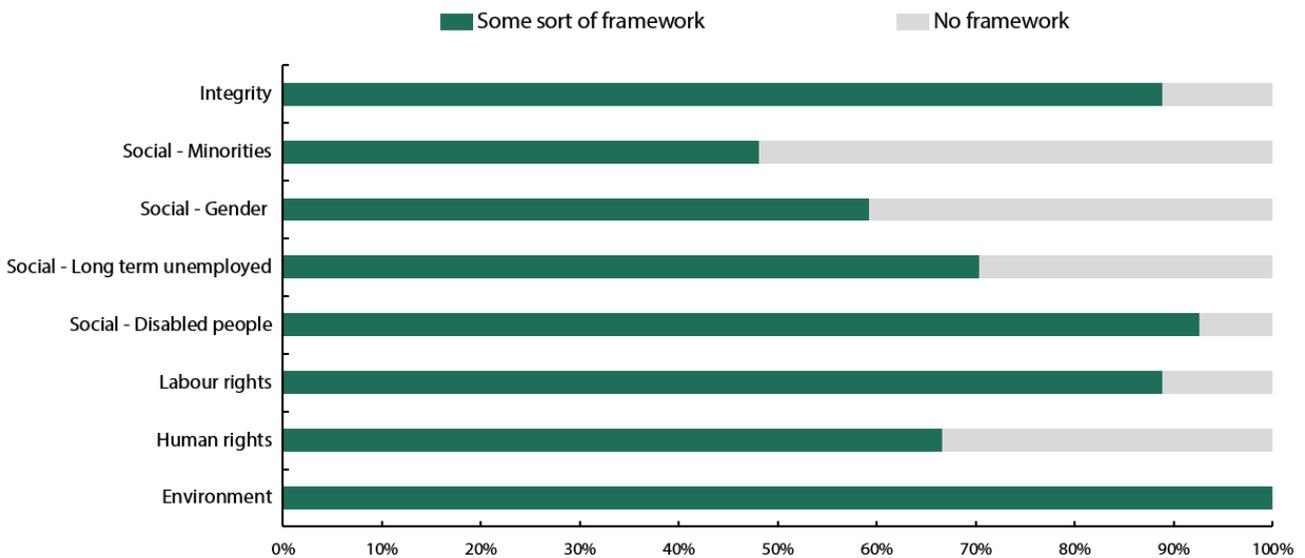
WHAT IS PUBLIC PROCUREMENT?

Public Procurement is the purchase by governments and state-owned enterprises of goods, services and works. It refers to the process of identifying what is needed, determining who the best person or organisation is to supply this need, and ensuring what is needed is delivered to the right place, at the right time, for the best price and that all this is done in a fair and open manner.

Key findings

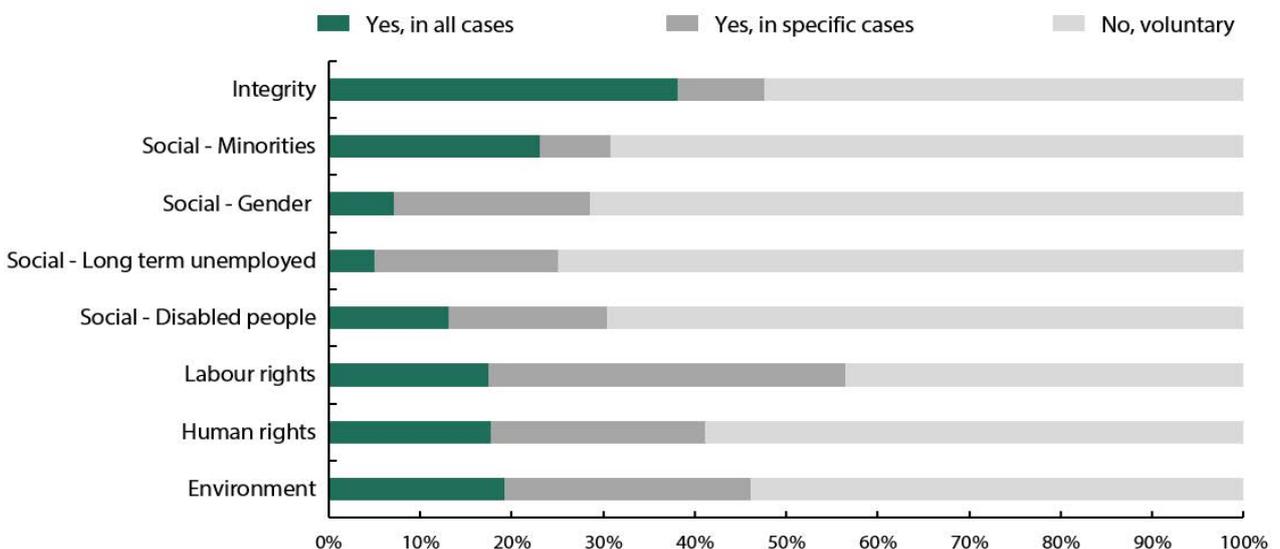
A majority of countries covered by the survey promote some RBC objectives through public procurement, but only a few have comprehensive frameworks addressing all RBC objectives throughout the entire supply chain. For example, all countries have a strategy or framework to support environmental objectives in public procurement, but few have frameworks linked to other RBC objectives. **Central Purchasing Bodies (CPBs) have their own policies and strategies for certain RBC objectives** linked to the environment, human rights, and integrity, for example. At best, 20-25% of these institution-level policies and strategies apply to the entire supply chain.

Figure 3. Share of countries that have any type of framework to support RBC objectives



Note: Based on data from 27 countries; either regulatory or strategic framework
 Source: OECD Survey, Leveraging Responsible Business Conduct through Public Procurement, 2020.

Figure 4. Countries applying regulatory or strategic frameworks in the supply chain



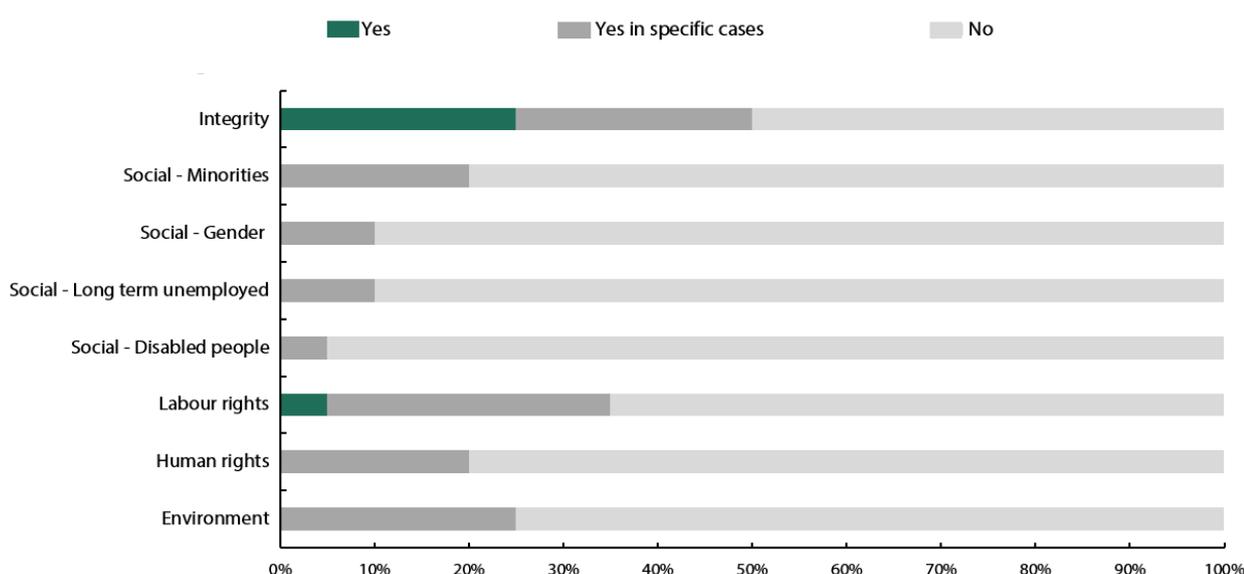
Note: Based on data from 27 countries; either regulatory or strategic framework
 Source: OECD Survey, Leveraging Responsible Business Conduct through Public Procurement, 2020.

Key findings

The most important reasons for governments to integrate RBC objectives into the public procurement framework are to achieve policy coherence nationally and to align with international expectations on RBC. When developing regulatory and policy frameworks, stakeholder feedback from business and civil society is not sought as consistently as possible.

Different RBC objectives do not feature equally in the various phases of the public procurement cycle. When planning purchases, CPBs frequently consult with businesses regarding environmental considerations (53%), but rarely on other RBC objectives. This is noteworthy, as the lack of market engagement is an important challenge for companies responding to RBC objectives set by contracting authorities. Over two-thirds of CPBs verify whether the *main contractor* complies with environmental, labour rights and integrity-related requirements set in a contract, but do not verify compliance at the *sub-contractor* level to the same extent.

Figure 5. Extent to which CPBs verify of fulfillment of contractual RBC obligations in the supply chain



Note: The figure is based on data from 20 Central Purchasing Bodies; it illustrates responses where CPBs verify fulfillment at least at subcontractor level.

Source: OECD Survey, Leveraging Responsible Business Conduct through Public Procurement

Across all RBC objectives, the top challenge for policy makers is a lack of understanding of how to achieve them through public procurement. Implementation of these objectives appears particularly difficult for requirements related to human rights and related to minority concerns (flagged by around half of the countries).

Monitoring and follow-up of RBC objectives is weak. More than 80% of countries monitor the uptake of environmental considerations at least partially. Fifty percent of country frameworks provide for actions against suppliers infringing RBC standards in their supply chains. One in ten countries require that suppliers change their supplier in case of violations.

In practice, public procurement processes rarely include a consistent due diligence approach. Four out of five CPBs use risk management frameworks considering at least some RBC objectives, and more than 80% CPBs have identified high-risk purchasing categories. More than half of CPBs require suppliers to certify that they know their supply chain, but only a limited number of CPBs require suppliers to actually conduct supply chain due diligence.

Key recommendations

The findings highlight several avenues to integrate RBC objectives in public procurement. Governments are encouraged to create comprehensive and consistent frameworks to strengthen RBC in public procurement, including by implementing risk-based supply chain due diligence in public procurement.

Governments should also consider actions to support capacity building for public procurement practitioners. In implementing these recommendations, governments should take into consideration the experiences and perspectives of relevant stakeholder groups.

PRIORITY MEASURES TO PROMOTE RBC THROUGH PUBLIC PROCUREMENT

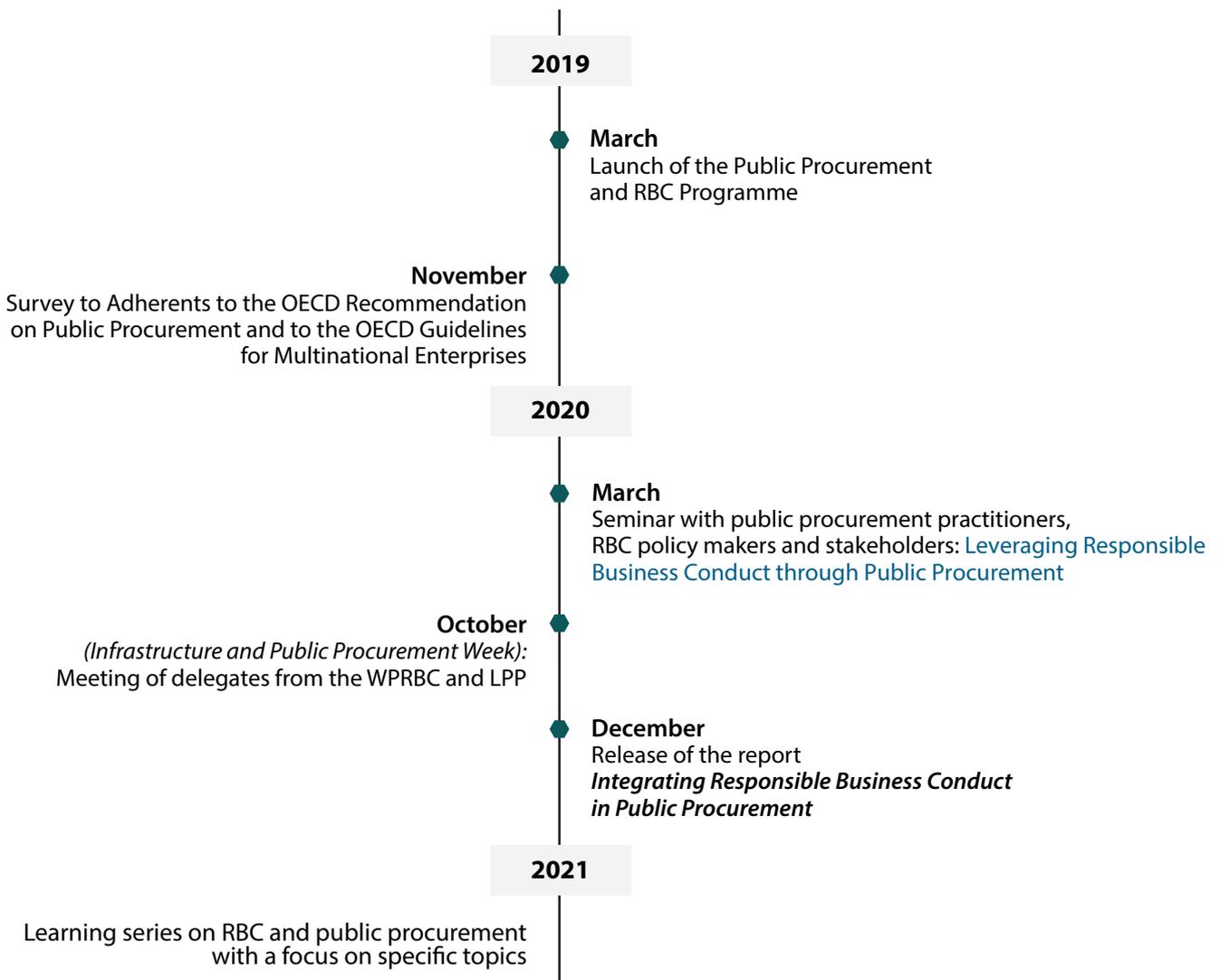
- **Adopting a comprehensive approach to considering RBC objectives in public procurement systems, covering aspects of RBC objectives throughout the entire supply chain.** To do so, governments could align frameworks on RBC in public procurement with international standards such as the [OECD Guidelines for Multinational Enterprises](#) (MNE Guidelines), the [OECD Due Diligence Guidance for Responsible Business Conduct](#) and the [OECD Recommendation on Public Procurement](#).
- **Integrating stakeholder perspectives, including from business, civil society, unions and other stakeholders, when developing and implementing RBC frameworks in public procurement.**
- **Integrating RBC objectives comprehensively throughout all phases of the public procurement cycle.** This should include market engagement through to contract management, and give special attention to contractual obligations.
- **Improving practitioners' knowledge, capacity and ability to implement RBC objectives in public procurement,** drawing on existing tools, strategies and practices for supply chain mapping, risk management in public procurement and due diligence.
- **Monitoring the implementation of RBC objectives in public procurement,** especially through strengthened contract management strategies, and collecting and publishing data resulting from these activities.
- **Facilitating the closer collaboration of policy makers and practitioners through existing public procurement and RBC-related networks,** such as the National Contact Points for RBC (NCPs) or public procurement networks.

OECD work on RBC & Public Procurement

OECD members have long recognised the potential benefits of more sustainable and responsible purchasing practices. To advance this agenda, the OECD launched a programme to further integrate RBC considerations and risk-based supply chain due diligence into public procurement policies and processes. This report contributes to the research and analysis component of this programme. In addition to analysis and research, this multi-phased programme provides a platform for policy makers and practitioners to share lessons learned and agree on ways to integrate RBC objectives into public procurement.

The programme is jointly managed by the OECD Working Party of Leading Practitioners on Public Procurement and the OECD Working Party on Responsible Business Conduct. The report was developed in close collaboration with OECD members and countries adhering to OECD instruments on public procurement and RBC.

It is a joint effort by the OECD Centre for Responsible Business Conduct within the OECD Directorate for Financial and Enterprise Affairs and the Infrastructure and Public Procurement Division within the OECD Public Governance Directorate. The analysis also takes into account views from National Contact Points for RBC (NCPs), business, industry associations, civil society and trade unions.



Integrating Responsible Business Conduct in Public Procurement



Section 1. **Public Procurement -** **Supporting Responsible Business Conduct**

Section 2. **The Public Procurement Policy Environment** **and Responsible Business Conduct**

Section 3. **Implementing RBC Objectives in Practice**

Section 4. **Conclusions and Recommendations**

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This report highlights how OECD members and adherents to OECD instruments incorporate RBC objectives and risk-based due diligence into their public procurement systems.

This highlights booklet reproduces key messages and recommendations from the report.

oe.cd/pp-rbc

