



## Life cycle approach in the European Union



Public Procurement Principle: **Balance**



Procurement Stage: **Pre-tendering, Tendering**



Audience: **Procuring entity, Policy maker**

### Description

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Life-cycle Costing (LCC) is being applied by an increasing number of public authorities across the EU and in a range of sectors. Under the 2014 EU procurement rules, a contract must be awarded based on the most economically advantageous tender. Cost or price forms part of the assessment of any procedure, and is usually one of the most influential factors. Costs may be calculated on the basis of a product's life-cycle. But how do you define the cost?

When you purchase a product, service or work, you always pay a price. Purchase price, however, is just one of the cost elements in the whole process of purchasing, owning and disposing. Life-cycle costing (LCC) means considering all the costs that will be incurred during the lifetime of the product, work or service:

- Purchase price and associated costs (delivery, installation, insurance, etc.)
- Operating costs including energy, fuel and water use, spares and maintenance
- End-of-life costs such as decommissioning or disposal. LCC may also include the cost of externalities (e.g. greenhouse gas emissions) under specific conditions laid out in the directives.

*Source:* OECD (2018) Procurement Review of the Chamber of Commerce of Bogotá, Colombia, Aligning best practices with the OECD Public Procurement recommendations <https://www.oecd.org/gov/public-procurement/publications/procurement-review-chamber-commerce-boqota.pdf>

