



## Public Procurement – Price-Taker or Market-Shaper?

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### Public Procurement – Price-Taker or Market-Shaper?

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Sandra G. Hamilton is a researcher at the Manchester Institute of Innovation Research. Her research investigates the role and responsibility of public procurement to generate incremental social value. Sandra is a UK/Canadian citizen, Canada's first Social MBA and designer of Canada's first municipal Social Procurement Frameworks. In 2017, she presented her work on 'The Importance of People, in a People, Planet, Profit approach to Sustainability' at the WTO Symposium on Sustainable Government Procurement in Geneva. In 2021 at the WTO Public Forum, she discussed the role and scope for green government procurement in an open international trade environment. She serves as an appointed expert to the British Standards Institute (BSI) Committee on Construction Procurement (CB/500).

## **SDG 12.7: Public Procurement—Price-Taker or Market-Shaper?**

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### **Abstract**

This paper examines the role of government procurement as a social policy mechanism within a multilateral open trading system. Government regulations globally are being transformed to foster more responsible business conduct in multinational enterprises (MNEs). Yet, concern that sustainability may present a discriminatory barrier to trade has stalled the progress of sustainable public procurement (SPP) at the international level, raising questions regarding the role and scope of the World Trade Organization's (WTO) Government Procurement Agreement (GPA) to align taxpayer funded contracts with the United Nations (UN) Sustainable Development Goals.

*Design/methodology/approach:* With a focus on social sustainability, this paper reviews policy documents, grey and academic literature to identify emergent themes in public procurement policy and supply chain legislation in high-income countries.

*Findings:* Frontrunner nations are adopting a mandatory approach to sustainable public procurement and due diligence legislation is elevating supply chain risk from reputational damage to legal liability. While technological innovation and the clean, green production of manufactured goods dominates the sustainable public procurement literature, the social aspects of sustainability poverty, inequality and human rights remain underrepresented.

*Originality:* To build the capacity to stimulate competition based on social and environmental policy objectives, the paper introduces the concept of *priceless procurement* in business-to-government (B2G) contracts.

*Limitations:* This paper is limited to the examination of high-value government procurement covered by the WTO-GPA (2012). Contracts below GPA thresholds, and the category of defence are beyond the scope of the paper.

**Keywords:** UNSDG, SDG12.7, sustainable public procurement, socially responsible public procurement, government procurement, decent work, responsible management.

## 1. Introduction

This paper examines the changing role of government procurement as a social policy mechanism to improve the wellbeing of people and planet by fostering more responsible business conduct in multinational enterprises (MNEs). Government procurement is defined as an acquisition for public consumption (Weiss, 1993) and represents approximately 12% of gross domestic product (GDP) (OECD, 2020). Public procurement is the mechanism that the state and its territorial or functional subdivisions use to undertake public works; build roads; and provide healthcare, education and public order (Erridge and McIlroy, 2002). Conventional economics argues that increased productivity and economic growth are needed to raise living standards and advance social progress. However, in a departure from traditional economic thinking, civil society and high-profile economists (Carney, 2020; Mazzucato, 2018; Raworth, 2017) are increasingly advocating for change. To shape an economy where people and planet thrive, governments are under pressure to take a more proactive role in shaping the directionality and social responsibility of global markets.

The United Nations (UN) Sustainable Development Goal #12.7, ‘Sustainable Public Procurement’, calls upon governments to promote public procurement practices that are sustainable in accordance with national policies and priorities (UNEP, 2020). Although this goal tends to be dominated by environmental considerations (Miemczyk *et al.*, 2012), sustainable public procurement is an umbrella term incorporating both green public procurement (GPP) and socially responsible public procurement (SRPP). At the intersection of business, government and society, this paper responds to calls from leading scholars (Andhov *et al.*, 2020; Brammer and Walker, 2011; Grandia and Kruyen, 2020; Grandia and Meehan, 2017; Grandia and Voncken, 2019; SAPIENS, 2021) for more research into the under-studied social aspect of sustainable public procurement, examining a rapidly changing policy landscape and the changing role of government procurement in high-income countries.

The sustainable public procurement literature is dominated by clean production. With a focus on technological innovation and the transitions needed to reduce, or even better eliminate, the negative effects of manufactured goods on the environment. The social grand challenges of poverty, inequality and human rights remain underrepresented. This paper seeks to shed light on the policy innovations of frontrunner governments working to use public procurement to generate incremental social value globally by rewarding the most sustainable and socially responsible market actors (Andhov *et al.*, 2020; Raworth, 2017; Rockström *et al.*, 2009), for the delivery of non-commercial

public policy objectives, thereby potentially transforming government procurement from *price-taker* to *market-shaper*.

## **2. Responsible Business Conduct: Government Procurement and World Trade**

In 1977, Cambridge scholar and economist Joan Robinson (1977, p. 1337) asked the most significant economic question: ‘What is growth for?’. New Zealand Prime Minister Jacinda Ardern declared that ‘economic growth is pointless if people aren’t thriving (McCarthy,2019). Economic growth accompanied by worsening social outcomes is not success. It is failure’. An increasing number of scholars argue that economics has become disconnected from social progress (e.g., Chataway *et al.*, 2014), with increased productivity no longer equating to the advancement of societal wellbeing (Saez and Zucman, 2016). The twenty-first century grand challenges of climate change, poverty, inequality and decent work are the most significant concerns facing governments today (UN Foundation, 2020). The voluntary regulatory approach has proven ineffective in mitigating income inequality (Alvaredo *et al.*, 2018), poverty (Oxfam, 2021) and modern slavery (Burmester *et al.*, 2019; Martin-Ortega and Methven O’Brien, 2019) on a global scale.

The 2019 global pandemic amplified pre-existing inequalities already disproportionately affecting ‘equity-deserving’ groups—those ‘left behind’ on the basis of race, class, gender, sexuality, disability or place of birth (Oxfam, 2021; Troje and Andersson, 2020). The World Trade Organization (WTO) describes the COVID-19 pandemic as an unprecedented health crisis with far-reaching socioeconomic effects. Poverty has increased and inequality has deepened, with women, youth and children most affected. The World Bank estimates that the pandemic will push as many as 163 million people into poverty by the end of 2021, threatening progress towards the Sustainable Development Goals (SDGs) (WTO, 2021a). The COVID-19 crisis further exposed the disconnect between value and values—between what matters most to society and what the market values (Carney, 2020). In a post-COVID-19 world, the idea that companies bidding on public contracts must also contribute to addressing socioeconomic problems has rapidly gained traction and legitimacy (UK Government, 2020). Business-as-usual management practices, that exploit people and planet in pursuit of profit, will not contribute to achieving the 2030 SDG agenda (Nagler, 2020). This is leading to a new political landscape, with civil society, politicians and governments calling for a change in the role of business in society, prompting a paradigm shift in procurement practice and how value is defined in publicly funded contracts.

‘We refuse to accept that deforestation or forced labour are part of the global supply chain. Companies will have to avoid, and address, harm done to people and planet in their supply chains,’ said Dutch MEP and rapporteur Lara Wolters ( Harvey, 2021)

The United Nations Brundtland Commission, which is widely recognised as marking the beginning of the sustainable development agenda, defined sustainability as ‘meeting the needs of the present without compromising the ability of future generations to meet their own needs’ (Brundtland, 1987, p. 16). The new sustainable development paradigm challenged the dominant economic ideology of free and open global trade, with competition based predominately on low-price with little to no regard for the social and environmental costs to society. Against this backdrop by the early twenty-first century the concept of shared value (Porter and Kramer, 2011) and caring capitalism (Barman, 2016) began to emerge.

Efforts to generate a more equitable and sustainable society led to multilateral organisations and multinational corporations, such as Unilever, PepsiCo and Dell, beginning to organise governance policies and production processes to demonstrate social value and environmental responsibility, including respect for the rights of stakeholders, as a means to shareholder value (Barman, 2016). These efforts led to creation of the Organisation for Economic Co-operation and Development (OECD) responsible business conduct program (OECD RBC, 2018). Responsible business conduct involves doing good, while doing no harm. The OECD defines the principles and standards of responsible business conduct as requiring all businesses to avoid and address negative effects of their operations, while contributing to the sustainable and transparent development of the countries in which they operate. A new narrative is emerging whereby ‘the purpose of business is to solve the problems of people and planet profitably and not to profit from causing problems’ (British Academy, 2017; WEF, 2020). Thus, companies should consider environmental and social issues as part of their core business activities, including in their supply chain and business relationships (OECD, 2020).

The idea that in addition to making a profit, business also has a social responsibility to contribute to solving societal problems is leading scholars to develop more humanistic (Pirson, 2020) and responsible management practices (Laasch et al., 2020). Scholarly critique argues that international business as a discipline is conducted in relative isolation (Buckley *et al.*, 2017), disconnected from real-world issues, providing insufficient contribution to solving broader business and public policy challenges (Buckley *et al.*, 2017, p. 1052).

In addition to this scholarly critique, the World Employment and Social Outlook Trends report (ILO, 2021) indicates that poor job quality is a primary concern for most of the global labour force, and that progress on SDG 8, ‘Decent Work and Economic Growth’, has been slower than anticipated (ILO, 2019). Further, rising income inequality exposes vulnerable workers to the increased threat of modern slavery (Methven O’Brien and Martin-Ortega, 2018) and exacerbates health inequalities (Marmot *et al.*, 2008; van Schalkwyk *et al.*, 2021). Concern regarding the exploitation of people and planet within opaque global supply chains has led to increased anti-corporate activism, with well organised non-governmental organisations (NGO) conducting ‘naming and shaming’ campaigns and awarding prizes to raise public awareness of poor business practices (Dubuisson-Quellier, 2020). Adopting an economic sociological perspective, Dubuisson-Quellier (2020) sought to understand the mechanisms by which social movement organisations seek to undermine the values that underpin the dominant economic order. The study found that, to change normative economic references, such movements work on producing and circulating alternative categories and criteria of valuations of economic activities. These changes in normative references may in turn influence public policy, as public decision-makers consider that such a regulation is expected by civil society and that companies are prepared for it. The catalytic role of NGO’s is evidenced by Friends of the Earth International, a French NGO that strongly influenced the adoption of the French *Duty of Vigilance Act*. In turn, this has spurred an increase in similar supply chain due diligence legislation (see Table 2), contributing to the sustainable corporate governance legislative proposal within the European Green New Deal (Business and Human Rights Resource Centre, 2020). Collectively these instruments seek to elevate exploitive MNE conduct beyond reputational risk to legal liability.

This paper challenges laissez-faire economics and seeks to contribute to the growing body of literature that envisions a more dynamic role for the state (Kattel and Mazzucato, 2018; Polanyi, (1944) 2001) to leverage demand-side spend (Edler and Georghiou, 2007; Edler and Yeow, 2016; Uyerra *et al.*, 2017) and shape more socially sustainable (Andhov *et al.*, 2020; Hamilton, 2019a; Jaehrling, 2015; McCrudden, 2004; Sinkovics *et al.*, 2019; Wiesbrock, 2015) and regenerative markets (Raworth, 2017; Sjafell, 2020) that uphold human rights (Burmester *et al.*, 2019; Martin-Ortega and Methven O’Brien, 2019). The remainder of this paper is organised into five sections. First, Section 3 examines the changing role of public procurement over time. This historical perspective indicates that, prior to 1994—when, under the terms of the newly created WTO Government Procurement Agreement (WTO-GPA), prohibiting non-commercial values—

government procurement had a long history as a social policy mechanism. Section 4 explores the antecedents underpinning the twenty-first century revival of non-commercial values in government procurement and provides an overview of the sustainable public procurement literature. Drawing on this analysis, Section 5 provides a review of the terms being used to describe socially responsible public procurement. The discussion section, Section 6, argues that, to mitigate protectionism and a fragmented global regulatory landscape for international business, the WTO-GPA (2012) can no longer avoid addressing social issues or maintain a voluntary approach to environmental considerations. To address the needs of the twenty-first century, the GPA must lead, not lag, in delivering the global role model leadership needed to advance mandatory socially responsible, sustainable public procurement. Section 7 concludes this paper with suggestions for future research.

### **3. The Changing Role of Public Procurement: A Historical Perspective, 1840 to 2000**

Although socially responsible public procurement appears emergent, there is historical precedent for leveraging taxpayer-funded contracts to recover from socioeconomic crises. Public procurement policy has long been linked to positively addressing social dimensions—specifically, alleviating discrimination based on disability, gender, race, age and sexual orientation (McCrudden, 2004), and for advancing decent work, ensuring dignity, security and safe working conditions for workers engaged under public contract. The historical timeline in Figure 1 below illustrates three distinct paradigms for public procurement as a social policy mechanism, each representing an ideology in the debate between globalism, localism, and sustainability.

Localism is represented in the pre-globalisation era, where public procurement policy sought to advance domestic social objectives through local supply chains. In 1941, during WWII, with the explicit goal of securing lasting peace and security, Prime Minister Churchill and USA President Roosevelt (Nottage, n.d) signed the Atlantic Charter, representing the start of international economic collaboration. Clause 5 of the charter states the desire to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labour standards, economic advancement and social security. The post-war period was understandably dominated by the quest for world peace, which would be secured by the rule of law and fair access to global trade. This ultimately led to the creation of the WTO in 1994. From 1983 to 2012 globalist ideology advanced during the era of free trade, eventually leading to the liberalisation and marketisation of government procurement. The post 2012 period represents a paradigm shift away

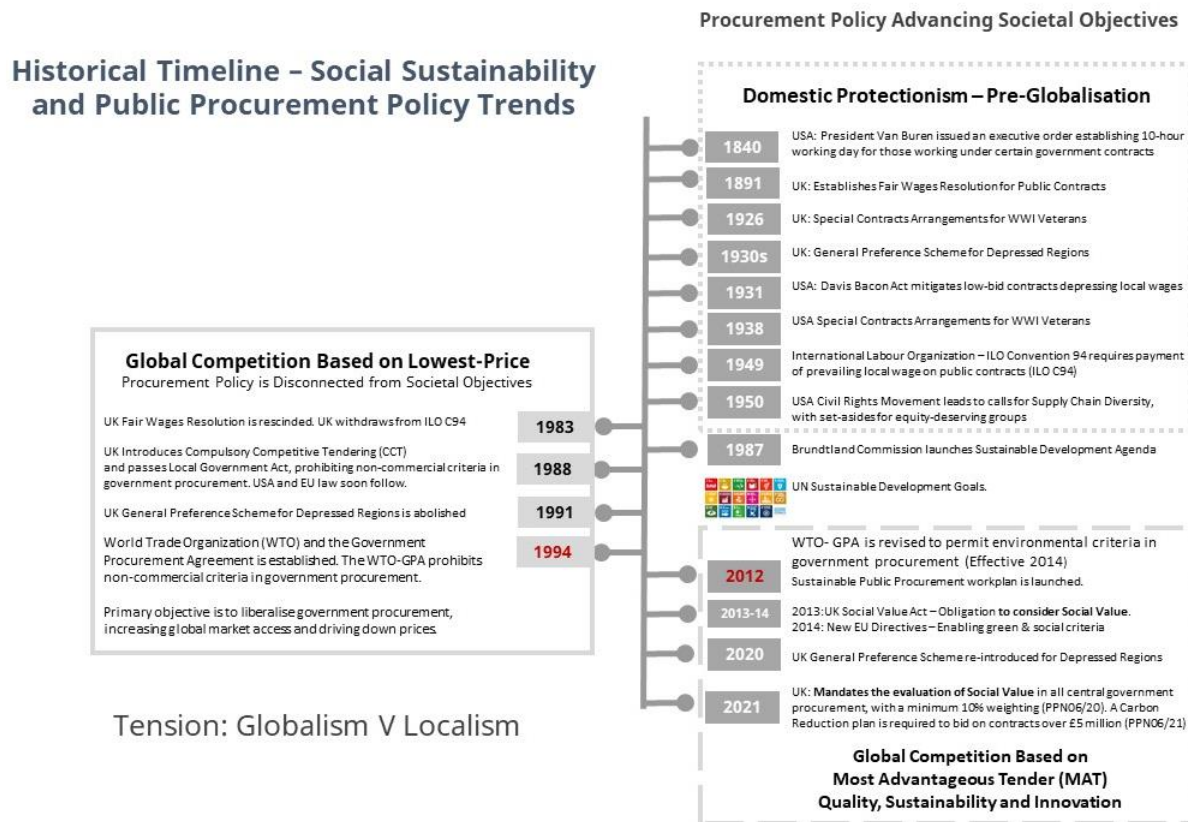


## critical perspectives on international business

from low-bid public tenders, to a new era that anticipates global competition based on quality, sustainability and innovation (WTO, 2021a).

This new paradigm has generated debate about whether or not the integration of non-commercial sustainability criteria in government procurement may unduly favour wealthy nations (WTO, 2021a). Could sustainability pose a barrier to trade for lower-income economies seeking to join the WTO-GPA and gain non-discriminatory reciprocal market access to publicly funded contracts? This question appears to have stalled the advancement of sustainable public procurement at the international level, while significant advances are being made at the national and sub-national level (See Table 2).

Figure 1: Historical Timeline of Public Procurement Policy



In the early nineteenth and twentieth centuries, governments understood that procurement contracts had as much power to depress working conditions as improve them. In 1840, in alignment with the government’s moral obligation to signal and provide exemplary working standards to the market, United States (US) President Martin Van Buren issued an executive order establishing a 10-hour working day for those working under certain government contracts (Richardson, 1897). For almost

100 years, the United Kingdom (UK) Fair Wages Resolution (1891) ensured fair wages through public procurement in government contracts. In 1983, the UK's Fair Wages Resolution was abandoned in pursuit of a more liberalised free trade and flexible workforce agenda (Caranta and Trybus, 2010). By the mid-twentieth century, knowledge that fierce competition for large public sector contracts could drive down prevailing local wages sparked the creation of international conventions (ILO, 1949). The following historical analysis demonstrates that government procurement has a long history as a social policy mechanism, wherein the 1980s to 2014 period of commercial dominance in procurement policy represents the anomaly.

After the devastation of World War I, concern for human dignity and returning disabled veterans resulted in both the UK and US creating Special Contract Arrangements (SCAs) to support veterans (SCA House of Commons, 1926; the 1938, USA Wagner-O'Day Act, as cited by McCrudden 2004). This was achieved through affirmative action, with set-aside contracts developed to support sheltered workshops employing people with disabilities. During the Great Depression (1929 to 1939), to mitigate the risk of low-bid government contracts depressing local wages to win federal contracts, the US passed the *Davis Bacon Act (1931)*, mandating the payment of the local prevailing wage on government-funded contracts. The *Buy American Act (BAA-1933)* advanced domestic protectionism by requiring the US federal government to prefer US-made products in its purchases (Cravero, 2017). The BAA remains controversial and in effect today; however, under the terms of the WTO-GPA, suppliers from the 21 member countries that are signatories to the GPA are exempt. This means that GPA members must receive equal treatment to American domestic suppliers when bidding on US federal contracts covered by the GPA. Procurement awards based on domestic rules of origin and geographic local preference are contrary to the open trading, non-discrimination principles of the WTO-GPA. The GPA rules apply to larger government contracts over treaty thresholds. The GPA financial value thresholds are published annually and expressed in terms of IMF Special Drawing Rights (SDR). In 2021, the GPA threshold for central government entities was 130,000 SDR for goods and services, and 5,000,000 SDR for construction. For sub-central government entities, the GPA threshold for goods and services is higher, 355,000 SDR, while the threshold for construction services is the same at 5,000,000 SDR (WTO-GPA, 2021).

In the UK, from the 1930s until it was abolished in 1991, a General Preference Scheme for Depressed Regions granted special contracts to assist development areas (Caranta and Trybus, 2010). However, in 2020, this policy mechanism was reintroduced to support the UK governments flagship 'Levelling Up' agenda, which was launched to tackle the high levels of regional inequality

in the UK (IPPR *et al.*, 2020). In the post–World War II era (1945 to 1980), Keynesian political ideology dominated the Anglo-American landscape, with governments taking a very proactive role in rebuilding the economy, stimulating markets and creating employment. By 1949, to mitigate the global risk of government procurement depressing markets and wages, international signatories to International Labour Organization (ILO) Convention No. 94 (ILO, 1949) agreed to align public bids and contract terms with locally established prevailing pay and working conditions, as determined by law or collective bargaining. As the first to ratify this convention, the UK remains the only country to withdraw from the ILO C-94 convention on labour clauses in public contracts. The UK denounced ILO C-94 in 1983, at the same time that the Fair Wage Resolution was abolished (Tebbit, 1982). Moving beyond the mitigation of depressing wages, public procurement regulation also has a history of proactively supporting social reforms by leveraging contracts to tackle gender and racial inequality (McCrudden, 2007).

The significant contribution of women during World War II generated increased pressure and public policy interest in leveraging government contracts to improve gender equity in the workforce. In the 1950s and 1960s, the rise of the civil rights movement in the US resulted in linkages between government procurement and anti-discrimination of African-Americans (McCrudden, 2004), later expanding to other marginalised populations—more recently described as ‘equity-deserving’ groups (see Table 1). In a bid to diversify supply chains, significant set-aside schemes were created in the US, and to a lesser degree in Canada, to reserve certain public contracts for equity-deserving groups, such as businesses owned by people with disabilities, women, Indigenous people, Black, Asian and LGBTQIA+ people (Blount and Hill, 2015). From 1944 to 1958, under the UK *Disabled Persons (Employment) Act*, more than 120 sheltered workshop factories were established under the ‘Remploy’ company, which, from 1979 to 1994, operated under a UK government procurement ‘Priority Suppliers Scheme (McCrudden, 2004).

In the 1980s and 1990s, the economy was internationalised, and government procurement was commercialised. In a quest to prioritise market efficiency and reduce costs, public services were increasingly outsourced, and government procurement markets were opened up to international competition. In the UK, compulsory competitive tendering, introduced by Prime Minister Margaret Thatcher in 1982 (Bovaird, 2016) and the 1988 *Local Government Act* (ILO-ITC, 2007) removed the public sector’s ability to consider non-commercial criteria in bid evaluations, thus marketising government procurement and narrowly defining public value as lowest price. Other OECD governments followed, exerting their combined buying power to foster global competition, in a race-

to-the-bottom approach to drive down costs. In 1994, the Uruguay eighth and final round (1986 to 1994) of multilateral trade negotiations concluded in Marrakesh, Morocco, establishing the WTO and GPA (WTO,1994).

The GPA is a plurilateral agreement, entered voluntarily by a subgroup of WTO member countries. It establishes the principles of open, fair and transparent conditions of competition, providing non-discriminatory reciprocal market access to higher-value government procurement opportunities across GPA signatory states. GPA members provide schedules of coverage that specify which entities and purchases are covered by the agreement, with governments usually excluding defence and national security purchases. The GPA provides a model template for the government procurement chapter of international trade agreements—a starting point for the terminology used in bilateral international trade agreements, whereby reciprocal access to sub-national public procurement, and exclusions—such as set-asides for disadvantaged groups and small and/or minority-owned businesses—are sometimes negotiated and secured. With a focus on increasing market access and eliminating corruption, the GPA succeeded in establishing a baseline global governance standard for fair, open and transparent government procurement. Frontrunner nations, however, are moving to elevate sustainability standards well beyond the terms GPA (See Table 2).

To counter the rise of centrally planned economies, specifically China and Russia, in the 1990's free-market democracies began negotiating bilateral free trade agreements. International trade agreements, such as the North American Free Trade Agreement (NAFTA) of 1994 (Yukins, 2016), typically provide reciprocal access to central government-controlled, but not municipal-level, public procurement. It took until 2017 to conclude a bilateral Comprehensive Economic Trading Agreement (CETA) that included municipal public procurement. By controversially providing the broadest coverage of sub-national public sector procurement, CETA the agreement between the European Union (EU) and Canada, engaged a substantial new set of local market actors, public authorities and civil society in the dialogue to determine the rules of international trade (Johnson and Mathias, 2018; McMurtry, 2014; Omiunu, 2017). Conversely, under the terms of the new NAFTA 2.0, Canada and the US elected not to include government procurement in the revised agreement. NAFTA 2.0, which came into effect in 2020, is called the USMCA (US-Mexico-Canada Agreement) in the US, T-MEC in Mexico, (Tratado entre los Estados Unidos Mexicanos, los Estados Unidos de América y Canadá), and CUSMA in Canada (Canada-US-Mexico Agreement). Chapter 13, Article 13.2 (3) of the new agreement outlines the scope of government procurement, stating: 'This Chapter applies only as between Mexico and the United States. Accordingly, for the

purposes of this Chapter, “Party” or “Parties” means Mexico or the United States, singly or collectively’ (Canada, 2020). This means that Canada and the US could not agree to terms any more preferable than those provided by the default WTO-GPA, which now governs market access to government procurement between Canada and the US.

At the close of the twentieth century, laissez-faire economics dominated Anglo-American politics. Market access, rather than sustainability, social justice or public health, continued to dominate the trade agenda. International business and government procurement became increasingly disconnected from broader societal progress (Alvaredo *et al.*, 2018; Buckley *et al.*, 2017; Saez and Zucman, 2016). The 1994 creation of the WTO-GPA liberalised government procurement, prohibited non-commercial criteria and provided unprecedented levels of international market access to taxpayer-funded contracts. Public services were increasingly outsourced (Bovaird, 2016), and the supply chain for manufactured goods became more distant, complex and opaque. While governments advanced free trade as the key to global progress, civil society and influential NGOs continued ‘naming and shaming’ governments and MNEs (Dubuisson-Quellier, 2020) involved in perpetuating modern slavery and human rights abuses in global supply chains (Burmester *et al.*, 2019; Martin-Ortega and O’Brien, 2017). Building on the work of the Brundtland Commission (1987), and in keeping with the UN Millennium Goals, at the turn of the twenty-first century, scholarly interest in the sustainability agenda and in leveraging the demand side of public procurement to achieve non-commercial societal objectives increased.

#### **4. The UN SDGs and Public Procurement in the Twenty-first Century**

The start of the twenty-first century was dominated by the triple crises of climate change, the 2008 collapse of financial markets and the COVID-19 global pandemic. Policy makers began to re-examine the role of public procurement as a strategic mechanism to achieve non-commercial societal objectives. At this time, public procurement was an under-researched topic dominated by the fields of law and economics (Arrowsmith and Hartley, 2002). Efforts to integrate the rising sustainability agenda created tension within the now highly commercialised and globalised low-bid culture of government procurement. This section provides a review of the related early twenty-first century literature, examining the rise of this research agenda and the changing global regulatory landscape for government procurement.

Replacing the post–World War II recovery agenda that dominated the latter half of the twentieth century, the UN Millennium Development Goals (2000 to 2015) signalled the arrival of a new era

in international sustainable development. Updated in 2015 with the 2030 UN SDG Agenda (2015 to 2030), SDG 12.7 calls on all states to promote public procurement practices that are sustainable, in accordance with national policies and priorities, by implementing sustainable public procurement policies and action plans (UNEP, 2017).

Specific to the social aspects of sustainability, McCrudden's (2004) *Buying Social Outcomes*, commissioned by the UN, is the seminal work in this field, demonstrating procurement's long-established linkages with promoting human rights, ethical buying considerations and community development. While McCrudden's (2004) mapping exercise marked the beginning of academic interest in integrating social outcomes with the concept of sustainable public procurement, Arrowsmith (2010) provided the global legal context for governments seeking to pursue horizontal social and environmental policy objectives through public procurement, raising concern for its potential to compromise procedural efficiencies. However, by 2017, a UN Environment Programme (UNEP) Global Review concluded that 'Sustainable Public Procurement has reached a turning point as its relevance as a strategic tool to drive sustainability and transform markets is no longer questioned' (UNEP, 2017, p. V). The UN Taskforce on Sustainable Public Procurement stated that sustainable public procurement is a:

process whereby public organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life-cycle basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst significantly reducing negative impacts on the environment. (UNEP, 2003)

The WTO Government Procurement Agreement (GPA) (1994, revised 2012) is the preeminent global governance framework for government procurement, yet does not address the social aspects of sustainability (WTO, 2017, p. 24), which are derogated to the ILO. The GPA exists to advance open, fair and transparent government procurement, providing firms with non-discriminatory, non-corrupt access to markets worth US \$1.7 trillion across 48 countries (WTO, 2021b). Created primarily as a market opening mechanism to advance trade, the GPA was conceived with the unitary economic focus of liberalising access to government procurement (Reich, 1997), curtailing the use of public procurement to advance domestic policy agendas. Concern that mandating the integration of non-commercial social and environmental values may advance domestic protectionism, or overly favour high-income countries, has thwarted progress of the WTO sustainable public procurement work programme which began in 2012 (WTO, 2021a).

In keeping with the economic narrative of the 1980s (see UK *Local Government Act 1988*; ILO-ITC, 2007, p. 1), the original GPA (1994) prohibited the inclusion of non-commercial criteria in public bids, structurally embedding the disconnect between government procurement, the global economy and broader societal issues. It was not until 2014 that the revised GPA (2012) permitted, yet did not mandate, the inclusion of environmental specifications in government procurement, as follows:

WTO GPA (2012) Article X (6): For greater certainty, a Party, including its procuring entities, may, in accordance with this Article, prepare, adopt or apply technical specifications to promote the conservation of natural resources or protect the environment.

While the WTO-GPA does not explicitly address social sustainability—an issue raised at the first WTO Symposium on Sustainable Public Procurement (Hamilton; Stein; WTO, 2017)—Article III, ‘Security and General Exceptions’, does state that no content of the agreement should be construed to prevent any party from imposing or enforcing measures:

a) necessary to protect public morals, order or safety; b) necessary to protect human, animal or plant life or health; c) necessary to protect intellectual property; or d) relating to goods or services of persons with disabilities, philanthropic institutions, or prison labour.

Without an explicit commitment to mandate the advancement of sustainability through government procurement, expert speakers at the WTO 2021 Public Forum stated that the GPA may risk losing relevancy and social licence (WTO, 2021a). Nine years after the creation of the WTO working group on sustainable public procurement, little evidence of progress is publicly available. As frontrunner nations and big-city leaders advance sustainable, circular and socially responsible public procurement (see Section 4), the regulatory framework for cross-border trade is becoming increasingly fragmented, thwarting international policy coherence.

The 2013 collapse of Rana Plaza in Bangladesh raised questions about advancing social progress through voluntary regulation (Sinkovics *et al.*, 2016). Governments and MNEs were faced with demands to address the human cost of race-to-the-bottom economics. For the UK, it took the deaths of 72 people in the Grenfell Tower fire (The Guardian, 2019); the demise of Carillion Construction, the largest corporate failure in UK history (UK Government, 2018); the departure from the EU (Brexit); the COVID-19 pandemic; and the climate crisis to end the 1980s low-bid policy approach that prohibited the inclusion of non-commercial criteria in government procurement (UK GOV, 2020). Despite governments abandoning the economic procurement policies of the late twentieth

century, a review of the twenty-first-century procurement literature finds that a lack of practical implementation continues to impede progress amongst risk-averse public institutions: -

Governments are expected to lead by example by incorporating responsible business conduct standards in their purchasing policies, to safeguard the public interest and ensure the accountability of public spending. While there are increasing international commitments to link public procurement and responsible business conduct there is a lack of practical implementation. (OECD, 2020)

Governments are often the single largest buyer in a country, and can potentially use this purchasing power to influence the behaviour of private sector organisations (Walker and Brammer, 2009). However, despite international policy ambition, the literature identifies that cost remains the leading barrier to sustainable procurement, and top management support is the leading facilitator (Walker and Brammer, 2009). In an effort to support a shift in culture from lowest-bid to the ‘most economically advantageous tender’(MEAT), under the new EU procurement directives (EU Commission, 2014), and ‘most advantageous tender’(MAT) under the WTO-GPA (2012), member states may forbid the use of lowest-price awards or limit their use for certain categories of contracts or authorities (Wiesbrock, 2015). However, ongoing studies find that lowest cost remains the predominant award criterion among 64% of EU respondents (GPP EU Commission, 2011; Šličiuviene, 2017; Sturgess, 2017). Conversely, 35% of municipalities, 38% of ministries and 50% of other contracting authorities report that they do not always achieve the expected results when using low-price criteria (Šličiuviene, 2017), with the issue of low-price dominance being identified as a problem of practice, not rules (Telles, 2017).

In the UK parliamentary enquiry into the collapse of construction giant Carillion, the UK Government conceded that it had been overly focused on cost in awarding contracts, has not had ‘the sophistication internally to do much other than go for price’, has at times struggled to understand the outcomes required, and needs ‘to get better at assessing quality factors’ (UK Government, 2018, p. 69). Sturgess (2017, p. 9) identified a noticeable decline in trust between governments and suppliers, finding that providers have:

repeatedly pleaded with governments not to employ aggressive price-based tenders for complex public services, which provoke a ‘race to the bottom’ that compromises quality of service, workers’ terms and conditions, corporate profits and, potentially, the political and commercial sustainability of the market.



In a more recent study of Canadian Public Sector Procurement, Da Ponte *et al.* (2020) found the degree of sustainability in request-for-proposals to be superficial, with limited integration into the evaluation process. Little appears to have changed since Lloyd and McCue (2004) found public procurement to be a rules-based process restricted by overemphasis on market-driven commercial goals, valuing economy and efficiency over social welfare and public value, and operating within a context of rule-bound risk avoidance (Erridge, 2007). As Kelman (2002, p. 12) stated, ‘the system continues to exist more to avoid corruption than to generate incremental value creation’. As a result of a lack of a ‘whole-of-government’ perspective, the cost of addressing the negative social and environmental externalities of low-bid public procurement continues to be downloaded to taxpayers, causing expenditures to rise in other departments of government (Erridge, 2007; Jaehrling, 2015; Jaehrling *et al.*, 2018; Larsen *et al.*, 2019; Lloyd and McCue, 2004; Schulten *et al.*, 2012; Šličiuviene, 2017; Sturgess, 2017; Telles, 2017).

Telgen *et al.* (2007) found that the delivery of broader government objectives, such as SDG 12.7 sustainable public procurement, is only possible at the most advanced levels of public procurement maturity. Telgen *et al.*’s (2007) seven-stage model suggests that public procurement systems must first achieve five foundational levels of organisational development, before advancing to the most sophisticated levels, which involve leveraging public procurement to support (level 6) and then deliver (level 7) broader government policy objectives. Levels 1 to 5 involve: (1) the delivery of goods and services, (2) compliance with legislation and regulations, (3) efficient use of public funds, (4) accountability and (5) value for money.

Also specific to advancing SDG 12.7, German research has found that advancing socially responsible public procurement, and the UN 2030 SDG agenda, at the local level ‘critically depends on the existence of more specific regulations on procurement at all levels above the municipality’ (Müngersdorff and Stoffel, 2020, p. 19). State, national or supranational regulations present important initiating factors in this regard, yet implementation always depends on translating superior regulations to rules at subordinated governance levels (Burgi, 2017; Fincke, 2014; Heinrichs & Sühlsen, 2015, as cited in (Müngersdorff and Stoffel, 2020)). Hettne (2013, p. 31) similarly viewed policy cohesion as essential, and found that, although public procurement has been identified as a ‘possible way to foster innovation, improve the environment, public health and social conditions, it should not be seen as a particularly simple or highly efficient way’. Tatrai (2016) found that increasing professional capacity of procurers is no small feat as this level of organisational maturity requires a major change in attitudes and routines. New (1997) has long argued that the only voices

heard in supply chain research are commercial interests, and found that labour supply chains have been largely overlooked, with supply chain management scholars prioritising flows of commodities, rather than people (New, 2015). Further, Grandia and Voncken (2019) conclude that findings based on green public procurement cannot be directly generalised to other types of sustainable public procurement and that there is a need for research into the antecedents of the social types of sustainable public procurement.

Government procurement is a highly regulated process ruled by a complex legal framework. It comprises not only national, but also, increasingly, sub and supranational regulations, giving rise to the need for a multi-level regulatory governance approach to public procurement (Müngersdorff and Stoffel, 2020). Public procurement regulatory theory (Trepte *et al.*, 2004), enhanced by Halloran (2017), predicts that governments pursuing domestic policy and incremental social value as a sustainable procurement duty will encounter tensions when pursuing a multitude of political, economic and international objectives, which may complement or conflict with one another. There is a lack of legal clarity and no specific obligation to advance sustainability objectives in the WTO-GPA. This situation, alongside confusion regarding whether the new 2014 EU Public Procurement Directives align with the long-established pay clause conventions of ILO C-94 (Semple, 2017), and uncertainty regarding to what degree public procurers can seek to elevate job quality and ensure decent work conditions (Jaehrling, 2015; Jaehrling *et al.*, 2018), continues to constrain the ability of public sector practitioners to act.

However, in the private sector, despite these tensions and the paradoxical complexities inherent in the field of sustainability (Hahn *et al.*, 2015), prioritising value creation is becoming increasingly important in strategic outsourcing (Lin *et al.*, 2016). International business and management discourse around procurement has started to change from cost savings in supply chains to generating strategic and social value creation through global value chains (Lin *et al.*, 2016; Sinkovics *et al.*, 2021, Sinkovics *et al.*, 2019; Sinkovics and Archie-acheampong, 2019, Sinkovics *et al.*, 2015). In more visible consumer-facing markets, there is increasing evidence of socially responsible sourcing and sustainable supply chain management in MNEs (Seuring and Müller, 2008; Villena and Gioia, 2020; Zorzini *et al.*, 2015). The ‘Better Business through Better Wages’ campaign (Sustainable Brands, 2021) resulted in Fairphone, Aldi, L’Oréal and Unilever committing to pay living wages throughout their supply chains. Unilever announced that, by 2030, it will no longer do business with firms that do not pay at least a living wage or income to staff (BBC, 2021). After Unilever implemented their ‘Responsible Sourcing Policy’ in 2015, research found that 70% of suppliers

surveyed said they risked losing Unilever as a customer if labour issues were found and not addressed, compared with only 17% in 2011 (Oxfam, 2021). Yet responsible MNEs working to reduce environmental impacts, eradicate modern slavery and provide supply chain transparency do not yet see such efforts meaningfully rewarded in business-to-government (B2G) publicly funded contracts. In 2007, HP was the first electronics company to disclose a list of first-tier global suppliers. In 2013, to further the dialogue on conflict minerals, HP became the first information technology company to publish its supply chain smelter list. Since 2014, HP has also disclosed factory addresses and the number of reported hourly employees dedicated to the production of HP products at final assembly sites (HP, 2016). Finland and Austria have procurement policies in place that reward and require supply chain transparency (See Table 2), and this is an approach that could be adopted at the international level making full supply chain transparency a pre-qualifying mandatory requirement to bid on publicly funded information and communications technology (ICT) contracts.

Combating modern slavery requires persistence, ongoing due diligence, and continuous improvement. This work is consistent with the core values on which HP was founded and strives to live up to each day: to create a positive, lasting and sustainable impact on the planet, our people and the communities where we live, work and do business. (HP, 2019)

In Haiti, since 2017, 9,000 people have registered for the opportunity to earn a living wage collecting plastic water bottles, which are processed in a closed-loop circular process before being used to manufacture new HP ink cartridges (Greenbiz, 2019; HP, 2020). Phillips Healthcare has set a target of generating 25% of sales from circular products, services and solutions by 2025. The company has also set a target of zero waste to landfill by 2025, which will be achieved by embedding circular practices—namely, a closed-loop trade-in approach—for all professional medical equipment (Phillips, 2021). Additionally, governments and MNEs can generate incremental global social value and address inequality by partnering with local social enterprises or offering set-aside contracts for minority-owned suppliers. In 2016, Johnson and Johnson was one of seven founding companies involved in the launch of the UK's Buy Social Corporate Challenge, with commitments to spend more with social enterprises. By 2019, 24 high-profile business partners had spent £91,545,356 with social enterprises, creating 1,253 jobs (Social Enterprise UK, 2019).

Hamilton (2019b) argued that connecting to locally-based NGOs is a practical way to generate more diversity of thought and to incorporate more stakeholder lived-experience perspectives into award criteria and decision-making processes. Based on the lived experience of people living in poverty across three Canadian provinces, Hamilton (2019b) reported consistently finding early work-day start times; lack of self-esteem, childcare and transportation; and lack of advance notice for precarious part-time work schedules to present the most significant barriers to employment. Parents have increasing childcare options after school. Thus, by rewarding family-friendly start times in bid evaluations, governments and MNEs can help address gender and income inequality, potentially improving the wellbeing of children living in poverty globally, including in high-income countries. In keeping with Hamilton's Canadian findings, the UK Living Wage Foundation has identified work schedule stability and 'living hours' to be of importance to low-wage workers. By awarding points to proponents willing to provide more than one month's advance notice of part-time work schedules, and by rewarding firms guaranteeing a minimum of 16 'living hours' per week, public procurement can make a valuable contribution to improving social outcomes for low-wage earners struggling to balance family life and multiple precarious jobs (Living Wage Foundation, 2019).

From a practical perspective, and to comply with GPA regulations, social and green criteria must be materially relevant and proportionate to the contract. To comply with European regulations, socially responsible criteria must be specifically linked to the subject matter of the contract (EU Commission, 2018). The EU requirement to 'link to the subject matter' (LtSM) is a general limiting principle derived from the case law of the Court of Justice (Semple, 2015). This means the award criteria must be specifically related and deliverable under the terms of the contract, precluding EU contracting authorities from considering general corporate policy and corporate social responsibility initiatives (Semple, 2015) as criteria or conditions in public procurement. Highlighting the dual roles of governments as both regulator and buyer, Semple (2015) makes the case for an alternative approach that supports an understanding that procurement decisions do not constitute a form of regulation but are uniquely placed to test the effectiveness of measures for sustainable production and consumption.

In summary, responsible companies—who are committed to moving beyond 'do no harm' to proactively 'do some good', upholding the OECD Guidelines for MNE's (2011), participating in the UN Global Compact Principles (UNGC, 2000) and implementing the UN Guiding Principles on Business and Human Rights (UNGPs, 2011) throughout their business operations and supply chains—should see their efforts rewarded in government procurement.

## 5. Overview of Existing Socially Responsible Public Procurement Practices

Numerous definitions are applied to describe how procurement is used to achieve non-commercial strategic policy objectives, and sustainable public procurement has become an ‘established term, without any authoritative definition of the concept’ (Sjåfjell and Wiesbrock, 2016, p. 2). Recognised as place-based drivers of regional public policy objectives (Uyarra and Flanagan, 2010), public procurement and sustainability are political themes of considerable importance to local governments (Gelderman *et al.*, 2015). However, rewarding MNEs, or any firm, for contractual commitments to generate incremental social value throughout the delivery of a public contract is sometimes misinterpreted as protectionist and confused with discriminatory local preference policies. Specific to high-income countries, and with the exception of local procurement (which is protectionist), Table 1 below provides an overview of existing non-discriminatory, socially responsible procurement approaches designed to advance a specific purpose, transforming how value creation is defined in the effort to move markets towards the UN SDGs. Economic issues, such as improved SME access to government contracts and public procurement for innovation, are outside the social sustainability focus of this paper.

*Table 1: Overview of Socially Responsible Public Procurement Practices*

Classification Term	Primary Purpose	Key Authors
Circular public procurement	A regenerative economy. The repair and reuse of resources to minimise waste and use of virgin resources, promoting the use of closed energy and material loops	Witjes and Lozano (2016), Gov. of Netherlands (2016), EU (2017, as cited by Sönnichsen and Clement, 2020), Maitre-Ekern <i>et al.</i> (2018), Alhola <i>et al.</i> (2019), Ellen MacArthur Foundation (2020), SITRA Foundation (2020), Circular Innovation Council (2020), Hofstetter <i>et al.</i> (2021), Tátrai and Diófási-Kovács (2021)
Community benefits	Community engaged regeneration in major infrastructure projects	Lynch <i>et al.</i> (2019), Zuo <i>et al.</i> (2012)
Ethical public procurement	Due diligence; modern slavery; human rights; ‘do no harm’ to people, planet and animals	New (2015), Martin-Ortega and O’Brien (2017), ECCJ (2017), Martin-Ortega and Methven O’Brien (2019), Hughes <i>et al.</i> (2019), Burmester <i>et al.</i> (2019), Caruana <i>et al.</i> (2020), ETI (2020)
FAIRTRADE© and fair-trade	Securing price premiums for small producer cooperatives	Hughes <i>et al.</i> (2019), Caranta (2015), Yamoah (2019)
Green public procurement (GPP)	Stimulate environmental clean production and operations, reducing waste and emissions	GPP EU Commission (2008, 2012), Palmujoki <i>et al.</i> (2008), Tukker <i>et al.</i> (2008), Michelsen and de Boer (2009), Bratt <i>et al.</i> (2013), Cheng <i>et al.</i> (2018)
Local procurement* under GPA thresholds	Place-based economic development, progressive procurement, community wealth building and anchor institution strategies	Walker and Preuss (2008), CLES (2020, 2019a, 2019b, 2015) *Permitted under WTO-GPA thresholds only; not permitted above GPA thresholds

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Policy-led public procurement	Build linkages to specific public policy objectives	Grandia and Meehan (2017), Harland (2019)
Social procurement	Social enterprise development, inclusion of disadvantaged equity-deserving groups	Furneau and Barraket (2014), Barraket <i>et al.</i> (2015), Barraket and Loosemore (2018), Blount and Hill (2015)
Socially responsible public procurement (SRPP)	Generate incremental social value globally. Improve lives, reduce poverty and inequality, reward responsible business conduct	McCrudden (2004, 2007), Erridge (2007), Schulten <i>et al.</i> (2012), Touboulic and Walker (2015), Jaehrling (2015), Jaehrling <i>et al.</i> (2018), Steinfeld <i>et al.</i> (2017), Hamilton (2019b), Hughes <i>et al.</i> (2019), OECD (2020), EU Commission (2020), Müngersdorff and Stoffel (2020)
Socially responsible sourcing	Private sector supply chains	Seuring and Müller (2008), Zorzini <i>et al.</i> (2015), Sinkovics <i>et al.</i> (2019), Villena and Gioia (2020), Sinkovics <i>et al.</i> (2020), Oxfam (2021), Sinkovics <i>et al.</i> (2021)
Strategic public procurement	Advances strategic economic objectives, eg. SME access, as well as sustainability, innovation, and R&D objectives	Kahlenborn (2010), Handler (2015), OECD (2015, 2017), Flynn and Davis (2017)
Sustainable Public Procurement	Combines both green and socially responsible public procurement outcomes	UNEP (2003, 2017), Preuss and Walker (2011), Brammer and Walker (2011), Walker and Brammer (2009), Meehan and Bryde (2011), Sourani and Sohail (2011), Prier <i>et al.</i> (2016), Sjøfjell and Wiesbrock (2016), Hamilton (2019a), Andhov <i>et al.</i> (2020), Grandia and Kruey (2020)

*Strategic public procurement* is an overarching term used to describe the process of designing and leveraging public procurement to engage the private sector in delivering strategic public policy objectives. This may involve an economic objective, such as improving SME access to public contracts; an innovation objective; or a sustainability objective (OECD, 2021). Similarly, the term *policy-led procurement* has been used in academia to describe the process of linking public procurement to policy objectives (Grandia and Meehan, 2017; Harland, 2019).

In the field of sustainable public procurement, Norwegian legal scholars Sjøfjell and Wiesbrock (2016, 2020) and Dutch legal scholars Grandia *et al.* (2014, 2015, 2017, 2019, 2020) are the most active authors. Publishing primarily in the journal of *Sustainability* and *Journal of Cleaner Production*, the sustainable public procurement literature has focused on the production of goods. Although typically dominated by environmental considerations (Miemczyk *et al.*, 2012), sustainable public procurement is an umbrella term incorporating both green and socially responsible public procurement. Policy approaches integrating environmental objectives in public procurement generally date back further, are more elaborate and are furnished with more supportive programs than those for socially responsible procurement (Kahlenborn, 2010).

Socially responsible public procurement involves achieving positive incremental social outcomes in public contracts (EU Commission, 2020) and is a topic of increasing interest to policymakers and

academics (Lynch *et al.*, 2019). Socially responsible public procurement involves leveraging taxpayer-funded contracts to stimulate and reward value chain commitments to reduce poverty, inequality and precarious working conditions (Jaehrling *et al.*, 2018). In an effort to stimulate practical implementation, the EU has published a collection of 71 good practice socially responsible public procurement case studies (EU Commission, 2020), many of which could equally be described as *social procurement*. Building on the foundational work of UK scholar McCrudden (2004), German scholars have become particularly active in this field (Jaehrling, 2015; Kahlenborn, 2010; Müngersdorff and Stoffel, 2020; Stoffel, 2020). Reflecting the rise in mandatory procurement policies (See Table 2) effective 2021, UK procurement policy mandates the evaluation of social value in all central government procurement, requiring a 10% minimum weighting, while placing no upper limit on the maximum weighting (UK Government, 2020).

*Social procurement* is a process focused on developing a social enterprise ecosystem to provide supportive employment for people facing barriers to employment. This literature is dominated by Australian scholars Furneaux and Barraket (2014), Barraket, Keast, and Furneaux (2015), Barraket and Loosemore (2018), with the *Journal of Construction Management* topping the list of publications. In summary, despite the rise of the service sector and the relatively smaller size of the goods category in public procurement, academic research has focused on the greening of goods, while social considerations have remained narrowly defined within the social enterprise literature.

As evident throughout this paper, the corporate social responsibility management narrative is being transcended by responsible business conduct (OECD, 2018). Corporate social responsibility is a voluntary, add-on, almost philanthropic approach to social responsibility used primarily to build positive reputational value (Laudal, 2018). In contrast, responsible business conduct requires social responsibility to be embedded into core operations and throughout global value chains. This imposes a higher level of management responsibility that requires firms to avoid and address the negative effects of their operations, while contributing to the sustainable and transparent development of the countries in which they operate (OECD, 2021).

With a primary focus on reducing greenhouse gas emissions (net zero), toxins (pollution) and waste (resource management), green public procurement is ‘a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured’ (GPP EU Commission, 2008). In 2001, Japan became an early adopter of mandatory

green public procurement (see Table 2) at the central government level, resulting in 95% of central government procurement across 21 priority categories being green. When combined with voluntary guidance at the sub-national level, this approach has resulted in 70% of Japan's public procurement system being green. This is the highest country-level implementation achieved by any nation, (Government of Japan, 2016).

Similarly, *circular public procurement* (Circular Innovation Council, 2020) leverages procurement processes to support the transition from a take–make–waste linear economy to a more regenerative circular economy. Focused on reducing the use of virgin resources and designing out waste, for example by considering the ease of disassembly for end of life products, circular public procurement is defined by the European Commission (2017, p. 5) as:

the process by which public authorities purchase works, goods or services that seek to contribute to closed energy and material loops within supply chains, whilst minimising, and in the best case avoiding, negative environmental impacts and waste creation across their whole life cycle.

Circular economy leadership is provided by the UK-based Ellen MacArthur Foundation (2020); the Finnish SITRA Foundation (2020), host of the World Circular Economy Forum; the Circular Procurement Summit (CIC, 2021); and the Netherlands, which is implementing a whole-of-government approach to achieving a circular economy by 2050 (Government of the Netherlands, 2016).

*Ethical public procurement* advances a 'do no harm' approach that is central to advancing the human, animal and planetary rights agenda in B2G global supply chains. While governments may be expected to establish trendsetting standards for the private sector, Hughes *et al.* (2019) and Zorzini *et al.* (2015) found that ethical sourcing is significantly less advanced in the UK public sector than it is in the consumer goods sectors, with implications for social justice in global supply chains. Ethical public procurement primarily focuses on eliminating modern slavery, child labour and human rights abuses from the high-risk spend categories of apparel, ICT and medical supplies. All high-risk categories are receiving increased scrutiny with the rise of 'due diligence' supply chain transparency legislation (see Section 6.2).

The Ethical Trading Initiative (ETI) (2020) plays a key role in the development and monitoring of due diligence requirements, and in advocating for application of the UN Guiding Principles (UNGP) in public procurement processes. In 2017, the UK Government spearheaded a call to action on



modern slavery at the UN General Assembly, which 85 countries signed. Specific to public procurement, ETI advocates for increased transparency in global supply chains, mandatory due diligence in government contracts, and the production of modern slavery reports by government agencies. The California *Transparency in Supply Chains Act (2010)*, the UK *Modern Slavery Act (2015)* and Australian Commonwealth *Modern Slavery Act (2018)* require businesses to disclose information relating to their efforts to address the risks of modern slavery (including forced labour and human trafficking) in their operations and supply chains (OECD, 2021). The Dutch *Child Labour Due Diligence Law* (Wilde-Ramsing and Wolfkamp, 2019) goes further, providing for substantial enforcement measures including fines and imprisonment of company directors. However, with their narrow focus, none yet extend as far in scope as the broader due diligence legislation now emerging to encompass business-related human rights and environmental impacts (see Table 2).

*FAIRTRADE*© is a global movement that supports small-scale agricultural producers in the global south (Yamoah, 2019). Primarily, this organisation exists to secure better and more stable pricing for farming cooperatives than would be available under free-market forces. The *FAIRTRADE*© label and organisation (Fairtrade International, 2021) works to change consumption patterns in the global north to improve the working and social conditions for smaller-scale agricultural producers and their communities in the global south. In addition to the brand name, the word ‘fair’ is often used in social justice campaigns to promote fair work and wages in a bid to improve the health and safety conditions in high-risk sectors. Social justice movements, such as the Fair Food Network (2021) are being mobilised to address the poor working conditions of migrant labour in agriculture. In mining extraction and ICT assembly lines, campaigns for Fair Gold (2021) with companies such as Fairphone (2021, are working to eliminate conflict minerals from supply chains and to achieve living wage commitments for workers.

*Community benefits and local procurement* requirements are applied primarily to large infrastructure projects, by governments and public authorities seeking to leverage major public investments to secure place-based job creation, apprenticeships and skills, and regional economic development opportunities. Lynch *et al.* (2019) found that countries in crisis are more likely to recognise the power of public procurement to deliver against broader policy objectives. In one of the few international studies designed to compare how social public procurement is leveraged to deliver public value, Lynch *et al.* (2019, p. 134) conducted six case studies of community benefits clauses. They concluded that the higher levels of meaningful community engagement found in

Wales, Rwanda and Zambia resulted in greater success in delivering community benefits valued by the public than that achieved in comparable case studies in the Netherlands, Western Australia and Indonesia. Lynch *et al.* subsequently theorised that extending principal agent theory (Eisenhardt, 1989) to principal agent client theory could facilitate a closer examination of the relationship between local government and public procurement engagement with local communities in projects.

Through the community benefits process primary contractors are evaluated partly based on their commitments to generating incremental social value. This usually involves providing employment, training and supply chain commitments to people and firms located within a specific geographically defined area, and to working with social enterprises serving marginalised groups (Barraket and Loosemore, 2018; Loosemore, 2016; Loosemore *et al.*, 2020). In larger contracts, above the WTO-GPA thresholds, local procurement preferences are not permitted, as this remains contrary to the non-discriminatory principles of the GPA, international free trade agreements, and EU public procurement directives. As outlined in Figure 1 and discussed in the WTO Public Forum (2021) event on the future role of the Government Procurement (Session 25) concern exists at the international level regarding the rise of protectionist forces, creating tensions between the localism and globalism and raising concern that advancing the sustainability agenda may present barriers to trade for emerging economies seeking to ascend to GPA membership.

Unless specified by a bilateral trade agreement, such as CETA, local governments are not subject to the GPA, which primarily covers central government entities. Despite this, little evidence of explicit local preference procurement policies can be found. However, at the city level, measuring and monitoring the percentage of procurement spent locally is evident and of increasing political importance (CLES, 2019b). In the UK, the procurement policy in the City of Manchester requires a 30% social value weighting to be applied across social and environmental criteria, and the city surveys and reports annually on the percentage of procurement spend retained locally. The Preston model (CLES, 2019a) provides a place-based example of a local preference policy, showing promise as a mechanism to foster regional resilience, regeneration, citizen wellbeing and economic development (Sensier and Uyarra, 2021). Terms also used to describe the Preston model are progressive procurement, community wealth building and anchor institution strategies (CLES, 2015).

Public procurement is subject to a complex regulatory framework and conducted within a different context to the private sector. Despite this, studies conducted in the private sector mirror many of the

findings of public sector research. ‘Socially responsible sourcing’ is a term used in the private sector to advance two distinct strategies: (1) supplier management for risks and performance and (2) supply chain management for sustainable products. A review of the private sector sustainable supply chain management literature (Seuring and Müller, 2008) found a deficit of studies focused on the social dimension of sustainability and argued that further research is needed. Zorzini *et al.* (2015) found that, despite the management of social issues being of increasing importance to management, a research gap exists for operations management and supply chain management scholars to contribute more in-depth studies. Also in the private sector, the EcoVadis Business Sustainability Global Index, which provides insights from over 40,000 global companies, found sustainable procurement to be the lowest-performing theme area, and the only theme to decline year after year (EcoVadis, 2020, p. 10).

## 6. Discussion

The effort to link governments—the world’s largest public buyers—with the 2030 UN SDGs would benefit from a stronger global regulatory framework, deeper industry collaborations and greater uniformity in integrating non-commercial values in public procurement processes. Having examined the role of government procurement as a social policy mechanism, this paper finds that, despite evidence of some progress, the culture of government procurement in high-income countries remains more *price-taker* than *market-shaper*. In keeping with conventional economic theory, a culture of low price and cost savings remains dominant and expanding market access to government procurement remains the primary objective of the WTO-GPA. Transforming a global agreement established in 1994 partly on the basis of prohibiting non-commercial evaluation criteria in government procurement to permit and potentially require the inclusion of non-commercial environmental and/or social aspects of sustainability requires a significant shift in WTO-GPA priorities and organisational culture. This shift is both urgent and essential to harmonise the multinational system and to harness the power of \$1.7 trillion in government spend across 48 high-income countries to achieve the UN sustainable development goals.

In the evolution of sustainable public procurement, green procurement—designed to stimulate innovation and technological transition towards cleaner production of goods—continues to dominate both theory and practice. This dominance occurs even though, in government procurement, the goods category typically represents a much smaller percentage of spend than public expenditure on services and construction. Advancing green public procurement requires

technical knowledge of standards, lifecycle costing, industry collaborations, upscaling of new technological advances and market readiness. However, socially responsible public procurement is a demand-side lever that is less influenced by technological market readiness. Integrating social value criteria into government procurement could foster horizontal governance and stimulate process innovations by disrupting institutional norms and engaging more diverse actors in the co-creation of new processes and organisational routines.

Stronger sustainable global governance is necessary, as voluntary approaches to advancing responsible business conduct in MNEs and sustainable public procurement have been ineffective in stimulating practical implementation. A PwC (2015) study conducted for the EU Commission concluded that stronger policy frameworks for green public procurement and socially responsible public procurement coincide with higher uptake. As evidenced by Japan and other frontrunner nations (see Table 2), mandatory provisions have been found to advance practical implementation (PwC, 2015). The Economist Intelligence Unit found public procurement to be a powerful force for change and critical to achieving the SDGs. Their report highlighted the potential influence of public procurers and the need for public institutions to act as role models (Domenech, 2020), while the World Bank stated that ‘public procurement has to be a driver for shaping the private sector itself’ ((Domenech, 2020, p. 31).

Currently reality falls short of ambition, which provides an opportunity to reimagine the role and scope of the WTO-GPA. By moving beyond market opening and the elimination of corruption in publicly funded contracts, the GPA could be revised to deliver the global governance needed to embed sustainability principles into government procurement, thereby engaging and rewarding international business bidding on publicly funded contracts, based on their level of contractual commitments to operate sustainably and to address global societal challenges. Drawing on domestic level regulatory changes among GPA member states, Table 2 identifies four emergent themes, each offering a potential path forward in the advancement of sustainable global governance and next-generation GPA.

Table 2: Four Emergent Themes—Potential Pathways Forward for WTO-GPA

Emergent Theme	Examples of Global Leadership among WTO-GPA Members
<p><b>1 Mandatory Sustainable Public Procurement</b></p> <p>Mandatory sustainable public procurement places an obligation on publicly funded actors to leverage taxpayer-funded systems to develop supply chain resiliency and achieve sustainability policy objectives.</p> <p>This involves broadening how value is defined by integrating and evaluating non-commercial green and/or social value criteria with price, to determine value, and the most advantageous tender (MAT).</p> <p>A 2015 PwC study for the EU Commission concluded that stronger policy frameworks for green public procurement and socially responsible public procurement coincide with higher uptake and results.</p>	<p><b>Frontrunner Nations: The Netherlands, Japan and the UK</b></p> <p><i>Japan, 2001:</i> Mandatory green public procurement (GPP) resulted in 70% GPP country-level implementation. The highest level achieved by any nation. Central government achieved 95% GPP across 21 priority categories (Government of Japan, 2016).</p> <p><i>Netherlands, 2010:</i> Mandatory sustainable procurement by 2015 (OECD, 2014). Whole-of-government approach to achieving a circular economy by 2050 (Government of the Netherlands, 2016).</p> <p><i>UK 2021:</i> Mandatory social value procurement policy (UK Government, 2020). The UK is the first country in the world to mandate that central government procurement must be fully leveraged to maximise social value, aligning government procurement with five key policy objectives:</p> <p>(1) COVID-19 recovery, (2) tackling economic inequality, (3) fighting climate change, (4) providing equal opportunity and (5) improving wellbeing.</p> <p>Social Value criteria must receive a minimum 10% weighting. No maximum weighting is provided in the policy. For contracts over £5 million, to qualify to bid firms must have a carbon reduction plan in place committing to net zero emissions by 2050.</p> <p>The EU currently advances a category-specific approach to green public procurement. The EU Green New Deal proposes a mandatory minimum green weighting in high-priority categories. City-level examples: the cities of Manchester, UK, and Oslo, Norway, mandate a 30% weighting be applied to social and/or environmental criteria.</p>
<p><b>2 Supply Chain Transparency Legislation</b></p> <p>Due diligence legislation elevates MNE supply chain risk from reputational damage to legal liability, including fines and director imprisonment.</p> <p>The ETI (2020) plays a key role in developing and monitoring due diligence requirements, and in advocating for application of the UNGPs in public procurement processes. The ETI focuses on eliminating modern slavery, child labour and human rights abuses in the high-risk spend categories of apparel, ICT and medical supplies.</p>	<p><b>Frontrunner Nations: France, Germany and Norway</b></p> <p><i>The French Duty of Vigilance Act:</i> Fines, criminal sanctions (ECCJ, 2017).</p> <p><i>The German Duty of Care Act:</i> Proposal for fines ranging from 2 to 10% of annual turnover (Grabosch, 2021).</p> <p><i>Norwegian Due Diligence Act:</i> Public procurement in Norway maintains a high-risk category list (Avocats, 2021).</p> <p><i>Finland</i> is a leader in rewarding full supply chain transparency, with additional points awarded to suppliers providing full disclosure of factories and final assembly locations (OECD, 2021, p. 82).</p> <p><i>Austria:</i> Demands full supply chain transparency in public procurement.</p> <p><i>EU Commission:</i> In advance of anticipated sustainable corporate governance legislation, guidance has been issued to help EU businesses address the risk of forced labour in their operations and supply chains (EU Commission, 2021).</p> <p><i>OECD International Guidance:</i> Due diligence guidance for responsible business conduct (OECD, 2018); integrating responsible business conduct in public procurement (OECD, 2021).</p>

## critical perspectives on international business

3	Knowledge Hubs	Frontrunner Nations: The Netherlands, Germany, UK, Canada and the US
	<p>Knowledge hubs are essential to capacity building, supporting process innovation and peer-to-peer learning. It is important for national knowledge hubs, to support multi-level implementation.</p>	<p><i>Netherlands:</i> Dutch Expertise Public Procurement Centre serving all levels of government (PIANOo, 2005).</p> <p><i>Germany:</i> German Competence Centre for Sustainable Procurement (Kompetenzstelle für nachhaltige Beschaffung, KNB), serving all levels of government (OECD-KNB, 2013).</p> <p><i>UK:</i> Commissioning Academy serving all levels of government (UK Government, 2013).</p>
	<p>Global collaborations building cross-border capacity.</p>	<p><i>The Circular and Fair ICT Pact:</i> Co-leads—the Netherlands and Belgium; eight-country collaboration. International procurement-led partnership to accelerate circularity, fairness and sustainability in the ICT sector (CFIT, 2021).</p> <p><i>The Greening Government Initiative:</i> Co-leads—Canada and the US; a 30 plus country collaboration. First-of-its-kind initiative for like-minded governments to enable formal and informal international cooperative opportunities, including information sharing, technical exchange, working groups, data stewardship, strategic partnerships, workshops and communications, to address climate change by using cleaner energy sources, moving to zero-emission vehicles, greening their procurement and pursuing green and resilient infrastructure (Government of Canada, 2021).</p> <p><i>Responsible Business Alliance and Electronics Watch:</i> A collaboration to improve working conditions in publicly funded supply chains (RBA, 2021).</p>
4	Wellbeing Economics and Future Generations	Frontrunner Nations: New Zealand, Iceland, Finland, Scotland and Wales
	<p>A whole-of-government approach that advances new metrics to define wellbeing and social progress.</p> <p><i>Gross Domestic Wellness™</i> (Wallace <i>et al.</i>, 2020)</p>	<p>Wellbeing economics seeks to address the social, economic and environmental challenges of today. The WeGo Partnership is a collaboration of four national and two regional governments working to advance a whole-of-government approach to building a wellbeing economy (WeGo, 2018).</p>
	<p>Future Generations Legislation</p>	<p><i>Future Generations Legislation</i> is designed to prompt deep, cultural change in policy making across governments to combat short-term thinking and intergenerational inequality in politics and public administration.</p>
	<p>‘We must shift how we understand and build societal health and prosperity, looking beyond economic growth to collective well-being and environmental sustainability’ (Chrysopoulou, 2020 p1)</p>	<p><i>New Zealand:</i> World’s First Wellbeing Budget 2019 (Government of NZ, 2019).</p> <p><i>Iceland:</i> Wellbeing Indicators for Iceland (Government of Iceland, 2019).</p> <p><i>Wales:</i> <i>Future Generations Act 2015</i> (Howe, 2020).</p> <p><i>Scotland:</i> Future Generations Commissioner (2021).</p> <p>UN Declaration on Future Generations (2023).</p> <p>Secretary General Calls for a Future Oriented UN (UN, 2021).</p>
	<p>WTO-GPA Membership</p>	<p>EU countries represent 27 of 48 signatories to the WTO Government Procurement Agreement (GPA, 2012).</p> <p>Following Brexit, the UK became an independent signatory to the GPA.</p>

### 6.1. Mandatory Sustainable Government Procurement

COVID-19 emphasised the inequality, interconnectedness and lack of resiliency in many global systems and government supply chains. While eliminating corruption and operating a fair, open and transparent global trading system remains foundational to good governance, leveraging government procurement to achieve social and environmental objectives is essential to a socially equitable and

green recovery and achieving the SDGs. By failing to mandate sustainable public procurement, the WTO-GPA risks losing relevancy as a global policy instrument, leading to an increasingly fragmented domestic landscape for MNEs.

Effective 2021, the UK Government adopted a mandatory social value approach to central government procurement, raising the bar and providing a new way to approach to the generation of global social value. Integrated with the SDGs, the model requires UK central government procurement to be leveraged to maximise social value and to support a fair and sustainable economic recovery from COVID-19. The UK's new procurement policy mandates a minimum 10% (but sets no upper limit) for the weighting of social value as a differentiating factor in evaluating government bids (UK Government, 2020). The policy requires all UK central government procurement to be leveraged in support of at least one of five key policy areas: (1) COVID-19 recovery, (2) tackling economic inequality, (3) fighting climate change, (4) providing equal opportunity and (5) improving wellbeing.

Social and environmental sustainability objectives can no longer be disconnected from government procurement and world trade. While the primary purpose of government procurement remains the acquisition of goods, services and works for public consumption, simultaneously improving the wellbeing of people and planet is required to accelerate the transition to a more regenerative and resilient economy. To do this, a new global accord is needed. Failure to develop a new accord will impede the legitimacy of governments seeking to legislate due diligence and social responsibility in MNEs. Sustainability requires the simultaneous pursuit of social, environmental and economic objectives. However, financial objectives frequently dominate, while non-commercial objectives seem to be an afterthought. Adopting a social value, strategic category management approach to government procurement offers the potential to unlock the creativity and innovation needed to transform a traditionally economistic system into a more humanistic driver of social progress.

### *6.2. Supply Chain Transparency: Due Diligence Legislation*

Due diligence legislation is tightening the regulation of MNE corporate governance. This form of regulation holds large companies responsible for conduct in core operations at home and abroad, and for business conducted under contract throughout global value chains. In an effort to protect human and environmental rights globally, due diligence legislation goes further than the 2014 EU non-financial reporting directives (Venturelli *et al.*, 2019) and the California (2010), UK (2015) and

Australian (2018) modern slavery Acts, elevating MNE value chain risk from reputational to legal liability (Grabosch, 2021).

The original French *Duty of Vigilance Act* (ECCJ, 2017) was followed by the Dutch *Child Labour Due Diligence Act* (2019), German *Duty of Care Act* (Grabosch, 2021), Norwegian *Due Diligence Act* (Avocats, 2021) and Swiss *Due Diligence Act* (forthcoming), all of which are expected to be replicated at the EU level (ECCJ-HRDD, 2020). Duty of vigilance laws provide for substantial enforcement measures, including fines, calculated as a percentage of gross revenues, and for criminal sanctions, including the imprisonment of company directors. In Germany, Finland and Denmark, some businesses and a diverse range of stakeholders have joined the call for mandatory human rights due diligence (Clifford Chance, 2020). In the EU and US, under Federal Acquisition Regulations, companies are required to report the due diligence steps taken to eliminate human rights abuses in sourcing conflict minerals. Eight countries have joined the Circular and Fair ICT Pact—an international procurement-led partnership co-led by the Netherlands and Belgium—to accelerate circularity, fairness and sustainability in the ICT sector (CFIT, 2021).

### 6.3. Global Minimum Wage

ILO C-94 (1949) has long established the principle that public contracts must not depress prevailing wages; however, this could potentially be reformed to require that public contracts actually raise living standards and improve societal outcomes. Globalisation has increased international labour competition, rupturing the link between wages and productivity growth (Alvaredo *et al.*, 2018). To halt the race-to-the-bottom exploitation of people and the environment, responsible government procurement must move beyond ‘do no harm’ to proactively ‘do some good’ by contributing to advancing equity and human dignity through a global system of labour standards. Here, the concept of a global minimum wage (Hickel, 2013; Journot, 2013; Palley, 2011) is worth revisiting, particularly where high-income governments in the global north wield monopsonist power over opaque supply chains and production processes in the global south. In keeping with the empirical findings of US Economist David Card, winner of the 2021 Nobel Prize for Economics for his work with Alan Krueger (Card and Krueger, 1993), by working collectively at the international level, government procurement could make a significant contribution to reducing poverty, improving wellbeing, and potentially increasing levels of employment through the creation of a global minimum wage. Card and Krueger (1993) demonstrated that, contrary to conventional economic theory, an increase in minimum wage, increases rather decreases the number of jobs created.



A starting point for global cooperation could be aligning healthcare procurement with the ‘do no harm’ principle of the Hippocratic Oath. Economist Thomas Palley (2011) argued that a global minimum wage set at 50% of a country’s median wage would raise standards without affecting the comparative advantage of lower wage developing countries. A revised WTO-GPA requiring the payment of a global minimum wage, linked to a country’s median wage, for all government procurement contracts would raise living standards in the global south, improving lives and ensuring high-income governments would first role model, and then reward similar good practice, in responsible MNE supply chains.

Neither governments nor firms can outsource social responsibility, and whether MNCs and governments generate or extract value from local economies and communities is receiving increasing scrutiny. Exploiting people and the environment to purchase low-cost goods and services is a morally indefensible approach to government procurement, which cannot address the grand challenges of inequality and climate change. The voluntary approach to regulating MNEs and to transforming how value is defined in public sector contracts has left public procurement out of step with today’s societal values and sustainable development policy objectives (Andhov *et al.*, 2020). EU countries represent 27 of the 48 signatories to the WTO Agreement on Government Procurement (GPA, 2012). To maintain international policy coherence, reconnect international business with societal progress, and retain relevance as an instrument of exemplary governance, the next iteration of the WTO-GPA must align with and support the supply chain transparency expectations and domestic level policy advances in sustainable corporate governance. Governments in high-income countries have yet to adopt the strong mandatory procurement policy frameworks needed to deliver a competitive advantage to the most sustainable and socially responsible market actors. In their role as major buyers, governments must also be subject to the same tightening of regulations as MNEs, ensuring responsible business conduct and transparency throughout publicly funded contracts.

#### *6.4. Knowledge Hubs*

The *Circular and Fair ICT* (CFIT) pact, led by the Netherlands and Belgium, is an eight-country international procurement-led partnership working to accelerate circularity, fairness, and sustainability in the ICT sector (CFIT, 2021). While NGO’s, such as the Ethical Trading Initiative (ETI), the Responsible Business Alliance (RBA), and Electronics Watch, have long collaborated across borders to improve working conditions in publicly funded supply chains (RBA,2021),

government led collaborations are also emerging as key to sharing public sector knowledge and advancing more sustainable, circular, and socially responsible government procurement.

National knowledge hubs stimulate innovative demonstration projects and share emergent good practice across multiple levels of government. By providing professional development, model procurement criteria, technical knowledge, standardised key performance indicators and data stewardship, central governments in the Netherlands, Germany and the UK are using knowledge hubs to establish multi-level strategic alignment, to harmonise implementation and to build the capacity of central and sub-national actors to drive a green and socially equitable transition to a more sustainable economy (see Table 2).

Internationally, cross-border collaborations are being developed to stimulate peer-to-peer learning across governments. Originating in North America, *The Greening Government Initiative*, led by Canada and the US, is a first-of-its-kind collaboration now engaging over 30 like-minded governments in formal and informal international cooperative opportunities to green government operations and procurement processes (Government of Canada, 2021). Through information sharing, technical exchange, working groups, data stewardship, strategic partnerships, workshops and communications, governments are working collectively to share knowledge and accelerate climate action. Changing how value is defined in publicly funded contracts, is a potentially powerful way to shape more responsible markets and stimulate incremental social value.

Public procurement holds the potential of being more nimble and dynamic than regulation, thereby providing opportunity for experimentation and process innovation. Developing new ways to generate value, informing new standards, policies and legislation could be the most significant contribution of an empowered government procurement system. In a system seeking innovative ways to stimulate competition based on non-commercial criteria, a *priceless procurement* approach could be beneficial.

#### *6.5. Priceless Procurement*

Given that much of what is valued cannot be monetised (such as biodiversity in nature, human rights, health, and wellbeing), price is often the least effective metric to determine value and values alignment in government procurement. In selected spend categories, by removing price from the equation, budget constrained public owners could stimulate the market to compete and differentiate based solely on non-commercial social and environmental objectives. With a predetermined fixed budget, and by eliminating a race-to-the-bottom, this approach could also stimulate the third

economic pillar of sustainability, attracting more SMEs and other new market entrants into the bidding pool.

Where the cost-of-service delivery has been established over many years, research into *priceless procurement* could for example help develop the capacity of the public sector to evaluate bids based on the quality of vendor commitments to improved working conditions throughout the duration of the contract. *Priceless procurement* has the potential to harness the creativity and capacity of the private sector by focusing firms' attention on ways to optimise social value within the given price. Commitments based on levels of job security, family flexible schedules and quality of working conditions; sustainability commitments to reduce waste and/or carbon emissions; and innovations in service delivery would be evaluated against predetermined criteria, as detailed in the bid documentation. While the approach may be most valuable in achieving social outcomes in service contracts—where low-wage labour-based supply chains experience high levels of employee churn, affecting continuity and quality of service, *priceless procurement* could also be applied to product categories. For example, with laptop computers, by specifying the technical specifications, volume commitment and price per unit that a government is willing to pay, procurers could design evaluation criteria to reward the principles of circularity, repairability, supply chain transparency and the elevation of human rights. While not appropriate in emergent and highly variable spend categories, *priceless procurement* may offer one way forward in the effort to change the dominant mindset and price-centric culture of government procurement.

#### 6.6. Wellbeing Economics and Future Generations

The Wellbeing Alliance (WEAll) describes a wellbeing economy as ‘an economy that puts the wellbeing of people and planet first. The economy is a means to an end and not an end in and of itself’ (WEAll, 2021). WEAll is a global collaboration of organisations, alliances, movements and individuals working to move beyond an extractive economy to a wellbeing economy. Transitioning to an economy that delivers social justice on a healthy planet not only requires a shift in how we understand and build societal health and prosperity (Chrysopoulou, 2020), but also requires redesigning public institutions to look beyond economic growth towards collective wellbeing and environmental sustainability. This also involves considering the needs of future generations and looking beyond procurement to shift priorities and processes across the whole-of-government.

GPA signatories New Zealand, Iceland and Finland, in partnership with the devolved governments of Scotland and Wales, are collaborating to design new whole-of-government approaches that

prioritise wellbeing and social progress in the delivery of public services (Wallace, 2019; WeGo, 2018). To deepen understandings of wellbeing economies, through the Wellbeing Economy Government Partnership (WeGo), frontrunner nations are sharing their expertise and transferrable innovative policy practices. In 2019, New Zealand passed the world's first Wellbeing Budget (Gov NZ, 2019). Iceland has developed Wellbeing Indicators (Gov Iceland, 2019), and, through a steering group appointed by the Ministry of Social Affairs and Health (STM), Finland is committed to advancing an economy of wellbeing, both nationally and internationally (Finland Ministry of Social Affairs and Health, 2020). Designed to prompt deep, cultural change in policy making across governments, future generations legislation seeks to combat short-term thinking and intergenerational inequality in politics and public administration. Wales passed the first *Future Generations Act 2015* (Howe, 2020), and both Wales and Scotland have appointed Future Generations Commissioners (Bird, 2021). The UN Secretary General is calling for a 'future-oriented UN' (UN, 2021), with a UN Declaration on Future Generations planned for 2023. These developments raise the bar far beyond the non-discriminatory, non-corrupt minimum requirements of an economistic WTO-GPA, signalling the arrival of a new narrative and institutional priorities that are reframing understandings of the collective role and responsibility of government procurement in society.

## **7. Conclusions and Future Research Directions**

Frontrunner governments are moving beyond signalling and preferring to requiring a more socially responsible and sustainable approach to government procurement. By failing to require the integration of all three aspects of sustainability, the WTO-GPA is restraining progress at the international level, increasing the risk of market fragmentation for MNEs. Socially responsible public procurement offers a globally responsible alternative to the protectionary pressures that tend to follow economic shocks. The social, climate and economic crises have created a policy window for change (Caruana *et al.*, 2020). Without adopting a protectionist nationalistic approach, the social aspects of sustainability offer both a domestic and global effect (Caruana *et al.*, 2020). Public trust requires full visibility and transparency in public and MNE supply chains. With governments facing significant post-COVID-19 domestic social and economic challenges, the political appetite for further liberalisation of government procurement is waning. Shortened supply chains and the trend towards increased supply chain resiliency and transparency, and the mandatory inclusion of sustainability criteria in bid evaluations are only likely to continue.

Public sentiment and political will are changing. The COVID-19 personal protective equipment (PPE) crisis has made public procurement increasingly political and visible to taxpayers. To succeed, Canadian Prime Minister Trudeau, said ‘future multinational trade negotiations must ensure that global trade delivers wider social benefits’ (Blanchfield, 2017). Tension between globalisation and localisation exists within the sustainability agenda. A global social value agenda advanced through mandatory socially responsible public procurement offers a mechanism to stimulate and reward responsible business conduct, potentially mitigating race-to-the-bottom economics and rising protectionism. Whether municipal public procurement should be included in future trade agreements remains in question and is an important topic that will benefit from greater academic and civic debate. MNEs seeking to maintain access to government procurement markets must be ready to compete and must be rewarded based, in part, on their contractual commitments to addressing societal challenges. The WTO-GPA signatories were slow to permit the consideration of environmental criteria in the revised 2012 text and remain slower still to explicitly embrace social considerations. While many MNEs are working hard to embed environmental and social sustainability into operations, governments in the world’s most developed nations are failing to meaningfully transform how value is defined on the demand side of public procurement, thereby failing to provide a competitive advantage to the most progressive, responsible and sustainable market actors. In practice, the culture of public procurement in OECD countries remains transactional, siloed, and dominated by short-sighted cost savings over the long-term generation of incremental social value.

In a post-pandemic world, governments and international business are under increased pressure to design an economy in service of society, delivering a more equal distribution of wealth and contributing to social progress. Doughnut economics (Raworth, 2017) provides a conceptual path forward, proposing that governments, business and society conduct operations within the limits of planetary boundaries (Rockström *et al.*, 2009), while leaving no one behind (UN SDG, 2020). Governments must play a catalytic role in leading the transition from race-to-the-bottom economics to stimulating a rise-to-the-top inclusive, sustainable economic recovery. To achieve more socially responsible companies, governments must lead the way in rewarding social responsibility in taxpayer-funded supply chains.

This paper concludes that there is a lack of practical implementation (EcoVadis, 2020; OECD, 2020; PwC, 2015), limited data and academic research to support the advancement of SDG 12.7 Sustainable Public Procurement. This is a call to action for research to help broaden our collective

understanding of social value creation through global competition for public contracts. As more nations adopt mandatory sustainable public procurement, the field will expand beyond policy and public procurement law, into public and private sector management strategy. There is a need to understand the practical and theoretical implications for economics, international business, public administration, strategic and responsible management, labour relations, supply chain management, innovation studies and sustainability. New strategic management and valuation theories are needed to explain the implications, positive and negative, of governments working collectively to stimulate global competition against non-commercial societal objectives.

Illustrating the breadth of this future research agenda, the Sustainability and Procurement in International, European and National Systems (SAPIENS) network is the most extensive PhD program on sustainability and procurement worldwide (EU Commission, 2021). Launched in March 2021 and financed by the EU's Horizon 2020 Marie Curie Sklodowska Programme, the initiative consists of 15 PhD interdisciplinary projects involving international actors and central purchasing bodies. In investigating the advancement of sustainable public procurement, the research topics encompass the role of free trade agreements; digitisation of procurement processes; the interaction of the circular economy, IT, works, textiles and food procurement with the sustainability aspects of climate change, human rights and equality.

The rise of supply chain due diligence legislation provides an opportunity to investigate the role of blockchain technology in advancing transparency, and the need for product passports to determine and evaluate Scope 3 emissions. A review of the private sector sustainable supply chain management literature (Seuring and Müller, 2008) found a deficit of studies focused on the social dimension of sustainability, where further research is needed. Zorzini *et al.* (2015) found that, despite the consideration of social issues being of increasing importance to management, a research gap exists for operations management and supply chain management scholars to contribute more in-depth studies. Blockchain and artificial intelligence for good, both present promising new areas of research to address the knowledge deficit in supply chain transparency. Responsible sourcing platforms are emerging as a new tool in responsible supply chain management. Porsche, Audi and Volkswagen are using artificial intelligence to identify sustainability risks, such as environmental pollution, human rights abuses and corruption, at an early stage—not only among direct business partners, but also at lower levels of the supply chain (Volkswagen, 2021). Artificial intelligence and machine learning may be effective in advancing responsible business conduct, demonstrating due

diligence in identifying, assessing, alleviating and addressing sustainability risks in global value supply chains.

Where the cost-of-service delivery has been established over many years, research into priceless procurement may help develop the public sector capacity to evaluate bids based on the quality of vendor commitments to delivering broad societal outcomes as specified by public owners. Priceless procurement may also stimulate the public sector's ability to harness the creativity and capacity of the private sector to focus firms' attention on optimising social value within the given price. At the time of writing, the *Journal of Supply Chain Management* had issued a call for papers on decent work and managing working conditions in supply chains (Soundararajan *et al.*, 2020). Thus, more than 10 years on, Walker's (2010) call for more management research into how to balance the social, environmental and economic effects of sustainable procurement is more important than ever.

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