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PROCUREMENT PONDERABLE

Evaluating Past Performance

Stephen B. Gordon, PhD, FNIGP, CPPO-Ret.

Few would disagree that accurately evaluating the past performance of a bidder or proposer is essential, especially when the contemplated contract is for a critical good, service or infrastructure project. The challenge, of course, is to be able to do this in a way that will assure the delivery of the sought outputs or outcomes, mitigate the possibility of a protest and the associated delays, and treat the offerors whose past performance is being evaluated reasonably and equitably.

Evaluating the past performance of bidders (to determine whether the past performance of each bidder is satisfactory for the requirement at hand) and proposers (to accurately rank and compare the past performance of the competing proposers) has been a challenge historically. For example, accurately assessing and comparing a proposed team's past performance remains a challenge for many reasons, including but not limited to the extent to whether the members of a proposed team (both the same organizations and the same people) have worked together previously on a job of similar size and scope.

The challenge is much more daunting in today's more complex and dynamic public procurement arena. One further complicating factor is that public procurement officials now frequently procure construction, technology, essential services, equipment and goods from regional, national and multinational suppliers and their local or nearby outlets through so-called cooperative (actually piggybackable) contracts. A second complicating factor—the not-so-small need to be able to detect risks that lie in a firm's supply chain.

Building and launching an effective and equitable process for evaluating the past performance of potential suppliers requires all participants in a public entity's procurement program (ideally, in collaboration with other procurement program and suppliers) to take several steps including (but are not limited to) formally defining "past performance;" crafting the questions that will be asked (in order to secure the information that the public entity needs to address the considerations embedded in its definition); determining to whom (which functional roles) in the referenced organization the questions will be asked; identifying who (again, which functional roles) in the public entity will ask the questions; and developing and applying procedures for gathering and analyzing the information gathered and for how the scoring of past performance is to be done as part of the bid or proposal evaluation process.

Getting to where past performance evaluations will be flawless will take a while. In the meantime, I am pleased to know that a company, which I cannot name here, is taking the first steps down that path. Hopefully, at some point in the not-so-distant future, the international, national and regional public procurement associations and the various associations that represent suppliers to public and private entities will collaborate to develop a consensus standard for evaluating past performance.

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The one thing procurement departments can't buy: Time

INVEST THE TIME ON SUPPLIER PERFORMANCE UP FRONT, OR IT WILL COST YOU MORE LATER

By David Yarkin and Bernadette Launi

> **A**s we think about the largest challenges facing public procurement, topics such as supply chain disruption, inclusive purchasing and spending ARPA funds immediately come to mind. These are challenges that remind us of the ever-changing landscape of public procurement. They remind us of the urgency and complexity that we all must be prepared to navigate, often with limited resources or guidance. But after months of connecting with and learning from procurement practitioners around the nation doing this work every day, a much simpler challenge seems to be testing governments everywhere.

Time. It is our most precious commodity and in early 2022, we have less of it than any time in my 20 years in public procurement. How we use this declining resource wisely is of paramount concern to procurement leaders from palm-treed beaches of San Diego to the wintry mountains near Augusta, Maine.

While time has always been scarce for procurement officials, the strain of the ongoing COVID-19 pandemic has stacked challenge after challenge on an already full workload: unprecedented supply chain disruptions, staffing shortages, rapid adoption of technology and automation for a workforce



used to in-person processes. You know the drill.

In a recent interview with Rick Grimm, CEO of NIGP, we discussed the effect this time crunch is having on supplier performance in the public sector. While the impact of this issue is serious, Grimm shared an optimistic message. By working together, we can leverage new solutions that will enable governments to spend less time and get better outcomes from the procurement process.

SUPPLIER PERFORMANCE IS PROCUREMENT PERFORMANCE

In the busy world of public procurement, it is easy to direct buyers to just stay focused on the task at hand: develop the specifications. Publish the solicitation. Evaluate suppliers. Award the contract. At this point, many procurement offices, reeling from staff shortages, have considered their work done, leaving the user agency responsible for managing supplier performance.

But when you look at the responsibilities of a public procurement organization, the lines are not so clearly marked. “Your role does not end after that contractor PO was issued,” Grimm says. “Supplier performance is built into the specifications you develop, the measurements of success you identify, and how that success will occur during the contract period. For better or worse, supplier performance is really a reflection on procurement performance.”

The difference is a subtle yet important one. A narrow mindset sees the job of procurement as simply establishing contracts. The more expansive mindset holds procurement responsible for the successful delivery of goods or services to users. When you adopt the latter approach, the process of selecting a supplier becomes much more real. How can we build the clearest specifications? Attract the right bids? Understand the supplier’s past performance record and how it relates to the project we are considering them for?

“Public procurement is a steward of the public trust, and that stewardship doesn’t stop when that PO goes out the door,” Grimm states. “If you want to ensure that the supplier can perform well if awarded the contract, public procurement needs to base their decision on past performance metrics.”

But it all comes back to where we started: that pesky issue of time. Many well-intentioned procurement practitioners understand the importance of supplier performance. But with so many competing priorities and fewer staff to accomplish them, investing time to really research vendor performance often takes a back seat.

INVESTING TIME AT THE WRONG POINTS

As governments have become more time- and resource-strapped, procurement professionals have been forced into a reactive approach to supplier performance.

“The issue is that we never have time to do this right on the front side of things,” Grimm reflects. “But when we have poor contract execution, we find a lot of time to address it through performance improvement plans, legal action, due process.”

When time is short, we focus on “mission-critical” tasks that must be completed for the organization to function. Those tasks seldom extend to ensuring excellent supplier performance post-award. The reality, however, is that issues resulting from poor-performing suppliers come back to procurement and end up taking up a considerable amount of time.

This reactive approach creates a vicious cycle: purchasers can’t find time to ensure they are selecting the right supplier. The more unsure they are of supplier past performance, the stronger chance that there will be poor contract execution. When there is poor supplier performance, we must find the time to address the problem. Which limits the amount of time we can spend finding the right supplier for other projects. Repeat. This anti-pattern results in procurement teams getting buried in work as they try to mediate supplier issues and manage everything else. And oftentimes, the poor performing contracts were entirely predictable. Says Grimm, “Usually, if there was bad past performance, it probably is going to be an indicator of future poor performance.”

The impact, Grimm says, of picking a supplier with a poor performance track record is as serious as can be. “If a bridge that falls and collapses kills citizens, there’s some responsibility there. There are consequences in really not knowing how a supplier is going to perform. And poor performance from the supplier actually reflects poorly on us in public procurement. That’s why it matters.”

To Grimm, a more proactive approach to soliciting supplier feedback would help break this cycle. “Shifting that energy to get things right on the front end of the award would allow us to find better ways to determine a supplier’s capacity for success,” he says.

If buyers can confidently select high-performing suppliers, it will set a new cycle in motion: suppliers with a proven track record enter contracts built for the supplier and agency to be successful. This leads to happy agency customers and end users and less procurement paperwork. Less procurement paperwork means more time spent getting procurements right and working towards long-term strategic goals.

THE SUPPLIER REFERENCE CHECK PROCESS IS BROKEN

It may seem like purchasers already have a viable tool to make buying decisions informed by past performance. The supplier reference check—where the supplier provides three past customers who can verify that they can do the work they have promised to do—exists so procurement professionals can see a supplier's track record and make the most informed decision possible.

But as stewards of the public trust, it's on us in procurement to raise the flag when something isn't working. Let's face it: supplier-provided references skew overwhelmingly positive, are difficult to get in contact with, and are often dated or irrelevant to the contract requirements. As Grimm asks rhetorically with more than a tinge of sarcasm, "how many times have you actually checked those references and they said this is a horrible supplier?"

A survey conducted by Procurated in a recent NIGP webinar supports this claim. In the survey, procurement practitioners were asked when the last time was that they had had a negative supplier experience. Sixty-eight percent said in the last year, and 26 percent said in the last two to five years. But when that same group was asked how often they hear negative feedback in supplier-provided reference calls, 96 percent said "rarely" or "never."

These statistics don't add up. Procurement professionals are having sub-par experiences with suppliers but aren't encountering any of this information in reference calls. These reference calls have become little more than a "check the box" exercise and the reality is, they are wasting our time. We need to find a better way to organically connect feedback-seekers with feedback-givers.

Hundreds of thousands, even millions of public sector supplier interactions are occurring all around the nation. Insight about those interactions could undoubtedly benefit the public procurement community at large. Imagine if there was a centralized record of these supplier experiences. And as a procurement professional, if you could understand supplier performance as easily as you can decide whether to go to a restaurant based on peers' experiences.

Grimm agrees that the procurement community holds the answer to this challenge. "That is the beauty of the public sector." In this regard, he believes that public procurement has a great advantage over its commercial brethren. "We're head over heels on what happens in the private sector because when I'm sitting in a meeting in private sector procurement folks, the person next to me is a competitor. However,

in the public sector, we aren't competitors. We are colleagues. I think that a solution to these challenges in the landscape that we're facing now is to leverage automation and to leverage the relationships that we continue to build in our own communities ... Because that actually saves us time," Grimm says.

THE SOLUTION: A TIME-SAVING HOME AND A STANDARD FOR PEER REVIEWS OF GOVERNMENT SUPPLIERS

The change we are discussing is two-fold. Grimm described the first—a necessary shift in behavior to spend our time evaluating supplier performance while establishing, rather than dealing with the consequences of poor performance during the rocky term of a contract. And given universal time shortages, when purchasers do invest that time up front to research past performance, they need a fast and reliable way to connect with a supplier's past customers to get transparent, actionable insight into their track records.

At first glance that may seem like a utopian fantasy. How could you possibly know which of the thousands of purchasers in the United States to ask about their experiences with a particular supplier? Are we stuck with broken tools like supplier-provided references because we just don't know who else to ask?

Grimm suggests the solution lies in bringing the procurement community together, to share their feedback about suppliers in a systematic way. "We have to have a very intentional way to measure supplier performance," he says. He envisioned, "a standard process that really measures the right metrics."

Fortunately, that universal standard is not some gauzy vision, far away on the horizon. It is here, being built by the public procurement community. Three years ago, several hundred local governments, school districts and universities began reviewing the past performance of their suppliers in a beta test of Procurated, a software company I started. Their early and unheralded work has now paid off for purchasers across the country. For free, government buyers can access nearly 40,000 verified reviews of more than 10,000 suppliers. Reading reviews on this platform will help them learn more about a vendor's past performance than the broken reference system. And best of all, it only takes a few minutes. I know from my experience just how precious that time is. And isn't it ironic that time is the one thing you can't buy?

DAVID YARKIN is the former chief procurement officer of Pennsylvania and the founder and CEO of Procurated, a supplier ratings platform built for the public sector. Please send David any comments or ideas for future columns to david@procurated.com.



DEMING'S 14 POINTS OF MANAGEMENT FOR PROCUREMENT PROFESSIONALS

By Christopher E. Burton, MBA, CPPO, CTPM

Public procurement's focus over the last decade, has been that of "digital transformation" with a keen eye on the new technologies and tools available to public procurement leaders. Although such "transformation" is of keen interest and vital to moving public procurement ahead, there are some fundamental managerial truths about "organizational transformation" that have been around for decades, which still ring true to this day. It is important for public procurement leaders not to be hyper focused on technological innovation, but also to understand and realize that all true innovation comes from people.

When Dr. Edwards Deming published his seminal classic "Out of the Crisis" in 1982, his focus was clearly on the American manufacturing sector, which was then struggling against international competitors. These competitors were eager to incorporate Deming's total quality ideas from begone decades—to acquire market share through high quality products sold directly to U.S. consumers. Deming's ideas had been

rejected by U.S. industry giants in the 1950s, as he offered a new "quality" approach that would be viewed as nonsense to American industry leaders who had never had to go head-to-head with international competitors selling durable goods on American soil.

Although many of Deming's concepts were not his direct, original ideas, he was the first to put these "14 Points of Management" into a comprehensive program of improvement. The points are universal and translate within all types of organizations—manufacturing, service, government, health care, education, non-profit, religious, and yes, even public procurement—as a guidepost towards transformation.

Modern public procurement professionals can learn much from Deming's ideas, which revolutionary at the time, have come be relevant to those who managing people, processes and systems in modern organizations. Some of these ideas might be thought of as common sense, but together they create one of the most powerful management

philosophies ever devised. Here is what Deming asks us to do as public procurement leaders:

1) Create constancy of purpose toward improvement of products and services for continuity of your operation.

Public procurement leaders must be dedicated to creating and cultivating innovation, research, training/education and continuous improvement ideas related to the design (of systems) and service within their organizations, remembering that “the customer” is the center of the improvement process.

2) Adopt the new philosophy, as we are in a new economic age where Western management philosophies must awaken to the challenge of new responsibilities and new leadership.

Leaders must be dedicated to transformation within their departments and organizations. Staff does not need old style (autocratic) management but rather, processes and procedures need to be managed. People need to be led/coached/supported/inspired/trained/empowered in the ideals of continuous improvement.

3) Stop depending upon inspection to achieve quality results. Rather, eliminate the need for inspection by building quality steps into your process and ultimately your product.

Inspection, at the end of a process, is too late, ineffective and costly. It is too late to react to the quality of an output when that output is passed on within the process. Quality comes from improving the process. Strive to ensure high-quality output throughout the process. Build quality into your process.

4) End awarding business on the basis of price-tag decisions. Build long-term supplier relationships based on performance, loyalty and trust.

Supply chain leaders are to make best value decisions regarding to whom business is awarded. Low bid decisions can often bring low value/low quality outcomes.

5) Improve constantly and forever the system of production and service, to improve both quality and productivity.

Meeting the bare minimum of the job is not good enough. Seeking to constantly improve is a high bar but a requirement of true leadership. This ideal has leaders attacking and solving process problems instead of working around them. Continuous improvement is part of everybody's job.

6) Institute training on the job.

Leaders support and seek on-the-job training to address process and system problems. Training gives us the tools and knowledge that we need to optimize the system, improve processes, reduce variation (errors), improve productivity and enable leaders to grow.

7) Institute leadership.

The aim of supervision should be to help people to do better on the job. Supervision and management need a major overhaul. Management's job is to lead/coach/inspire personnel, not supervise and micro-manage. Building true leaders creates more leaders in a self-perpetuating cycle of success.

8) Drive out fear within the organization.

Trust is important within the organization. People do their best work when they feel secure and are not afraid to ask questions, express ideas and bring in real world solutions to problems. Trust enables personnel to learn from their mistakes. Encourage communication, respect and teamwork at all levels of the organization.

9) Break down barriers between departments.

The old ideas of building little fiefdoms (silos) within the organization and looking out for No. 1 are antiquated. We should be building rapport within the departments that we work closely with and depend upon to create quality work output. We should be building cross-functional teams to solve problems as part of our work.

10) Eliminate slogans, exhortations and substitute leadership.

Slogans, cheers and exhortations were originally used to motivate personnel but usually have the opposite effect. Low moral due to not hitting work targets are usually systematic in nature and not the primary fault of the personnel within the system. It is better for leaders to bring true, authentic leadership to the table—giving inspiration and autonomy to the staff closest to the problem—to lead the process improvement work to correct it.

11) Eliminate quotas. Instead, work to improve the four M's—machines, materials, methods and manpower.

Demanding minimum quotas place the emphasis on quantity of production rather than focusing on quality of output. Doing the work the right way the first time pays multiple dividends. Institute methods for improvement instead of quotas/output goals and improved quality, and productivity will follow.

12) Remove barriers that rob worker's their right to pride in workmanship.

Personnel should enjoy their work and take satisfaction in a job well done. This raises morale on the job and is contagious within the organization and soon, performance excellence will be the norm that is expected.

13) Institute a vigorous program of education and self-improvement

Educating your workforce brings instant benefits for both the organization and the individual. Self-development/improvement is a fundamental part of everyone's job. That can mean earning a certification or degree that seems elusive and far away. Authentic leaders find the time and make this both a priority for their staff as well as themselves.

14) Make certain that everyone in the organization understands their role in accomplishing transformation.

This transformation that Deming suggests is everyone's job. Improving processes is everyone's responsibility, not just management. Transformation is synonymous with the ideas of total quality/performance management/continuous improvement. Leaders transform everyday—by taking action and understanding that transformation is a continuous process of improvement—for the department, the division, the organization and the leader.

FINAL THOUGHTS

Leaders should ask these questions:

- Is there a nagging problem within the department that we can address?
- Is there an issue with our internal customer that we need to address?
- Is there an issue with our external customer that we can fix?
- Can we reduce our cycle time for our contract formation process?
- Can we streamline our RFP process reducing cycle time?
- Can we improve data collection and transparency?
- Can we reduce human error within our procurement processes?

If there is a “yes” to any of these questions, empower the team to take on the improvement project as part of their everyday work.

Deming asks us to bring a new mindset of continuous improvement to our work. Instead of thinking about just getting the work completed or getting to the next task/project, change your focus to “How can I perform my work faster and more

accurately, bringing more value to the organization as a whole?”

When you bring a new mindset of adding value to your department and internal partners each day, you are thinking beyond the silo. Ask yourself, what ideas that I have learned in previous jobs or in current trainings that I can incorporate into my work product to add value to my department's systems, processes and people? Meeting with internal partners to ask them how you can help them with a change in the process or work output, is the first step in this transformational mindset. This will go a long way in breaking down those barriers and improving the systems that we work within.

Deming did not say this, but he implies this question in his work—“How do I make my best better?”

CHRISTOPHER E. BURTON MBA, CPPO, CTPM is the director of procurement operations at Houston Community College. Material from *Out of Crisis* by W. Edwards Deming reprinted courtesy of the MIT Press.



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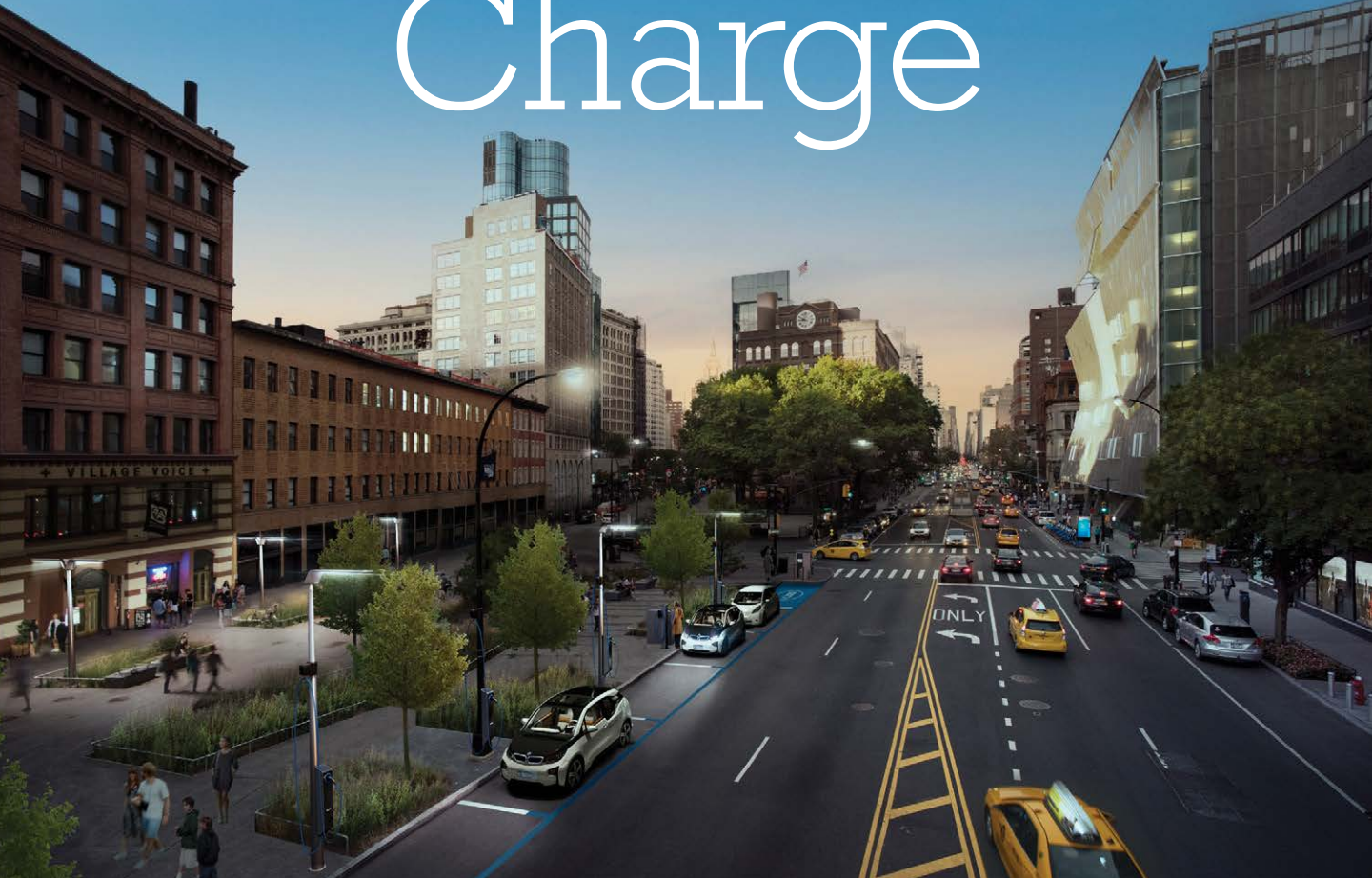
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Staying in Charge



Governments task procurement officers to lead the way in electric vehicle charging infrastructure build-out

By Michael Keating

Government buyers are showing a lot of interest in acquiring electric vehicle (EV) infrastructure, reports CoProcure, the free search engine for national, state and local cooperative contracts. On CoProcure, there are 13 active cooperative contracts available encompassing more than 70 suppliers that can provide EV infrastructure to government entities across the U.S. Views of EV infrastructure contracts on the search engine have

increased an average of more than 90 percent quarter-over-quarter over the past year since January 2021.

“While the number of users on CoProcure and the number of contract records available on our platform have also increased during this time frame, they have not increased at the same rate. More and more government procurement professionals are using CoProcure to search for cooperative contracts, including for EV infrastructure,” says Mariel Reed, CEO and co-founder of CoProcure.

Government officials are showing more interest in

installing EV charging equipment, says Brent Mital, research analyst at Deltek. He specializes in transportation and public utilities for Deltek's state, local and education (SLED) GovWin IQ research team. The GovWin IQ market intelligence platform helps businesses win more contracts with U.S. federal, state and local governments, as well as Canadian governments.

"GovWin IQ data shows that since 2018, we have seen procurement for EV infrastructure grow on average 28 percent, and more specifically, it was up 12 percent from 2020 to 2021. This pace signifies an upward trajectory in contracting activity at the SLED level," Mital explains.

Mital says there's not enough data that shows any specific city, county or special district government is leading the charge in procurement and installation of EV charging stations and infrastructure.

He adds, however, that data at the state level shows several trends. "California, New York and Maine all have led the 50 states in procurement for the EV charging/infrastructure market. California alone accounted for 23 percent of total bids since 2018, New York with 11 percent and Maine with 10 percent. California is no surprise given their history and push for green initiatives, Maine is a bit more surprising, since it is one of the smaller states in the country yet stands in the top three."

Mital says it is noteworthy that significant portions of these projects are for installing in prebuilt parking locations or being installed as part of new parking construction projects.

"There is not a noticeable initiative to install EV infrastructure for government-related fleet needs as the procurement market for EVs at the government level may not warrant such an acquisition across the country at this time," he says. "This would likely change as more vehicle types (trucks, SUVs) and more affordable EV options become available in the market for SLED governments to purchase." He adds that private-sector EV charging installations outnumber what his group currently sees at the SLED level.

Local government leaders see the importance of EVs in safeguarding the environment. More than half of the mayors in a November 2021 U.S. Conference of Mayors survey identified all-electric vehicles as the "most promising technology" for reducing carbon emissions and energy use in their communities. A total of 103 U.S. mayors in the survey were asked to select the most promising technologies from a list of 20 options; survey results show 55 percent of the mayors identified all-electric vehicles.

The White House is getting involved in streamlining and improving the nation's EV charging setup. In its "Biden-Harris Electric Vehicle Charging Action Plan" statement that was issued in December 2021, the administration noted: "The current network of over 100,000 public chargers operates with different plug types, payment options, data availability and hardware hookups. Today's actions will establish a more

uniform approach, provide greater convenience for customers, and offer increased confidence for industry." The statement explained that federal programs from the administration "will spur additional private sector investments and drive the build-out of a user-friendly, cost-effective and financially sustainable national EV charging network."

Government buyers have an abundance of cooperative purchasing opportunities to choose from. The most notable effort may be the Climate Mayors EV Purchasing Collaborative that was launched in 2018. The collaborative includes state and local governments, colleges and universities, transit agencies and other entities. The collaborative is a one-stop shop to support EV transitions for public fleets. Governments and other entities can acquire light-duty EVs, school buses, medium- and heavy-duty chassis and equipment and charging station solutions. Today, the collaborative includes more than 250 cities, counties, transit agencies, port authorities, and colleges and universities committed to purchasing more than 4,000 EVs (*"Electric Slide," Government Procurement, March 2021*).

Additional cooperative contract options include:

- Traffic and Parking Control Co. Inc. (TAPCO), a manufacturer, distributor and service provider of traffic safety and parking control products, is a distributor of Blink Charging's EV charging stations, including installed and portable stations. TAPCO offers EV charging stations available through a cooperative contract with OMNIA Partners, Public Sector.
- Choice Partners purchasing cooperative offers EV charging stations through a cooperative contract.
- Sourcewell offers EV charging stations and other equipment through its cooperative contract. "We have 10 awarded suppliers under our electric vehicle supply equipment category," says Mike Domin, supplier development administrator for Sourcewell. He says 49 different suppliers responded to his firm's solicitation, and contracts were awarded to 10 suppliers

SUPPLY AND DEMAND

For local and state governments that are thinking of acquiring EV charging stations, Domin advises them to consult with the suppliers themselves. "They will provide those agencies with the information they need. They will work with the agencies on finding out what their needs are. Whether it is one or 10 charging stations, how the installation will go—the suppliers will be the experts on that. So, my advice is to reach out to the suppliers. And develop and get things together on the agency's side on what they are looking for and what kinds of fleet equipment for EVs that they might need. That will help the suppliers understand and start the project."

Domin says that eventually, electrical contractors will need to be involved in the process. The reason? "They (the electrical contractors) are going to be part of that installation."



MET electric vehicle in Minneapolis-St. Paul.
Courtesy of Buro Happold.

So, these are the questions you are going to see as those government fleet managers reach out and say, ‘How do we do this? How do we put this project together? How do we put together a charging system so it meets our needs?’ Furthermore, it’s a project, it’s not just the EV charging station itself; the project covers the overall installation.”

On the EV charging gear front, things aren’t as gloomy as they seem, says Adam Lubinsky, managing principal at W X Y, an architecture and design firm. “Most municipalities across the U.S. are so far behind in requiring EV charging infrastructure. But rather than focusing on how bad the situation is, we must highlight that there are places that are coming up with zoning regulations that are changing this situation.”

Lubinsky says the most important approach is taking place in cities where requirements are put in place for a percentage of spaces to have EV charging spaces. He says that the second most important approach is to require a percentage of spaces to be “EV-ready,” with the electrical infrastructure installed and ready for EV charging stations. He urges local governments to search and apply for incentives that encourage the installation of EV charging stations. He adds that governments are often challenged to require and incentivize EV charging infrastructure in new developments.

Another expert who urges governments to track down funding sources is Chris Rhie, an urban planner

and associate principal at Buro Happold, based in its Los Angeles office. The firm is a multidisciplinary engineering consultancy, and a global practice of consulting engineers and advisers that offers its clients expertise in structural engineering, sustainability, lighting design, mobility and other areas.

Rhie explains that there are several private companies (including vehicle manufacturers) who will pay for the cost of installation of publicly accessible EV charging infrastructure on city property and right-of-way, in the interest of expanding their networks. He adds that public-private partnerships will be essential to meet the desired pace of adoption. He says local and state officials will need to set the rules for those partnerships to maximize public benefit.

Rhie says that at the planning level, mobility equity is top of mind for many local government officials. He asks: “How can investments in EV infrastructure enhance access to jobs, education, and services for low-income households; how can they redress poor air quality in impacted communities; and how can they support broader goals of safety and access via active transportation and public transit?”

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IN DEPTH [green infrastructure]

Build Back **GREEN**



In the battle against climate change, government procurement spending is a powerful tool

By Andy Castillo

From surging ocean tides in the north to out-of-control wildfires in the west, climate change is forcing society-wide adaptations, and governments are racing to keep pace. Across the globe, local administrators are scrambling to protect their constituencies, investing billions in state-of-the-art infrastructure upgrades to increase resiliency and mitigate climate impact.

Likewise, steps are being taken to reduce the carbon footprint of public buildings and streamline management practices. Solar is quickly become a primary energy source for municipal buildings, and all-electric fleets are replacing their gas-powered predecessors. But amid these necessary and sweeping resiliency initiatives, it might be easy for administrators to miss a more mundane aspect of government that's a major driver in greenhouse gas emissions: procurement.

"Government spending power is often overlooked in discussions of paths to net zero," says Joerg Hildebrandt, managing director and senior partner of Boston Consulting Group.

An analysis by the nonprofit organization the Sierra Club estimates the United States spends almost \$2 trillion annually in local, state and federal procurement, representing nearly 10 percent of the nation's gross domestic product. Adapting procurement procedures to include clean energy practices is a tangible step that government administrators representing communities of all sizes can take—and one that has a big impact.

"The gold standard is for a government to say they will procure net-zero buildings, at the agreed required green premium, for the next 30 years," Hildebrandt says. This, in turn, would "provide the demand stability and investment rationale for suppliers to invest in net-zero carbon technologies."

Hildebrandt co-authored "Green Public Procurement: Catalyzing the Net-Zero Economy," a new report for the World Economic Forum, a Geneva, Switzerland-based NGO. The report estimates that public sector procurement activities are either directly or indirectly responsible for 15 percent of the world's greenhouse gas emissions. Governments currently spend \$11 trillion on procurement annually, producing 7.5 billion tons of direct or indirect emissions—seven times the tonnage emitted by the global aviation industry.

While this is a striking statistic, there's reason for optimism.

Within the public procurement sector, six industries account for three-quarters of procurement-related emissions:

defense and security, transportation, waste management services, construction, industrial products and utilities. Government contracts drive spending in most of these sectors. For example, Hildebrandt estimates "public procurement accounts for 25 percent of the construction industry revenues."

If enough administrators chose to pursue greener procurement practices, they'd have the fiscal leverage to force real and lasting change, Hildebrandt says. Collaboratively, "Public procurement's sheer scale and spending power can exert considerable influence in combating global warming."

At the moment, high associated costs are a primary factor that's discouraging governments from going all-in on green procurement practices. The report estimates that a global shift by governments toward net-zero emissions would increase procurement costs by about 3 to 6 percent.

"There is a short-term green premium for governments when transitioning to more sustainable products and services," Hildebrandt says. "The increased cost will decline over time, however, as new technologies are scaled up, making the production of net-zero products more efficient."

When thinking about procurement, Borge Brende, president of the World Economic Forum, says choosing greener procurement practices "shouldn't be perceived as a cost burden for industries and the public sector, but rather as something that creates long-term sustainable economic growth."

There's also an economic incentive. Besides benefiting the natural environment, abating emissions could lead "to an estimated \$4 trillion boost to the green economy, create around 3 million net new jobs and considerably reduce the social cost of carbon," the report says.

ADOPTING A GREEN PROCUREMENT PROCESS

To that end, there are a number of concrete steps that can be taken by administrators to modify their community's procurement practices. According to Hildebrandt, a green process involves a government first setting and communicating a standard for carbon emissions, then setting a reduction target. This goal can be reached by incentivizing low-carbon performance from vendors—such as by offering a price discount if a contractor exceeds a specific emissions mark—and ensuring carbon reduction is tracked.

"Local governments must first understand their emissions baselines—where are emissions coming from and which are the biggest ticket items to address? They must then optimize for carbon within their operations, for example switching



Governments can use green procurement process in creating green energy solutions. (Getty Images)

to zero-emission vehicles,” Hildebrandt says. “In other procurement categories where solutions are less obvious, local governments should then include carbon reduction as part of supplier contract performance requirements.”

He notes that approaching procurement in this way represents “quite a change for procurement officials, who typically focus on price, technical criteria and delivery schedule today.”

Delving into the details of the process, the report explains that administrators should identify “levers” within their procurement processes, or specific stages of a project. For example, the levers associated with a building project could be broken down into design and development; materials to be used; energy consumption and end-of-life-reuse all materials; transportation of materials; the construction process itself; and the completed building’s maintenance. These aspects can be considered and modified to reduce the amount of emissions generated by the project as a whole.

One important part of the green procurement process, as highlighted by the report, is that of defining clear standards so everyone is on the same page. This could look like a local government enacting a green building code, which “have been essential in bringing our attention to energy efficiencies of buildings, hence improving what we call operational carbon—the carbon related to electricity, heating, and cooling that buildings use,” Hildebrandt says. “Embodied carbon, which is carbon related to building materials used in buildings, is, however, often overlooked, where embodied carbon criteria in building codes is they exist are often voluntary. They can help in bringing about greener procurement practices if whole-project and whole-life carbon emissions of buildings are considered.”

Working with suppliers and vendors to help them meet the new standards is another important step.

“The key to a successful engagement involves establishing

clear guidelines on accountability for compliance and incentives and an agreed understanding of the consequences of non-compliance,” the report says.

A third key aspect centers around collaborating with other cities and counties. Once a green procurement process has been put into place in one community, collaborative buying groups can be created with adjacent or similar governments, increasing demand, buying power and the ability to impact the environment for good.

“Achieving net zero will require collaboration between governments and companies,” Brende says. “Importantly, this report shows that the transition to green public procurement benefits all stakeholders.”

AN OPPORTUNITY FOR A CLEANER FUTURE

With the federal government taking steps to shore up American infrastructure—such as through the still-under-debate Build Back Better Act and the Infrastructure Investment and Jobs Act, which is poised to invest \$1.2 trillion in coming years—government spending power stands at an unprecedented precipice. It’s a prime opportunity for the federal government to implement real change, says Sasha Stashwick, senior advocate of The Natural Resources Defense Council’s climate and clean energy program.

“Procurement power is absolutely massive,” Stashwick says. “If we’re going to be making this big, generational investment in American infrastructure, at least some of that money should go toward pulling in more carbon-cleaner materials.”

While it’s a good thing if local governments take action to try to reduce their climate footprint, the real opportunity rests in the hands of the federal government. Manufacturers don’t want to face “a patchwork of different requirements,” Stashwick says. “They should be able to coalesce around high-quality pro-climate specifications. The federal government has a unique role around that.”

Standardized procurement requirements created by the federal governments—like the system described in the World Economic Forum’s report—could bring everyone onto the same page.

Many manufacturers of products such as concrete and steel already have climate-friendly alternatives ready to go at a reasonable cost, Stashwick continues. Successful contracts carried out in the private sector have given researchers real-world data that prove the effectiveness and efficiency of these green products.

“In many instances, emissions reductions of 10, 20, 40 and even 50 percent are readily available to manufacturers. They just haven’t had a reason to do it. They haven’t had a signal,” Stashwick says. “The government can use its purchasing power not just to reduce the emissions of any one particular project they’re working on, but (to) create early markets for these new materials.”

Notably, the Build Back Better Act has a number of provisions built into it that would help bring green building materials to the forefront of public use.

“A lot of the pieces that would support the low-carbon materials are in the Build Back Better (Act),” Stashwick continues. “There’s an opportunity for the federal government to step in and play a critical role in creating a foundation for procurement. ... Marrying those things up is a huge

opportunity, and it would be a huge missed opportunity—for the climate, for equity, for jobs—if this doesn’t happen.”

Beyond fixing crumbling roads and building new broadband connections, implementing green practices would impact society long after federal funding has dried up. Influencing suppliers to adopt cleaner manufacturing processes through public procurement would fundamentally change products and processes across industries. Manufacturers working with the government on massive projects would, in turn, sell their products to buyers in the private market, changing public expectations and social attitudes toward climate change.

In the global push toward a greener future, Hildebrandt says, “The impact of public procurement can be huge. But we know making this shift is not easy, since public procurement is de-central across federal, states, and agencies. A concerted effort, however, with the passing of green procurement-related legislatures, like the Buy Clean California Act, for example, can go a long way in making this shift, and as we highlighted in our report, lead the way in the transition to the net-zero economy with long-term sustainable economic growth.”

ANDY CASTILLO is an editor on *American City & County*. Before entering the journalism field, Castillo served as a firefighter in the U.S. Air Force and worked as an EMT.



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Legal Eagles

> Public procurement is often about internal partnerships. This can include collaboration with fleet management, information technology, capital construction, public safety and others. But I have come to believe that there is not a more important partnership than with our legal offices.

Whether it is an attorney general, city attorney or general counsel, these individuals provide us legal expertise throughout the procurement and contracting process. They can save the day on a bid protest, provide guidance on a contract termination, keep up on strong legal footing with supplier diversity programs, and so much more.

Early on in my career, I had very little to do with attorneys. As a purchasing and warehouse manager for a large city, I took care of the procurement needs for the wastewater treatment plant without much help. In fact, the city attorney didn't even know my name; only referring to me as the "big guy from the turd farm."

However, as I advanced in my procurement career, I quickly learned how valuable attorneys were to our procurement operations. Since I have had such good fortune working with excellent public contract lawyers, I wanted to acknowledge some of them.

My first contract that went to court involved a performance bond issue and an unhappy subcontractor. Denise Fjordbeck was the assistant attorney general that represented me, arguing the case successfully before the Court of Appeals. She also came to my defense when the opposing attorney questioned the validity of my CPPO certification. A few years later I accepted the chief procurement officer (CPO) job at the regional government and worked with another great attorney, Marvin Fjordbeck. He supported our procurement decisions before the governing council and was instrumental in strengthening our small and diverse business program. He once told me, "My sister Denise taught me everything I know."

As the new procurement director for a large school district, I had to appear before the board of education on a contract dispute. The board chair directed a procurement related question to our general counsel, Jollee Patterson, who responded, "I am respectfully going to defer to our procurement director, Mr. Matthews, as he is an expert in this area." She supported and defended every procurement decision we made in my time there. Jollee's support of me as a procurement professional definitely "upped my stock" in the eyes of the board members.

Last, but certainly not least, is Andrew Houston, whom I worked with in a large university system. He is an excellent attorney that listens better than anyone I've ever worked with. After understanding the procurement issues and needs at hand, he provides legal expertise that helps pull it all together. Andrew's contributions on university policies dealing with technology, supplier diversity, and RFP evaluation criteria are invaluable. At a large meeting of university CPOs, he held up my book on public procurement and said it was a great resource. He

then suggested that the others in attendance purchase it as well. Wow! It would take another column to list his contributions to his community, such as serving as a mentor to young people pursuing a law career.

I am truly grateful for the legal eagles I have had the privilege of working with. Afterall, I am not an attorney, I only play one on TV.

I have come to believe
that there is not a more
important partnership than
with our legal offices.



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