

# Life Cycle Costing - A Question of Value

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Better living for all—sustainably

## **Why IISD developed this white paper?**

**At the onset of the global economic downturn,  
policy makers were asking:**

- Is SPP delivering value for scarce public funds?**
- Is SPP a cost effective policy for walking the talk on sustainable development?**
- Can we justify the higher purchasing costs of sustainable goods and services?**

## Global consultation on the role of LCC in public procurement



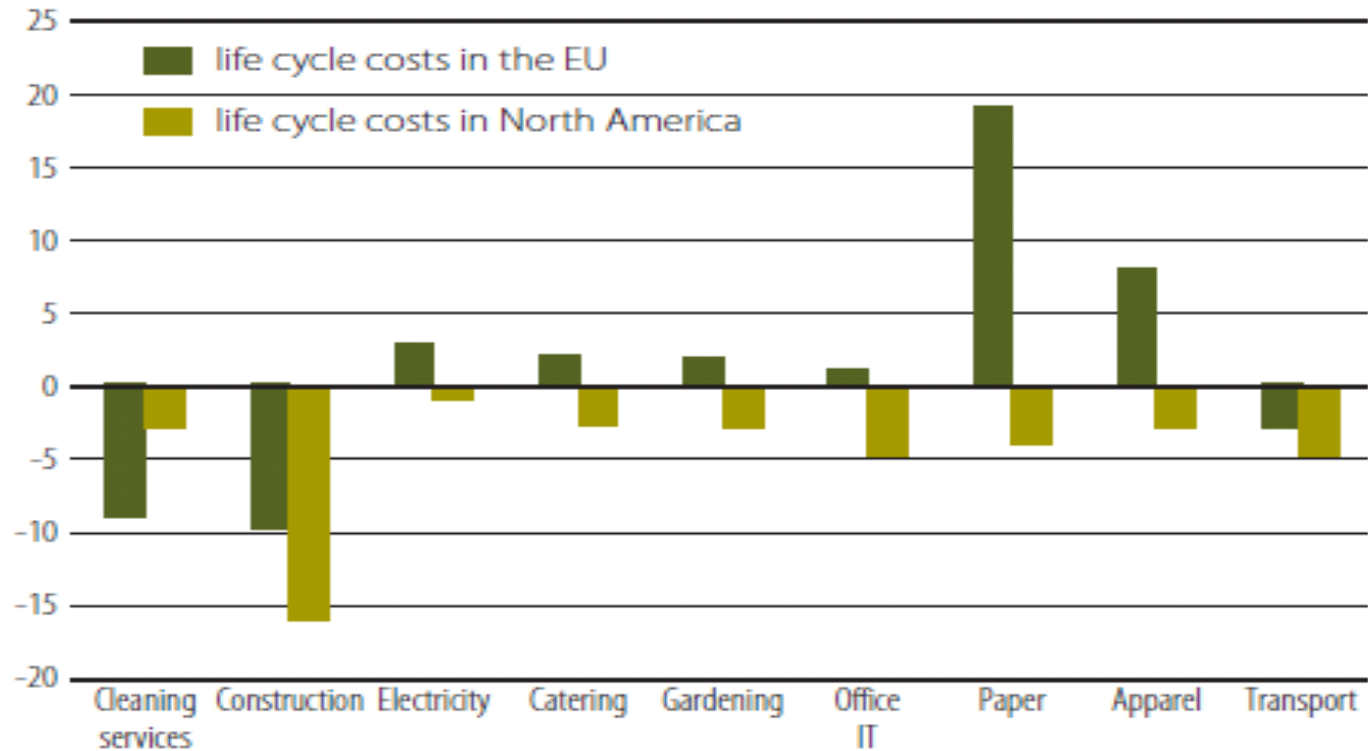
## **Majority of SPP/GPP policies have no express requirement for LCC**

- USA, Japan, Switzerland and Norway would pay *routine attention* to LCC in *selected products***
- EU countries and New Zealand are using *some form of LCC* or *derivatives* of it.**
- Singapore, Thailand, Jordan, Egypt, India, China, Chile, Costa Rica, Brazil, and Australia have *experimented* with LCC**

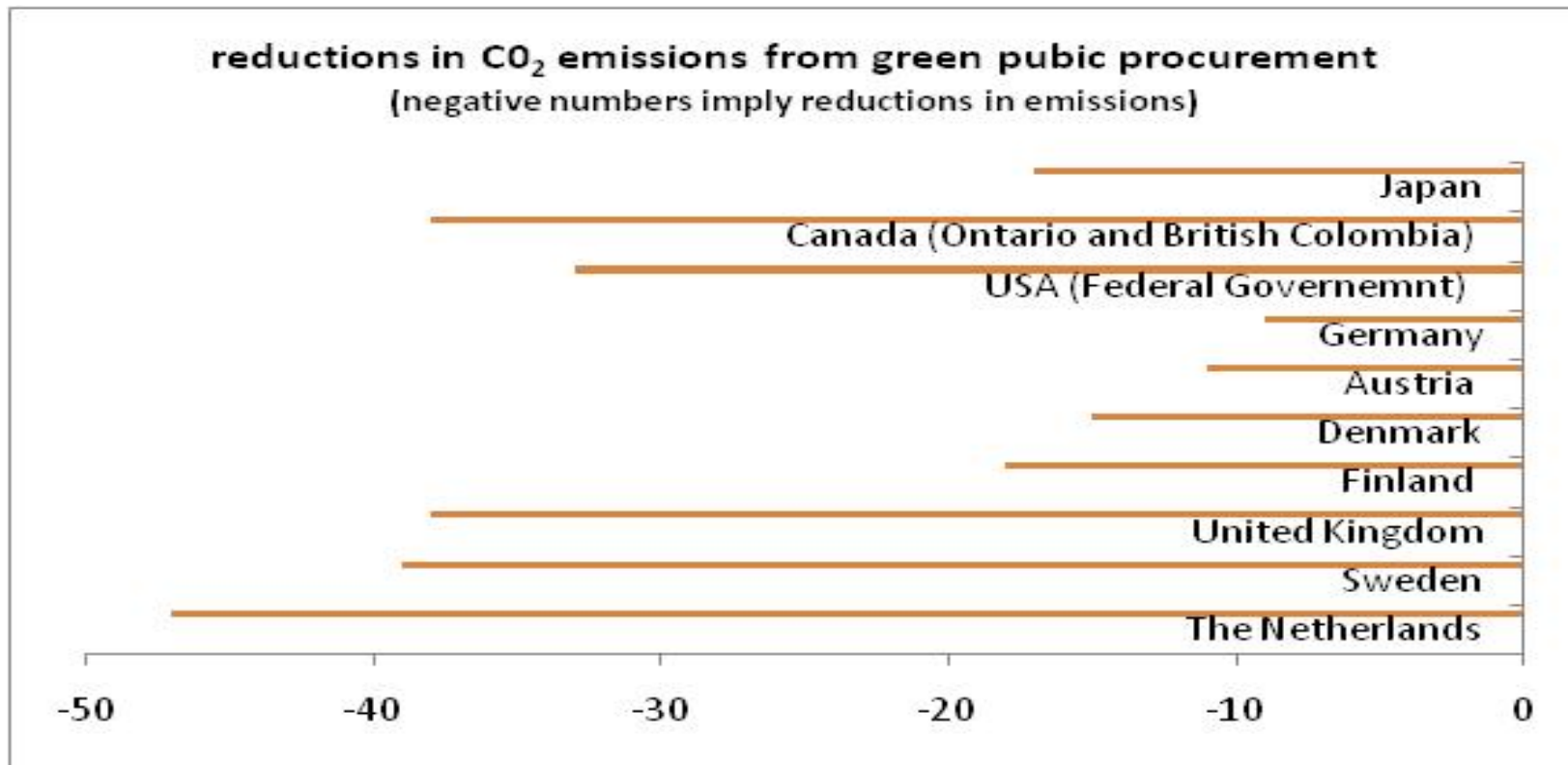
**Do LCC efficient goods + services cost more to buy?**



## Life cycle costs in the EU and NA



## Accounting for carbon emissions during the use of green products:



## **Difficulties in reconciling capital and revenues budgets**

- Multi year budgets that allow flexibility to carry over and borrow against the future are rarely possible**
- Split responsibilities for capital and operating budgets**
- Large variations in discounting rates**

**Conducting and interpreting LCC is a pluri-disciplinary and specialist analysis**

**It is feasible to expect procurers to have the necessary skills to work with LCC ?**

**Policies that enumerate LCC efficient assets**

**SPP policies that include specifications on  
LCC efficient products and services**

**LCC efficient alternatives are not always the most sustainable ones**

**Mounting research to indicate that LCC 'winners' may not offer the best gains across environmental and social mandates.**

**Can we account for the intangible gains?**

***Buy National* policies in public procurement**

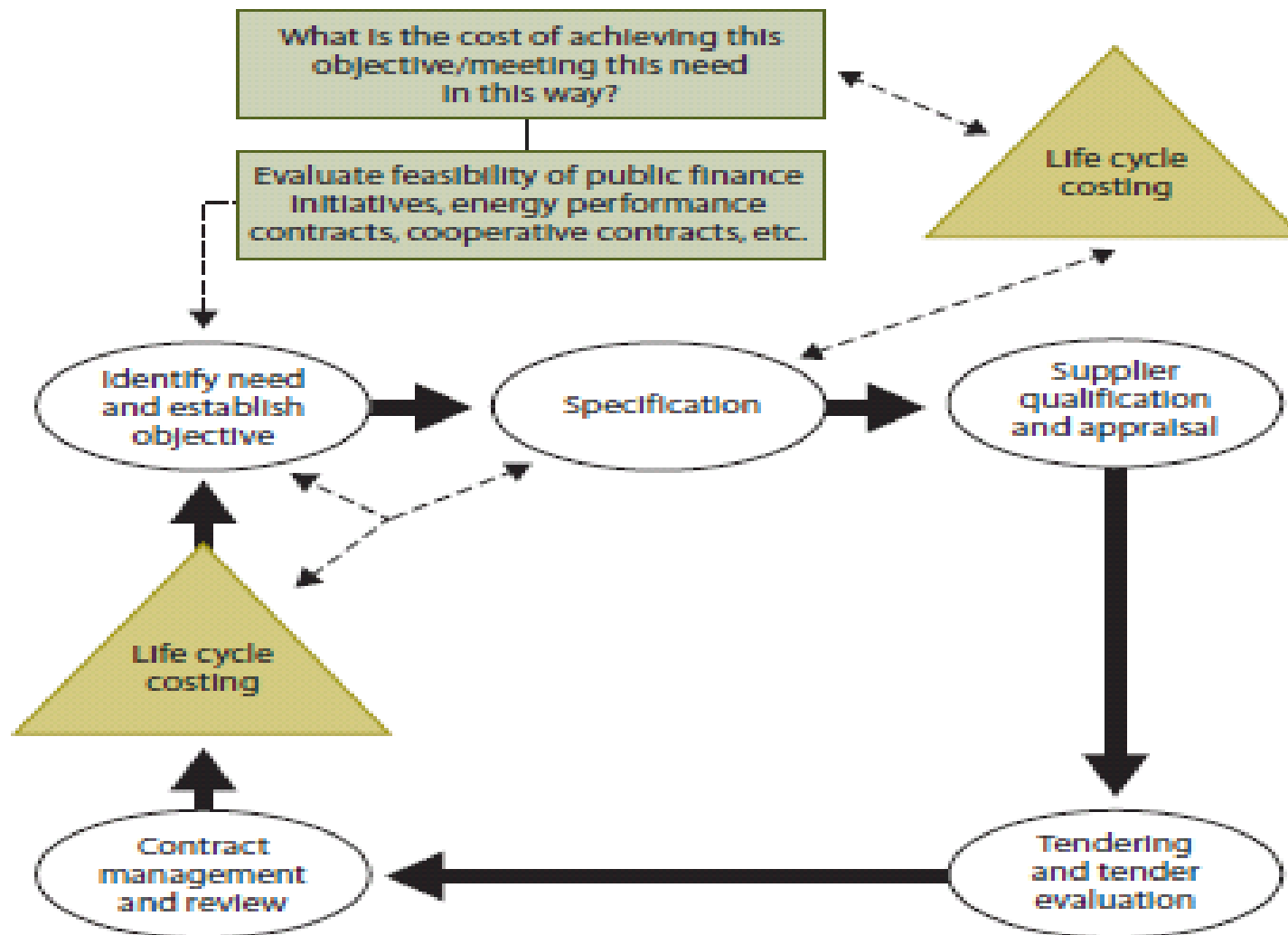
**Will buy national policies preempt procurers from purchasing LCC-efficient assets on the grounds that they are locally made?**

**Alternative delivery models that combines private sector efficiency with government leadership and purchasing power**

- **Private Finance Initiatives**
- **Energy performance contracts**
- **Cooperative contracts**
- **Central purchasing platforms**

**When there is no legislative or supra legal framework ...**

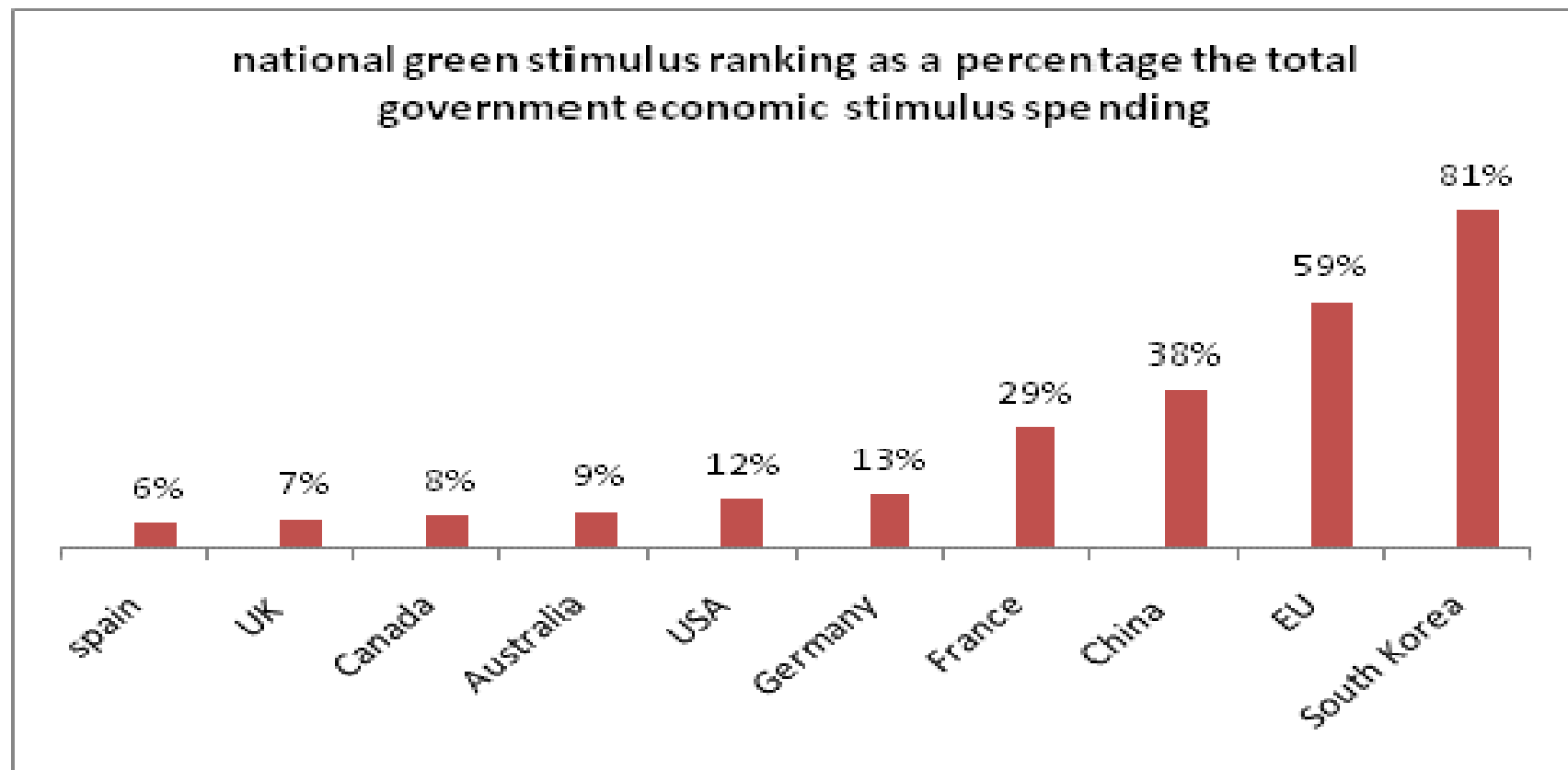
**LCC becomes even more critical to promote SPP and deliver on its business case: create competitive markets for sustainable goods and services**






**Are we delivering value?**

## Opportune moment to reach out to public budget holders given the roll out of stimulus spending




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**Apply whole life value thinking in the allocation of public funds**

A large, solid green arrow pointing to the right, containing the text 'Shift the focus from procurers to...'.

**Shift the focus from  
procurers to...**

A large, solid green arrow pointing to the right, containing the text 'Allocators of budgets and scrutinisers of public funds'.

**Allocators of budgets and  
scrutinisers of public funds**

**Thank you**

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