



Public procurement: a key investment tool for a just green transition

*Unlocking opportunities for a
just transition: Policy brief 2*

The way in which public institutions and governments allocate and invest funds is crucial for driving Europe's green transition and ensuring that it is just and fair. However, without strategic reforms, **public procurement** risks exacerbating environmental damage and perpetuating harmful social practices, including undermining working conditions, depressing wages, and restricting social dialogue.

This brief, the second in SOLIDAR's series examining how upcoming EU initiatives and legislative revisions can advance a just green transition in Europe and globally, focuses on the **revision of Directive 2014/24/EU on public procurement**, which is expected in 2026. It highlights how embedding robust social and environmental conditionalities into procurement rules can ensure that public spending actively supports a just transition to sustainability.

Background

Public procurement, the process by which public authorities, such as government departments or regional and local authorities, purchase work, goods or services from companies, is a **very powerful economic lever**, accounting for around 14% of the EU's gross domestic product (GDP). However, current public procurement practices across the EU have significant shortcomings. They are responsible for at least 11% of the EU's greenhouse gas emissions, largely due to the purchase of carbon-intensive goods and services¹. Moreover, a 2023 report by the European Court of Auditors (ECA) highlights persistent issues, such as limited competition among bidders, poorly defined policy objectives, and excessive reliance on the lowest-price award criterion².

SOLIDAR's recommendations

The EU has a decisive role to play in ensuring that public procurement expenditure is used strategically and **in line with common policy objectives**, thereby reinforcing the original aim of Directive 2014/24/EU of making 'better use of public procurement in support of common societal goals'³.

Every euro of public spending should deliver sustainable and equitable outcomes, support regions undergoing structural changes and ensure that workers and communities benefit from transitions. The EU can help achieve this goal by aligning public procurement rules with the **principles and objectives of a just transition** and steering markets towards more socially and environmentally responsible corporate behaviour.

To this end, Directive 2014/24/EU should be revised to introduce targeted **social and environmental conditionalities**, i.e. requirements that recipients of public funds must meet to obtain or retain support, in this case to be awarded a public contract, and **robust, clear and inclusive criteria** to ensure that public procurement favours socially and environmentally responsible businesses⁴. In its February 2025 Communication on the Clean Industrial Deal⁵, the European Commission itself highlighted the role of social conditionalities in public funding and the need to uphold labour and social standards, including in the context of public procurement.

SOLIDAR is putting forward 12 recommendations to ensure that the revision of Directive 2014/24/EU fully delivers on the goals of a just transition:



Explicitly link procurement rules to the goal of advancing a just transition

The revised Directive should embed a clear and holistic connection between public procurement and the EU's overarching social and environmental objectives. Among these objectives are ensuring that public contracts actively contribute to achieving the EU's climate targets, uphold high social standards, advance social inclusion and decent work, and strengthen local economies. Social economy enterprises provide a strong model for this approach, as they combine economic activity with social inclusion, generate employment opportunities for disadvantaged groups and foster community-based innovation.

¹ Mähönen, Maiju., Martini, Leon., Gardiner, Jonathan., Lehtilä, Sara., & Görlach, Benjamin (2023): Public Procurement for Climate Neutrality: a transformative policy instrument? [D4.2: 4i-TRACTION case study report](#). University of Eastern Finland & Ecologic Institute, Berlin.

² European Court of Auditors (2023) [Special report 28/2023: Public procurement in the EU – Less competition for contracts awarded for works, goods and services in the 10 years up to 2021](#)

³ [Directive 2014/24/2014](#) of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/E/C.

⁴ Read [the statement](#) 'Vital conditions to support businesses towards a stronger, fairer and more sustainable economy' by the Fiscal Matters Coalition (2024).

⁵ European Commission, [The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation](#) (COM (2025) 85 final, Brussels, 26 February 2025).

The revised Directive should set out a coherent framework of well-defined goals that align with and support the principles in the European Pillar of Social Rights, as well as the objectives of the European Green Deal and the Clean Industrial Deal.

All procured contracts should comply with binding social requirements and the Do No Significant Harm (DNSH) principle - Article 18(2)

Under Article 18(2) of the current Directive, Member States shall take appropriate measures to ensure that economic operators comply with social, labour and environmental obligations established by Union law, national law, collective agreements or by international conventions listed in Annex X. The revised Directive should **strengthen the enforceability of this horizontal clause and clearly state that the requirements it sets out are binding.**

With respect to the social dimension, such requirements should include the respect of workers' rights, including the right to fair living wages, quality jobs, decent and safe working conditions, and collective bargaining at both entity and sectoral levels. In addition, social requirements should be extended to cover all relevant Union law, for example the Pay Transparency Directive, the Work-Life Balance Directive and the Women on Boards Directive. **Compliance with the ILO conventions listed in Annex X should be extended** to include Convention No. 94 (public contracts)⁶ and Conventions No. 155 and 187 (occupational safety and health)⁷.

On the climate and environmental front, the **DNSH principle should be applied** at all stages of the procurement process to ensure that contracts do not undermine the climate and environmental objectives laid out in EU Taxonomy Regulation 2020/852⁸. Contracting authorities should require tenderers to comply with the social and environmental standards established in Article 18 of that Regulation.

Revise the 'link to subject-matter' requirement to include social and environmental considerations

Under Article 67(3) of the current Directive and case-law, award criteria must be linked to the 'subject-matter' of the contract, i.e. the works, goods and services to be provided, which considerably restricts the possibility for contracting authorities to include environmental and social criteria and raises legal uncertainty.

To provide economic operators with legal certainty and predictability, the revised Directive should take a flexible approach to linking procurement rules to the 'subject-matter' of contracts. This link should be revised to encompass not only the material features of the goods and services procured, but **also the social and environmental conditions** connected with their provision, use or disposal. These conditions, including for instance social and environmental impacts in a life-cycle approach, should be taken into account at every step of procurement processes.

⁶ [Convention C094- Labour Clauses \(Public Contracts\) Convention, 1949 \(No. 94\).](#)

⁷ [Convention C155- Occupational Safety and Health Convention, 1981 \(No. 155\) and Convention C187- Promotional Framework for Occupational Safety and Health Convention, 2006 \(No. 187\).](#)

⁸ See Articles 9 and 17 of [Regulation \(EU\) 2020/852](#) of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

4 Make social and environmental sustainability a selection criterion - Article 58

Article 58 of the current Directive allows, but does not require, contracting authorities to include specific competencies and/or supply chain management systems relating to environmental and social aspects as selection criteria, provided they are linked to the subject-matter of the contract.

To be selected for tenders, economic operators should be obligated to **demonstrate the capacity to be socially and environmentally sustainable**, particularly for contracts over specific thresholds, for contracts in priority or high transition impact sectors or regions, and contracts co-financed by EU funds. Among the selection criteria, contracting authorities could include the capacity of tenderers to:

- Demonstrate, through recognized certificates, the environmental impact of the procured goods and services.
- Perform human rights due diligence and verify compliance with the horizontal social clause and the DNSH principle all along supply chains.
- Adjust health and safety measures to the social and environmental risks involved in the performance of contracts.
- Demonstrate adherence to quality jobs standards, including decent working conditions, living wages, health and safety standards, paid training and apprenticeships.
- Operate with limited sub-contracting and guarantee supply chain compliance.
- Provide all staff with training adequate to the social and environmental obligations of contracts.

5 Introduce award criteria explicitly aligned with just transition objectives - Article 67(2)

Under Article 67, public contracts are awarded based on the 'most economically advantageous tender'. This may be determined by the lowest price or through a cost-effectiveness approach, such as life-cycle costing. Although not required to do so, contracting authorities may also select the offer that provides the 'best price-quality ratio', assessed using criteria related to qualitative, environmental or social aspects.

The revised Directive should forbid contracting authorities to award contracts based solely on the lowest price and oblige them to assess the most economically advantageous tender **based on a price-quality ratio including social and environmental criteria**, particularly for contracts over specific thresholds, contracts in priority or transition-sensitive sectors and contracts co-financed by EU funds. The criteria should be designed proportionally and on a non-discrimination basis, ensuring that they are not used to exclude specific operators unjustifiably.

These criteria could include:

- The contribution of procured goods and services to decarbonization targets established at national and EU level, including on energy efficiency, emissions reduction, carbon footprint and plastic footprint reduction.
- The resilience of procured goods and services to climate change including extreme weather conditions.
- The deployment of best available, low-carbon technologies.
- The uptake of circularity criteria, including reduce, reuse, repair, recycle activities and the use of secondary materials.
- The adoption of local hiring and job creation measures for groups in situation of socio-economic vulnerability, including migrants and people with disabilities.

- Reskilling strategies and development of green skills, particularly when they increase the quality of the procured goods and services.
- Investments in local value-chains.
- A European preference in strategic sectors or for contracts funded by the EU.

Moreover, the revised Directive should establish **the use of life-cycle costing as a standard requirement** where relevant, ensuring that all direct and indirect social and environmental costs, including those associated with production, use, maintenance and disposal, are consistently considered in procurement decisions.

Award criteria should be weighted according to the specific social and environmental objectives pursued by contracting authorities. Where appropriate, taking into account the sectors involved, the policy objectives and the capacities of tenderers, award criteria should be converted into **minimum performance obligations** (Article 70).

6 Establish stronger subcontracting rules – Article 71

Contracting authorities should be obliged to make tenderers disclose which parts of a contract they plan to subcontract and to whom. Authorities should require tenderers to prove that subcontractors are not subject to exclusion grounds, such as labour, social or environmental violations, including violations of ILO conventions, the DNSH principle and the social requirements of the horizontal clause (see recommendation 2). Member States must ensure that these checks are carried out systematically. These measures would increase public scrutiny, close loopholes, and ensure only responsible subcontractors are engaged. The social economy sector provides strong models for including smaller organisations in procurement chains, such as cooperative subcontracting or consortia-based bidding. These models foster diversity and inclusivity in the market while maintaining accountability.

7 Strengthen exclusion criteria and dissuasion mechanisms – Article 57

Article 57(4) of the current Directive allows, but does not require, the exclusion of economic operators that violate the obligations set out in Article 18. This exclusion criterion should be made **mandatory in the revised Directive** and extended to cover violations of the horizontal clause, including social requirements and the DNSH principle, during the performance of contracts.

The list of **mandatory exclusion grounds** provided for in the current Directive could be extended to:

- companies headquartered or with a subsidiary in tax havens⁹
- companies that do not comply with collective agreements for workers and subcontracted workers
- companies and their subcontractors engaging in fiscal dumping
- companies engaging in social dumping and subsidy shopping based on labour arbitrage
- companies that systematically fail to carry out social and environmental due diligence obligations, to be defined in the revised Directive.

Suppliers that do not fulfil their social and environmental obligations should be subject to longer exclusion periods proportional to the size of the contract, the profile of the contractors, and the socio-environmental importance of the sector. Violations of Article 18(2) during the performance of previous contracts should also count as exclusion ground under Article 57(4).

⁹ In line with the [EU list of non-cooperative jurisdictions for tax purposes](#).

8 Protect public money from corruption – Article 72

To safeguard public resources, loopholes that allow contract modifications without oversight must be closed. Article 72(2.ii), which permits cost increases for work contracts of up to 15% (or €5 million) without justification, should be deleted. This provision weakens prior controls and opens the door to abuse, especially in medium and smaller contracts where scrutiny is lighter. Restoring stronger oversight will ensure public money truly serves the common good, including the objectives of a just transition.

9 Ensure the meaningful participation of social partners and other stakeholders

When designing, implementing and monitoring procurement policies, public authorities should ensure **effective and meaningful social and civil dialogue**. Especially for contracts over specific thresholds, contracts in priority or high transition impact sectors or regions, and contracts co-financed by EU funds, contracting authorities should involve **social partners, as well as other relevant stakeholders including civil society organisations**, at every stage of the procurement process, from preliminary market consultations to monitoring the social and environmental performance of contracts. For example, prior notices with accessible information and reasonable timeframes for consultation and recommendation by social partners, civil society and individuals should be mandatory.

The revised Directive should also allow contracting authorities to adopt proportionate, non-discriminatory measures to promote the participation of cooperatives, social economy enterprises, circular economy actors, SMEs, suppliers with short value chains, projects integrating social and environmental criteria above baseline standards, or initiatives supporting the professional integration of socially vulnerable groups, including persons with disabilities, migrants, and women, for instance through reserved contracts and division into lots. Representative social economy networks can contribute valuable insights to these processes, helping to incorporate local realities and inclusive business practices into procurement planning and monitoring.

10 Integrate just transition objectives into national public procurement frameworks and ensure effective monitoring of their implementation

Member States should be required to set targets for public procurement expenditure in sectors with high transition impacts. These targets should take into account the needs and capacities of the sectors and regions involved, the social and environmental impacts of procured goods and services and the range of suppliers benefiting from public contracts.

The social and environmental performance of contracts should be closely monitored, for instance by using performance and impact indicators within an updated Single Market Scoreboard. Member states should set up centralised national platforms gathering data on economic operators to streamline the assessment of compliance with Article 18(2) and facilitate exclusions from public procurement procedures.

Strengthen capacity-building and awareness of social economy procurement

Public authorities at all levels should receive tailored training on integrating social economy principles into procurement. Social economy organisations should also be supported through technical assistance and EU instruments, such as the Technical Support Instrument 2025, ESF+ and InvestEU, to enhance their capacity to bid for and deliver quality public contracts.

Strengthen local capacity by establishing an EU Public Procurement Agency

The possibility should be explored to establish an EU Public Procurement Agency with dedicated funding to provide guidance to contracting authorities and suppliers on how to design, integrate and monitor conditionalities in procurement processes, as well as technical assistance, capacity building, and funding support to local and regional contracting authorities, especially in resource-constrained areas. In addition, the Commission's guidelines should be revised to reflect the best practices in sustainable public procurement.

To ensure that all interest groups meaningfully contribute to steering public procurement towards just transition objectives, the EU Public Procurement Agency could include in its board representatives trade unions, civil society organisations, local government representatives, citizens, academics and members of the announced European Fair Transition Observatory.

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SOLIDAR is a European and worldwide network of Civil Society Organisations (CSOs) working to advance social justice through a just transition in Europe and worldwide. Our over 50 member organisations are based in 27 countries (19 of which are EU countries) and include national CSOs in Europe, as non-EU, EU-wide and organisations active at the international level.

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We thank Baldon Avocats and E3G for their valuable contributions.

Designer: Annelies Designs