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Innovating public procurement for sustainability value creation across countries

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Abstract

Purpose – The study explores the implications of sustainable public procurement (SPP) implementation in supranational settings, by investigating the processes, organizational innovations and beneficiaries of the value generated by a large Multilateral Development Bank (MDB) across countries.

Design/methodology/approach – Using action research (AR) to understand operational changes while informing SPP implementation, the study draws on data collected along 2-years through participatory observations, interviews and secondary data analysis.

Findings – The study identifies how and for whom the MDB creates sustainability value via SPP, and how SPP transforms its procurement function. Our findings reveal a dynamic relationship between key drivers (strategic alignment, SPP actions, sustainability performance) and shapers (countries' governance, external stakeholders' pressures, procurement professional capacities, market and supply chain readiness). These factors collectively influence who benefits from value creation and distribution in supranational settings. Misalignments among these elements affect the overall value-creation outcomes and beneficiaries and determine the change required to the MDB's procurement function.

Practical implications – To maximize sustainability value creation, MDBs' procurement experts shall foster internal and external collaborations, establish performance evaluation systems and adopt phased sustainability requirements to develop clients' and markets' readiness.

Originality/value – Applying stakeholder theory, the study develops a framework illustrating sustainability value creation in an underexplored organization, a MDB. The study highlights the implications of SPP implementation across countries, addressing the "home bias" in public procurement research. By employing AR, the study bridges the gap between research and practice, offering actionable insights for MDBs and similar supranational organizations.

Keywords Sustainability, Public procurement, Value creation, Action research, Supranational organizations

Paper type Research article

1. Introduction

Over the last decade, public procurement has emerged as a strategic instrument to achieve broader policy objectives, including sustainability (Rejeb *et al.*, 2024; Meehan and Bryde, 2011). Sustainable public procurement (SPP) embeds environmental, social and economic goals into purchasing decisions (Brammer and Walker, 2011), enabling public organizations to serve collective needs while reducing long-term costs (Roman, 2017). SPP is not merely a buying process, but a transformative policy enabling public value creation (Dimand and Neshkova, 2024; Selviaridis *et al.*, 2023).

Yet, little is known about how public organizations generate such value (Osborne *et al.*, 2022; Jain *et al.*, 2020) – that we call "sustainability value" to explicitly encompass the social, economic and environmental dimensions of sustainability (Elkington, 1998) – and whom it benefits (Malacina *et al.*, 2022).

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While previous studies at the subnational level have shown that public institutions create value by translating sustainability goals into public procurement strategies, practices, structures, performance management systems and skills (Selviaridis *et al.*, 2023; Jain *et al.*, 2020), less is known about how SPP-generated value reaches different stakeholders (Malacina *et al.*, 2022).

Other research highlighted how SPP can drive organizational innovation (Dimand and Neshkova, 2024), but how such changes reshapes the procurement function remain underexplored.

The existing SPP literature has primarily analysed barriers and enablers for its uptake by local and national institutions (Brammer and Walker, 2011), overlooking SPP implementation in institutions operating across countries (Hasselbalch *et al.*, 2014; Oliveira *et al.*, 2020). Moreover, it has neglected the study of SPP transnational implications (Rejeb *et al.*, 2024; Van Assche *et al*., 2024), a critical oversight in a globalized world where sustainability challenges transcend borders.

This study addresses these gaps by exploring SPP implementation in a leading regional Multilateral Development Bank (MDB), the first to include environmental sustainability in its founding agreement and later social responsibility goals.

MDBs are supranational institutions playing a pivotal role in globally shaping procurement practices. They provide equity, grants, loans, policy advice and capacity building across low- and middle-income countries and finance procurement through internationally open competitive tenders. In 2018 alone, MDBs funded procurement contracts worth approximately USD 134 billion in developing countries (Martínez-Galán and Proença, 2024). MDBs also shape procurement norms, by issuing guidelines and providing technical assistance. Over the past decade, MDBs have included sustainability goals into their procurement policies, encouraging their public and private sector clients to follow suit (Hasselbalch *et al.*, 2014).

Via an action research (AR)-driven case study (Coughlan and Coghlan, 2002), this study explores:

(1) How does the MDB create sustainability value through public procurement?

(2) For whom is the sustainability value created?

(3) How does sustainability value creation transform the MDB's procurement function?

AR is well suited for understanding changes in operations (Coughlan and Coghlan, 2002) while providing practical recommendations for improving SPP implementation and advancing theoretical knowledge in purchasing (Touboulic and Walker, 2016). By conducting AR, this study bridges management research and practice, responding to calls for expanding qualitative research approaches in purchasing (Wieland *et al.*, 2024; Meehan *et al.*, 2016; Näslund *et al.*, 2010).

Building on public procurement and public value creation studies (Dimand and Neshkova, 2024; Selviaridis *et al.*, 2023; Jain *et al.*, 2020), the study contributes to SPP theory in several ways. First, it sheds light on SPP implementation across countries. Second, drawing from stakeholders theory (Freeman, 1984; Epstein and Roy, 2001; Schaltegger *et al.*, 2019), it develops novel propositions and a conceptual framework outlining factors influencing sustainability value creation in a MDB. Third, by analysing the organizational innovations introduced and their implications for the MDB's procurement function, it informs SPP strategies across similar supranational organizations.

The remainder of the article is structured as follows: Section 2 presents the theoretical background and initial research framework, Section 3 details the methodology, Section 4 presents findings from AR cycles and cross-cycles analysis, Section 5 discusses propositions illustrating the novel theoretical framework and Section 6 outlines the conclusions, theoretical contributions, managerial implications and limitations.

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2. Stakeholder theory and sustainability value creation via public procurement

Public procurement has traditionally been underpinned by a compliance-oriented approach, where rules adherence and cost-efficiency are prioritized. In such view, public procurement serves primarily an administrative function. However, public procurement is emerging as strategic tool for public value creation (Selviaridis *et al.*, 2023; Jain *et al.*, 2020), beyond cost-savings. While regulatory compliance remains necessary, in a value-creation approach the focus shifts towards achieving impact and aligning procurement outcomes with overarching policy objectives (e.g. sustainability).

Following Malacina *et al.* (2022), this study defines public value as something both derived *from* and intended *for* the public (Meynhardt, 2015), and encompassing social, environmental and economic goals (*sustainability value*). To create value, sustainability can be embedded at different stages of the procurement process – from early needs assessment and stakeholder consultation, to the design of tenders, supplier selection, contract clauses and performance monitoring – and benefit different stakeholders, such as public buyers, their suppliers and end-users (Malacina *et al.*, 2022). On the other hand, sustainability value creation requires contributions from external stakeholders, such as suppliers, to make SPP implementation effective (Selviaridis *et al.*, 2023). Thus, sustainability value creation can be conceived as a relational process among actors who *benefit from* but also *contribute to* shaping such value.

Stakeholder theory (Freeman, 1984) highlights how organizations create value by engaging with and responding to multiple, often conflicting, stakeholders' claims. Rather than positioning stakeholders as passive recipients, ST emphasizes their active role in shaping decisions, defining priorities and co-producing outcomes (Freeman, 2010). While firstly developed in the private sector, ST has been applied for understanding how public organizations manage the complex relationships and power balances that shape public governance, policy implementation and service delivery.

Unlike neo-institutional theory (DiMaggio and Powell, 1983), which focuses on compliance with external norms, ST allows to identify the relational dynamics affecting value creation and distribution across and within organizations. While previous studies (Malacina *et al.*, 2022) adopted practice-based view theories to understand *what* value public procurement practices create for different stakeholders, ST allows to understand *how* the MDB's procurement function creates value for and with its stakeholders.

ST is well suited for examining SPP value creation and distribution in MDBs, as they must manage multiple layers of accountability: upward to funders and boards, downward to project beneficiaries, and laterally to partner agencies and contractors. It can also explain how MDBs balance conflicting aims, such as pursuing development impact and financial performance.

Prior studies on procurement at supranational level reveal the significant role organizations, such as United Nations and World Bank system agencies can play in orienting their multiple stakeholders choices (Hasselbalch *et al.*, 2014; Martínez-Galán and Proença, 2024). However, studies showed that supranational organizations can be perceived by national stakeholders as not salient for SPP uptake (Oliveira *et al.*, 2020), because they are external actors and not primarily involved in public administrations daily activities. Thus, further evidence is needed to understand in which ways supranational organizations create sustainability value via procurement and whom they benefit.

While the SPP literature focused on identifying drivers for SPP adoption (Roman, 2017), the sustainability-oriented business model literature provides useful insights into how organizations create, deliver and capture value in ways that reflect sustainability goals.

Early studies (Epstein and Roy, 2001) identified three primary drivers of sustainability value: (1) the alignment between corporate and unit specific strategies, (2) the implemented actions, encompassing policies, projects and practices and (3) the performance metrics that track the sustainability outcomes.

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Recent contributions have addressed the issue of misalignment among these drivers (Schaltegger *et al.*, 2019; Freudenreich *et al.*, 2020), underscoring the need for coherent value propositions that respond to the needs and expectations of multiple stakeholders.

Schaltegger *et al.* (2019) proposed a classification of business models for sustainability value creation based on how (1) the organization's success is defined; (2) the sustainability performance is understood, as dichotomous or as fully integrated in the organization-wide performance; and (3) the beneficiaries of value creation are defined and integrated in measures of the generated value. Freudenreich *et al.* (2020) further argued that sustainability is inherently plural and negotiated, meaning that different stakeholders may interpret it in different ways.

Building on these theoretical foundations, we developed an initial research framework (Figure 1) that guided the data analysis (as explained in Section 3.4) and served as a building block for the theoretical framework developed as a result of the AR project (Figure 3).

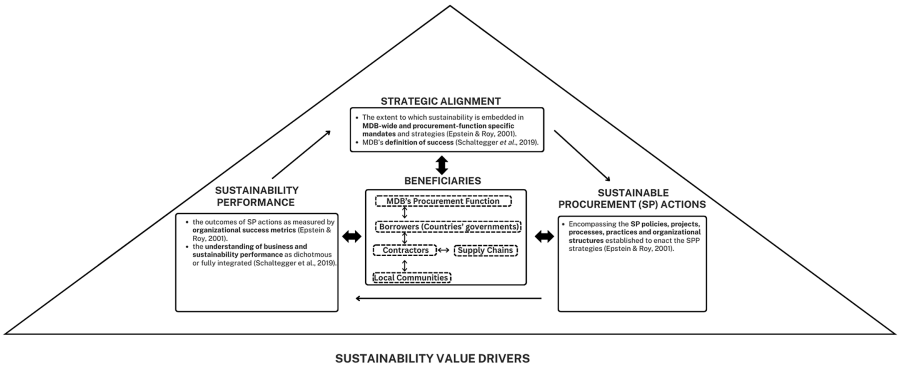

Figure 1. Initial research framework illustrating the sustainability value creation process enacted via procurement. **Source(s):** By authors

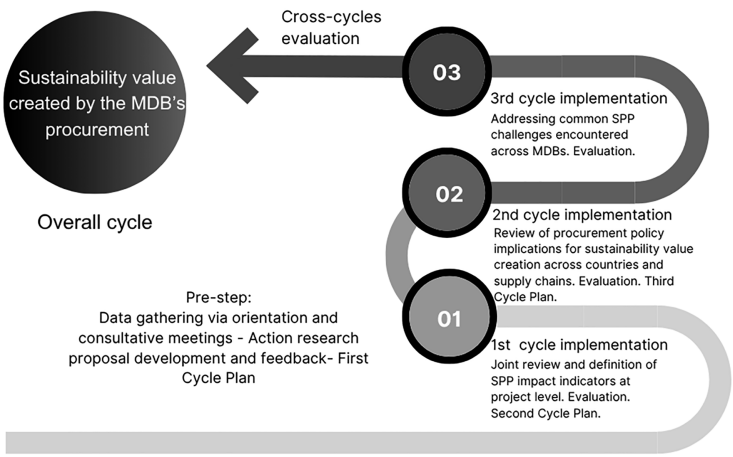

Figure 2. Action research cycles. **Source(s):** By authors

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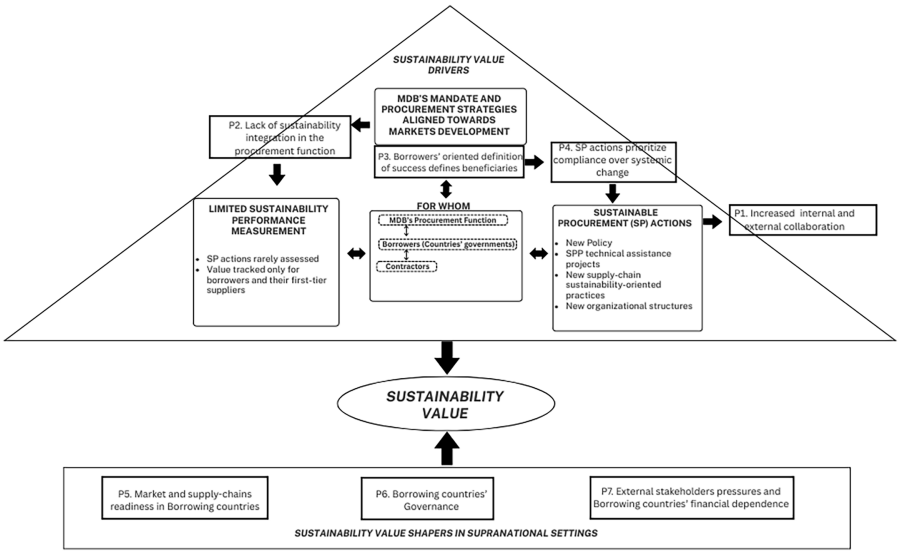

Figure 3. Theoretical framework illustrating the sustainability value creation process enacted via procurement in a MDB. **Source(s):** By authors

The research framework situates value creation at the intersection of three interdependent components. The first driver "*Strategic Alignment*" refers to how the MDB's procurement strategies align with its overarching mission and mandate (Epstein and Roy, 2001). It also captures whether sustainability is integrated into the MDB's "*definition of success*" and how this translates into procurement-specific goals (Schaltegger *et al.*, 2019). The second driver "*Sustainable Procurement Actions*" includes the processes, projects, organizational structures and practices through which procurement implements the sustainability agenda (Epstein and Roy, 2001). The third "*Sustainability Performance*" evaluates the outcomes of SPP actions and how these are measured and reported, reflecting whether sustainability and the MDB's organizational performance are dichotomous or fully integrated (Schaltegger *et al.*, 2019). At the core of this model are "*Beneficiaries*", positioned not only as recipients of value but as co-creators (Freudenreich *et al.*, 2020), who influence and are influenced by the MDB's procurement actions and strategies.

Sustainability value creation is therefore the result of a relational process in which stakeholders contribute to and benefit from MDB's procurement strategies, practices and outcomes. Hence why the model does not assume linear causality but rather emphasizes iterative feedback and mutual influence, consistent with ST principles.

3. Research design

An AR-driven case-study (Coughlan and Coghlan, 2002) was conducted to address the needs of one of the largest regional MDBs seeking to advance SPP implementation, aligned with its goal to further green and social impact across middle- and low-income countries where it operates.

AR ensures that research is rooted in real-world challenges faced by organizations while contributing to scientific knowledge (Coughlan and Coghlan, 2002; Meehan *et al.*, 2016; Wieland *et al.*, 2024). It implies the synergistic interaction between academic researchers and practitioners to foster a comprehensive understanding of changes and their effects (Coughlan and Coghlan, 2002). Thus, it is well suited to investigate the multidisciplinary and multifaceted domain of sustainability (Caniglia *et al.*, 2020) and the changes brought by SPP as

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organizational innovation. While its iterative nature is well suited to explore over time responses to a real-world issue (Näslund *et al.*, 2010).

A case research approach was adopted, as appropriate to unfold the complexities linked to operations management across countries and markets, such as SPP implementation by supranational organizations (Voss *et al.*, 2002). The regional MDB constitute an ideal setting because: (1) It provides a significant volume of procurement financing in middle- and low-income countries; (2) It extends loans both to private and public sectors organizations, being able to directly influence both countries and markets; (3) Its shareholders are mainly advanced economies, while its beneficiary countries present a less mature application of SPP.

The following sub-paragraphs illustrate the AR project and explain in detail the steps undertaken.

3.1 Action research project design

The project stemmed from a 3-years partnership between a consortium of 10 Universities and the MDB for advancing practical and theoretical knowledge on SPP. The AR project started in June 2022 and ended in June 2024, involving a preparatory phase and multiple onsite and offsite data collection periods as the AR cycles unfolded.

An agreement formalized the researchers' participation to the MDB's working activities throughout the project including the presence of a research team member in its headquarters for two continuous months. The researchers played an active role throughout the AR project. Specifically, they co-designed SPP performance measurement tools with MDB staff supporting the piloting of new impact indicators, facilitated feedback sessions and presented AR findings in workshops jointly organized with other global and regional MDBs.

During the preparatory phase (9 months), the researchers developed a pre-understanding of the MDBs needs and the context of the case (Hartley, 2004) through orientation meetings, informal exchanges, formal consultations and participatory workshops with the focal unit, the Public Procurement Projects Unit (PPPU) and external experts. The collaborative crafting of the AR proposal resulted in clear research goals and boundaries, facilitating the development of mutual understanding and trust since the very beginning of the project. The resulting AR proposal outlined shared goals and addressed the MDB's need to assess its SPP initiatives, as outlined by the Joint Statement on Sustainable Procurement Initiatives (MDB COP 27 Joint Statement, 2023) signed by 10 MDBs.

3.2 Action research cycles

The AR project focused on uncovering the sustainability value creation process brought by SPP implementation in the MDB, with the three AR cycles the researcher was consequently involved in forming the embedded units of analysis (Figure 2). These initiatives resulted from the implementation of iterative AR cycles (Coughlan and Coghlan, 2002).

The *first cycle* focused on creating metrics to measure sustainability performance in procurement projects implemented as part of technical cooperation activities. Consultative meetings and workshops with PPPU and the IED resulted in the development of a new set of SPP metrics.

Reflections from the implementation of the first led to the *second cycle*, exploring the role played by the MDB's procurement policy in sustainability value creation. Data were collected through cross-functional meetings and interviews, culminating in a workshop with the MDB procurement function. Reflections from the workshop let challenges emerge about countries and market readiness, as well as lack of capacity and resources, whose understanding became the object of the *third cycle*. This last cycle started with a review of the methodology for assessing countries readiness and continued with interviews to understand the MDB's approach to sustainability value creation on the supply-side. It concluded with a regional workshop with other MDBs and senior public officials from different beneficiary countries sharing SPP implementation challenges and opportunities.

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3.3 Data collection

The data collection process followed AR principles, emphasizing reflexivity and iterative implementation of changes informed by the three cycles (Näslund *et al.*, 2010). Data were derived from project actions but also from the interactions and reflections these generated (Coughlan and Coghlan, 2002).

Data sources included active participation to work activities onsite for 2 months and remotely throughout the AR project, 14 meetings, 3 workshops, 16 interviews and 135 secondary data items. The AR project involved 72 participants, including directors, managers and senior experts from legal, procurement, compliance, social responsibility and impact evaluation departments (IED), all with over five years of experience in the MDB. Additionally, representatives from six other MDBs (12 participants), international organizations (8) and 18 public procurement officers were engaged, particularly in the third research cycle. This diverse involvement mitigated response homogeneity (Meehan *et al.*, 2016).

Multiple data formats – such as interview transcripts, meeting notes, diaries, field notes and documents – produced by the researcher and other participants, captured the nuanced dynamics of dialogic interactions among participants (Coughlan and Coghlan, 2002). This comprehensive approach allowed for tracking stakeholder reactions as actions evolved, enhancing validity through data triangulation and reducing researcher bias (Näslund *et al.*, 2010).

Open interviews were conducted exploring participants opinions, perceptions and experiences of the innovations, challenges and opportunities underpinning SPP implementation. While semi-structured interviews targeted SPP strategies, actions, measurements and beneficiaries as per our research framework. The interview protocol was validated by two academics with over 10 years of experience in SPP and two experts with over 25 years of experience as top-managers of the procurement functions in two different MDBs. Secondary data included MDB strategic documents, performance reports, case studies, inclusive and green procurement methodologies, SPP projects, policy briefs and industry-specific publications, providing comprehensive insights into SPP implementation by the MDB.

3.4 Data analysis

Qualitative content analysis (Mayring, 2014) was used to analyse the data collected along the three cycles, which form the case embedded units of analysis (Figure 2). The three cycles were first analysed individually and then comparatively according to a within case/cross-case analysis approach (Eisenhardt, 1989).

The interactions and reflections with the MDB's internal and external stakeholders along the AR cycles helped to ground the analysis in contextual realities, contributing to the study's internal validity. To ensure the reliability of the research, a structured database was maintained, including all interview transcripts and coding records. This allowed for transparency and the potential replication of the analytical process, a fundamental prerequisite for establishing validity (Mayring, 2014).

Given the emerging character of the literature on procurement and public value creation, an abductive approach (Kovács and Spens, 2005) was chosen to form the coding. This approach enabled to ground the analysis in the theoretical foundations identified in our literature review (Figure 1), while remaining open to novel empirical insights. Such a combination increases external validity of findings (Yin, 2009) while mitigating limitations inherent in using a purely inductive or deductive approach (Halecker, 2015).

A pattern-matching logic (Trochim, 1989) was adopted aligning the theoretical aspects with the empirical findings (Yin, 2009). First, the data were coded according to the theoretical constructs deduced from the literature (Table 1). Subsequently, coding themes and categories were refined according to those emerging from the data, adding inductively generated codes (identified with an * in Table 1). The software MAXQDA was used as a support for classifying the in vivo extracts from primary and secondary data in first- and second-orders codes.

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Table 1. Theory driven and * inductively developed coding scheme

Codes	Item	Definition
Drivers of sustainability value creation		
Organization and procurement unit strategies	Overall MDB strategy MDB Procurement Unit strategy	Reflect how the organization use its resources and competencies to survive and gain a competitive advantage in their markets of operation (Epstein and Roy, 2001)
Definition of success	Economic value only Sustainability in addition to economic value Creating value for stakeholders Sustainability-based value creation for stakeholders	How the organization defines success reflects what type of value and for whom is created (Hörisch *et al*., 2014)
Sustainable procurement (SP) actions	Sustainability included in procurement policy Sustainability pursued by procurement projects Sustainability included in procurement process Sustainable procurement practices Sustainability oriented organizational structures and systems	Sustainability actions encompass all the systems, structures, processes and practices introduced and/or adapted by the organization to generate sustainability value (Epstein and Roy, 2001)
Sustainability performance	SP policy evaluations SP actions assessment SP system assessment	The process of quantifying efficiency and effectiveness of each action, or process or system in relation to a target (Neely *et al*., 2005)
Understanding of organization-wide and sustainability performance	As dichotomous Dichotomous but need to be aligned As value creation for stakeholders Business and sustainability performance as one	The extent to which organization-wide and sustainability performance are considered as invariably separated or as one (Schaltegger *et al*., 2019)
Beneficiaries of sustainability value creation		
Beneficiaries of value creation	Direct and indirect Reflected in type of value indicators adopted	The groups of persons who benefit from business success (Schaltegger *et al*., 2019)
**Shapers of SPP value creation*		
*Factors influencing sustainability value creation process	*Power asymmetries *Knowledge and capacities *External stakeholders' pressures *Governance of countries of operation *Market and supply chains readiness	Context related factors within and outside the organization influencing the sustainability value creation process
*Organizational Innovations	*New Procurement strategy *New Procurement practices *New collaborations	Changes made to introduce sustainability value creation as a procurement function goal

Source(s): Authors' own work

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4. Findings

4.1 First cycle focused on MDB's strategy and sustainability performance

While developing efficient market economies is the MDB's mission, sustainability, interpreted as green and inclusive development, has gained prominence in its strategy. In 2022, the Bank introduced a Theory of Change (ToC) featuring an impact results framework developed by the IED. This framework outlined output, outcome and impact indicators for sustainability goals. The PPPU, which already had a results framework from 2021, needed alignment with the ToC to effectively report the sustainability outcomes of its projects.

A review of the PPPU's project portfolio revealed insufficient clarity in linking procurement project inputs to impacts. An IED member noted: "*Indicators are still counting rather than measuring change, and impact indicators are lacking*." This issue stemmed from the exercise's novelty and limited resources for monitoring and evaluation. Metrics for green and inclusive projects were either undefined or limited to outputs, with greater emphasis placed on economic development: "*We are a Development Bank after all, so our core interest is on understanding what impact we make in our countries' economies*" (IED member).

Governance challenges in the Bank's countries of operation further complicated sustainability efforts. Addressing transparent and efficient public finance management was often seen as a prerequisite for SPP projects implementation, resulting in 52% of 2022 projects focusing on good governance, compared to 12% on environmental goals, with no projects addressing inclusive procurement.

Interviews with the Civil Society Department (CSD) highlighted challenges in pursuing inclusive public procurement projects. The CSD collaborates with PPPU on projects fostering public procurement monitoring via civil society organizations (CSOs). A significant enabler for such projects is local stakeholders' pressures on the MDB, such as complaints by CSOs about the MDB's lack of social and environmental impact assessment after signing the loan. However, these initiatives also face implementation barriers due to resistance from borrowers. A CSD member explained: "*The Bank wants our projects linked to transactions . . . How to link with private sector investment is our biggest question*." While this is needed to scale up such projects and amplify their impact, attaching social responsibility requirements to loans means that the borrower needs to agree with such objectives.

These challenges highlighted the tensions among the MDB's strategy, the SP actions and the sustainability performance measurement, requiring the exploration of the Bank's procurement function strategy in the second AR cycle.

4.2 Second cycle focused on sustainable procurement strategy and actions

Three key departments were identified as instrumental in the Bank's SPP strategy design and implementation: the Procurement Department (PD), the Environmental and Social Compliance Department (ESCD) and the Social Responsibility Department (SRD). First, a desk review of the new MDBs procurement policy was conducted, then meetings, open and semi-structured interviews with senior managers and experts working for these departments were organized.

The revised procurement policy is a principle-based document aiming to balance standardization with market-specific adaptability. While sustainability is mentioned, it is framed as optional, with traditional principles like competition, efficiency and transparency taking precedence. This creates challenges for enforcing SPP, as an SRD member observed, "*The Bank's procurement policies can be a barrier to these [inclusive procurement] interventions*." However, the policy grants the Bank control over fund disbursement, which could be leveraged for sustainability purposes. Especially if combined with the environmental and social safeguards policy, as stated by a ESCD member: "*With our Environmental Social Policy, we can ask clients to meet our [sustainability requirements]; otherwise, they don't get funded*."

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Despite this potential, the procurement unit approach remains stakeholder-driven rather than sustainability-oriented: "*Sustainability is not a procurement issue . . . We can only procure what people want to buy!*" (PD member). In fact, cross-departmental collaboration is limited, with sustainability responsibilities perceived as the domain of other departments. Current efforts to address these silos include mapping the procurement project cycle to redefine departmental accountabilities for SPP.

Across countries of operation, increased collaboration among MDBs has also facilitated the sharing of best practices on SPP implementation, while partnerships with CSOs strengthened public contracts monitoring.

In terms of process, both the PD and ESCD identified the project design phase as critical for embedding sustainability. This phase includes market analysis, supplier engagement and the introduction of sustainability requirements, such as life cycle costing, for tender evaluations. Sustainability value can also be secured during contract management, with provisions for third-party audits and monitoring mechanisms. However, the cascading effects of these measures are limited to first-tier suppliers in high-risk industries due to clients' supply chain visibility constraints and lack of capacities.

To discuss the procurement function role in fostering sustainability, a workshop with the procurement unit was organized. Concerns emerged about market capacities and supply chain readiness in the Bank's regions of operation. Perceived low industry maturity and the lack of monitoring tools were identified as significant barriers. To address these, five key SP practices emerged.

(1) Market analysis during procurement planning.

(2) Supply chain due diligence and risk assessment.

(3) Supplier monitoring in high-risk industries.

(4) Embedding sustainability performance monitoring in contracts.

(5) Extending client responsibilities to subcontractors in high-risk contexts.

These practices require robust standards and significant resources, limiting their scalability, in fact they are applied only for high-risk industries and projects. While collaborative and relational approaches, such as supplier development activities, are underexplored. The concerns over countries and market readiness were also recognized as being key barriers for other MDBs, becoming the focus of the third and final AR cycle.

4.3 Third cycle focused on shared issues across MDBs

The primary concern expressed by procurement professionals was whether SPP could exacerbate corruption risks in countries with weak public finance governance. The key instrument adopted across MDBs to assess SPP countries readiness is the OECD's MAPS methodology, which evaluates countries' regulatory and institutional contexts. A review of the methodology highlighted that while the assessment is led by countries and aims to be context specific, the lack of benchmarks makes it less suitable for identifying which countries the MDB's SPP actions should prioritize.

A second concern was the lack of resources – in terms of knowledge, capacity and tools – for creating sustainability value across countries and markets. To address this, collaborations with other MDBs were strengthened through coordination mechanisms like the Heads of Procurement network. Four priority areas were identified across MDBs: (1) Building SPP awareness and partnerships; (2) Adopting a unified approach to sustainability; (3) Enhancing training and capacity-building efforts; (4) Measuring, monitoring and reporting SPP impacts.

As part of the first cooperative area, a regional SPP workshop targeting common countries of interest was organized by the Bank and other six MDBs to discuss common challenges and

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share best practices on SPP implementation. Differences and similarities on between the global and the regional MDBs emerged from the sessions.

First, sustainability value creation via procurement was overall recognized as contingent on the value-for-money principle, which often prioritizes cost efficiency over social or environmental goals. Secondly, the need to increase capacities both within the MDBs procurement functions and in their clients, investing in the professionalization of public buyers across countries and industries, strongly emerged as a priority across all MDBs to enable SPP uptake and implementation. Thirdly, it was widely recognized that sustainability value creation through procurement requires a shift in the MDBs' policies and strategies, requiring more collaboration among MDBs and within the MDBs' sustainability and procurement functions. But also increased market engagement.

However, on suppliers' readiness strategies varied: global MDBs leaned towards mandatory suppliers' sustainability ratings for significant contracts, while regional MDBs prioritized market inclusivity to avoid stifling competition. In any case, all the MDBs set minimum sustainability criteria to which the market can respond. This market adaptation approach applies also to the extent to which sustainability requirements are extended to subcontractors along their clients' supply chains. This is done according to the risks, contract value and clients' capacities to monitor their supply chains, with sustainability requirements extended mainly up to first-tier suppliers. However, evolving risks are prompting more proactive measures, such as supply chain due diligence and supplier monitoring, which may encourage a more comprehensive approach in the future.

4.4 Cross-cycles analysis and theoretical propositions

We report the study findings on how public procurement creates sustainability value and for whom in a MDB identified across the AR cycles supported by Table 2. The table maps the evidence we found across the three cycles regarding the *drivers*, *the beneficiaries* and *the shapers* of sustainability value creation, outlining similarities and differences. While Table 3 summarizes the tensions observed across the AR cycles from sustainability value creation implementation.

Our findings highlights how the MDB consistently manages trade-offs among the three dimensions of sustainability – economic, social and environmental – through its organization-wide and procurement strategies. While the MDB promotes green and inclusive development goals, these remain subordinate to its primary mission of economic development. This prioritization manifests in its procurement policy, where principles like competition and cost-efficiency take precedence, at the expense of broader sustainability objectives.

Similarly, the SPP implementation has prompted organizational innovations within the MDB, such as redesigned procurement policies, market-sensitive practices and enhanced cross-functional collaboration. While these changes indicate progress, they reflect an evolution of the traditional procurement function rather than a paradigm shift, with sustainability remaining a secondary consideration for the procurement unit, without fundamentally changing its goals and strategy.

The data also highlight a critical need for enhancing knowledge and capacity to effectively implement SPP. In response, the MDB engaged in inter-organizational collaborations, including joint SPP initiatives and partnerships with CSOs. Regional forums have been established to disseminate best practices and foster capacity-building across countries. Internally, units dedicated to sustainability, such as the SRD, ESCD and CSD, were created. However, if combined with a silo-working culture the establishment of such units results in compartmentalized SP actions implementation, increasing the need for cross-functional collaborations. Hence we propose:

P1. Sustainable procurement actions increase the MDB's procurement function internal and external collaborations.

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Table 2. Cross-cycles analysis findings

Deductive and *inductive codes		1st AR cycle: sustainability strategy and performance	2nd AR cycle: procurement strategy and SP actions	3rd AR cycle: common issues across MDBs
Drivers of sustainability value creation	MDB strategy	Developing efficient market economies	Developing efficient market economies	Developing economies at regional or global level
	Procurement Unit strategy		Creating competitive markets across countries	Creating competitive markets across countries
	Definition of success	Creating value for the MDB's clients	Creating value for the MDB's clients	
	Sustainable procurement actions (SPP policy, projects, process, practices, organizational structures)		Procurement policy: Sustainability included as a secondary goal	MDBs' procurement policies: Sustainability included as a secondary goal
		Green public procurement projects	Inclusive procurement projects in the infrastructure industry	Other MDBs implement circular and gender responsive public procurement projects mainly in infrastructure and renewable energy industries
			Procurement process: sustainability included in tender design, evaluation, and in contract	Procurement process: Global MDBs also included mandatory suppliers' ratings for high volume contracts
			Market and supply chains readiness SP practices: (1) Market analysis; (2) Supply chains due diligence; (3) Suppliers monitoring in high-risk industries; (4) Sustainability performance monitoring in contracts clauses; (5) Extension of clients' responsibilities to main sub-contractors'	
		Organizational structures: Sustainability focused departments involved in procurement projects	Organizational structures: Silo-working culture limiting collaboration across departments	
	Sustainability performance (SPP policy, actions, system assessment)		No SP policy evaluation	No SP policy evaluation
		Indirect impact assessment at project level	Supply chains readiness studies limited to specific industries	Indirect country readiness assessment
		Projects results framework reviewed		Creation of coordination mechanisms with other MDBs for impact assessment
	Understanding of organization-wide and sustainability performance	Dichotomous but need to be aligned	Dichotomous but need to be aligned	

(*continued*)

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Table 2. Continued

Deductive and *inductive codes		1st AR cycle: sustainability strategy and performance	2nd AR cycle: procurement strategy and SP actions	3rd AR cycle: common issues across MDBs
Beneficiaries of value creation	Direct and reflected in type of value indicators adopted	1. Private sector clients, their key suppliers and their workers 2. Public sector clients 3. CSOs	1. Private sector clients, their key suppliers and their workers 2. Public sector clients 3. CSOs	
	Indirect and not reflected in type of value indicators adopted	Countries' governments, sub suppliers, local communities	Countries' governments, sub suppliers, local communities	
*Shapers of sustainability value creation via public procurement	* Power asymmetries	Investment projects financing volume in specific country and industry	MDB's control of funds vs clients' capacities	
	*External stakeholders' pressures	CSOs pressures	CSOs pressures	
	*Knowledge and capacities	SPP actions adapted to public sector client' capacities	SPP actions adapted to public and private sector clients' capacities	Joint initiatives to increase MDBs' and public sector clients' capacities
	*Governance in countries of operation	Countries' poor public finance management impedes SP projects	SPP strategy and practices adjusted to countries' governance	
	*Markets and supply chains readiness		SPP actions adapted to market readiness and corporate responsibilities extended according to supply chain readiness	SPP actions adapted to market readiness and corporate responsibilities extended according to supply chain readiness
*Organizational Innovations	*New Procurement strategy		New principle-based procurement policy adopted including sustainability	New principle-based procurement policy adopted including sustainability
	*New procurement practices		Enhanced Supply chains due diligence and increased suppliers monitoring visits in high-risk industries	Enhanced Supply chains due diligence, suppliers' guidance notes and trainings developed
	*New collaborations	Across functions and with CSOs	Across functions and across MDBs	Across countries and across MDBs

Source(s): Authors' own work

Measuring the sustainability performance emerged as a significant challenge, constrained by limited resources. Sustainability performance measurement suffers from inadequate evaluation skills and methodologies, while the MDB's procurement policy sustainability performance is not measured at all. These limitation results in risk analysis, rather than value creation, currently informing SPP strategies. These findings highlight the insufficient integration of sustainability into the MDB's procurement function. Hence, we propose:

P2. Limited sustainability integration in the MDB's procurement function hampers sustainability performance evaluation.

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Table 3. Emerged tensions across cycles

Emerged tensions	AR cycle(s)	Findings
Sustainability is prominent in strategy but weak in execution due to borrower resistance and policy ambiguity	Cycle 1, Cycle 2	Cycle 1 showed disconnect between strategic vision and actual project focus. Cycle 2 revealed policy ambiguity and weak enforcement mechanisms
Emphasis on output metrics, while real sustainability impacts remain unmeasured or undefined	Cycle 1	Evident lack of impact metrics and low maturity of value creation assessment system
Procurement is not seen as responsible for sustainability; responsibilities are siloed	Cycle 2	Sustainability seen by the PD as outside its remit; limited collaboration between PD, ESCD, and SRD
Optional sustainability in procurement policy weakens enforceability	Cycle 2	Procurement policy mentioned sustainability as optional, with enforcement relying on other departments' safeguards
Limits in monitoring capacity constrain sustainability to first-tier suppliers	Cycle 2, Cycle 3	Cycle 2 highlighted limited visibility and capacity for downstream monitoring. Cycle 3 confirmed similar constraints across MDBs
Regional MDBs emphasize inclusivity, global MDBs push for stronger supplier accountability – creating different models of engagement	Cycle 3	Divergence emerged during MDBs' joint SPP workshop discussions on supplier readiness strategies
SPP is seen as both necessary and risky in fragile contexts, complicating rollout	Cycle 3	Procurement experts raised concerns about SPP exacerbating corruption risks in low-governance environments

Source(s): Authors' own work

The MDB's definition of success is borrowers' oriented, centred on creating value for its private and public sector clients in mid-to low-income countries, reflecting a prioritization of those stakeholders with the greatest impact on financial performance and loan uptake. Consequently, sustainability metrics tend to focus on outcomes relevant to clients. The performance indicators of SPP actions are primarily focused on capturing improvements on clients, their workers and their first-tier suppliers, while SPP impacts on local communities and sub-suppliers are neglected. This narrower focus underscores how sustainability metrics are shaped around the stakeholders that can influence the most the MDB's financial performance. Hence, we propose:

P3. The MDB's definition of success shapes the design and measurement of sustainability performance, defining for whom sustainability value creation is primarily created.

Moreover, this clients-driven approach to value creation influence the SPP actions outcomes. Although the MDB controls fund disbursement, its SPP actions are adapted to its public sector clients existing capacities and focus on risk-prevention rather than seeking value maximization. As a result, the transformative potential of SPP is limited, and the MDB's role becomes more facilitative than catalytic. This highlights a key tension between responsiveness to client contexts and the ambition to drive change.

Hence, we propose:

P4. The MDB's client-driven approach to value creation limits the transformative potential of SPP. As a result, SP actions prioritize compliance over systemic change.

Additionally, market and supply chain readiness in low- and middle-income countries significantly shape SP actions. As confirmed in the third AR cycle, these concerns influence the SPP actions implemented by MDBs, both regional and global ones, which coherently apply minimum sustainability requirements to adapt to market capacities. Similarly, supply chain

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monitoring is limited to first-tier suppliers, hindering the broader dissemination of sustainability value along international supply chains. This highlights how contextual stakeholder capacities, particularly those in weaker institutional or economic environments, shape SPP implementation outcomes. Hence, we propose:

P5. Market and supply chain readiness in borrowers' countries determine the scope of MDB's SPP actions and the extent to which sustainability value cascades along international supply chains.

Governance structures in the MDB's countries of operation also significantly influence SPP actions. Weak institutions and fragile public finance systems reduce the feasibility of complex SPP initiatives, which require strong regulatory and administrative support. Hence, MDBs adjust their SPP strategies based on the governance capacity of stakeholders, further entrenching a differentiated approach to sustainability across regions. Hence we propose:

P6. Borrowers' countries governance influence where and how SPP is implemented, shaping the spatial distribution of sustainability value across countries.

Finally, the MDB's role to act as a change agent is contingent upon the interplay between external stakeholder influence and borrower dependence. While external stakeholders, such as CSOs can successfully shape MDB's procurement actions by exerting normative pressure, power asymmetries between MDBs and borrowers constrain the pursuit of more politically sensitive sustainability goals, such as human rights protection. Accordingly, MDBs exert greater influence on the sustainability orientation of borrowers in contexts where financial dependency is high. Hence, we propose:

P7. Sustainable procurement outcomes of MDBs are shaped by the degree of external stakeholder pressure – particularly from civil society organizations – and the level of financial dependence of borrowing countries.

Based on the AR projects findings, we further elaborated on our initial research framework (Figure 1) incorporating these research propositions into a novel theoretical framework (Figure 3) illustrated in the next section.

5. Discussion and theoretical framework

We developed a theoretical framework illustrating the sustainability value creation process enacted via procurement in supranational settings (Figure 3), specifically through the evolving practices of a MDB. The framework enriches existing theoretical models of sustainability value creation through procurement (Selviaridis *et al.*, 2023; Malacina *et al.*, 2022), by introducing three interconnected components – drivers, shapers and beneficiaries – determining the procurement function's contribution to sustainability across countries.

While prior work (Selviaridis *et al.*, 2023) has focused on internal translation mechanisms of sustainability within subnational institutions, our findings reveal that in supranational organizations, internal tensions – particularly between the MDB's definition of success and its evolving understanding of sustainability – become a key driver shaping which sustainability goals are prioritized, how they are operationalized and for whose benefit they are pursued (Proposition 3).

We also found that the sustainability performance is one area where improvements are needed (Proposition 2). Consistent with previous studies showing the dominance of efficiency and cost in public procurement performance metrics (Patrucco *et al.*, 2016), we show that sustainability performance measurement in supranational institutions is even more underdeveloped, as their mandates goes beyond national and local jurisdictions, requiring additional resources (Kumar *et al.*, 2015).

In the MDB, sustainability value creation entailed the introduction of organizational innovations in the procurement policy and practices (Dimand and Neshkova, 2024) and new

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cross-functional collaborations). However, these remain partial and context-dependent. Procurement has not undergone a paradigmatic shift in its core objectives or strategies. Rather, what we observed is a selective and strategic adaptation of sustainability practices, often framed to align with the MDB's traditional development goals and the capacities of its borrowers, which are they key beneficiaries of value creation.

While SPP practices are essential to the value creation process (Malacina *et al.*, 2022), we found that their effectiveness depends on what we identified as *shapers* of sustainability value creation, defined as the contextual factors influencing such process. We show that in supranational settings countries' governance (Proposition 6), market and supply chains readiness (Proposition 5), external stakeholders' pressures (Proposition 7), and procurement professionals' knowledge and capacities (Proposition 4) inform the MDB's value creation choices determining in which countries sustainability value is created and its scope.

Concerning beneficiaries, we found that the MDB adopts a borrower-oriented sustainability value creation approach, prioritizing the needs of public and private actors in low- and middle-income countries over those of its shareholders (Proposition 3). This is consistent with recent empirical evidence on MDB procurement benefiting firms from borrower countries (Martínez-Galán and Proença, 2024), but it also limits the transformative scope of SPP (Proposition 4).

In line with ST assumptions (Freeman, 2010), the key beneficiaries of sustainability value, such as public sector clients, also generate feedback that can reinforce or force adjustments in both drivers (e.g. reducing the scope of SP actions) and shapers (e.g. investing in capacity building).

Figure 3 shows how the MDB's generate sustainability value via SPP. While *drivers* initiate change, *shapers* determine the extent to which it can be effectively implemented, and *beneficiaries*, primarily public and private clients in low- and middle-income countries, respond by generating feedback prompting the procurement function to recalibrate its strategies and actions. As these interactions evolve over time, they could drive the MDB's procurement function away from fragmented sustainability add-ons towards an integrated, sustainability value-driven approach.

6. Conclusions

The study sheds light on how sustainability value is created and for whom in one of the largest regional MDBs. As supranational financial institution, MDBs operate in complex environments, addressing diverse national priorities, regulatory frameworks and different understandings of sustainability (Brammer and Walker, 2011). Their procurement has a wider reach compared to national public institutions' one: it is by default open to international competition and shaped by broader range of stakeholders, making MDBs a complex setting where to study SPP implementation.

The study reveals reciprocal relationships among drivers, shapers and beneficiaries of value creation through procurement in a supranational setting, generating a feedback loop that propels the evolution of the MDB's procurement function. Misalignments or weaknesses in any element affects the overall sustainability value creation process and its outcomes.

Concerning whether procurement in MDBs is truly transforming towards sustainability, our findings suggest a mixed picture. On one hand, the MDB has made meaningful strides in mainstreaming sustainability considerations, particularly in high-risk projects and through cross-departmental engagement. On the other, sustainability is often treated as an add-on rather than a fully integrated value driver. For instance, sustainability in procurement policy remains optional, supply chain accountability is limited to first-tier suppliers and performance metrics continue to privilege efficiency over impact.

This reflects not a lack of intent, but the constraints of institutional transformation in supranational settings. Factors such as client countries' governance capacity, market maturity

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and stakeholder pressures shape how far sustainability innovations can go. In fragile contexts, such requirements may be seen as adding implementation risk, prompting cautious rather than transformative adoption.

Moreover, the MDB's borrower-oriented approach can also constrain transformative ambitions. Client demands, capacities and political will influence both the design and implementation of SPP practices, reinforcing a pragmatic stance towards sustainability value creation that favours adaptability over disruption.

In conclusion, our study suggests that the procurement function of MDBs is evolving, but in a partial, context-sensitive way. The evolution is real but non-linear, shaped by a mix of internal tensions, external constraints and emerging opportunities. The future trajectory of this transformation likely depends on whether sustainability moves from the periphery to the core of procurement logic, particularly in the procurement policy and performance evaluation systems.

6.1 Theoretical contributions

The study advances theory in the SPP field by providing an in-depth examination of how a supranational institution creates sustainability value. It offers a theoretical framework grounded in stakeholder theory (Freeman, 1984; Epstein and Roy, 2001; Schaltegger *et al.*, 2019) illustrating sustainability value creation through public procurement in supranational settings.

Compared to previous studies, we highlight the need to incorporate a nuanced understanding of the tensions between sustainability and institutional goals into the conceptualization of value creation (Selviaridis *et al.*, 2023; Malacina *et al.*, 2022), as this shapes for whom such value is created. Moreover, we identify the contextual factors influencing the sustainability value creation across countries (*shapers*), namely: governance, market and supply chains readiness, external stakeholders pressures, and procurement professionals knowledge and capacities. Overall, we show how sustainability value is the result of the interactions among the drivers, the shapers and the beneficiaries of sustainability value creation creating a feedback loop that can evolve over time.

Finally, by adopting an AR approach we enhanced the understanding of the sustainability value creation process in real-world procurement settings, expanding the type of qualitative methodologies used in procurement research (Wieland *et al.*, 2024; Meehan *et al.*, 2016; Näslund *et al.*, 2010) and outlining their relevance in addressing complex, context-dependent issues.

6.2 Managerial implications

Public managers in MDBs and similar supranational financial institutions can adopt several strategies to enhance sustainability value creation through procurement. First sustainability must be integrated into the core mission of these institutions, aligning procurement policies with social and environmental goals alongside cost-efficiency and competition. By establishing clear guidelines to manage trade-offs, managers can reduce the risk of sustainability being sidelined in favour of economic imperatives.

Moreover, continuous monitoring and impact data collection are essential for maximizing value creation. MDBs' procurement experts should design indicators that assess both systemic benefits and compliance, broadening stakeholder considerations to include impact on local communities and supply chains.

MDBs procurement experts shall collaborate with external stakeholders, including CSOs, industry associations, suppliers and local governments. Engaging stakeholders early in project design can identify barriers and ensure broader acceptance of SPP actions. While, addressing governance challenges in low-capacity environments through public finance management and anti-corruption trainings incorporated in SPP projects can mitigate risks.

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Importantly, procurement managers should leverage MDBs' financial power shifting from risk-based approaches to value-creation strategies. At the same time, flexibility must be maintained to account for varying levels of market readiness in different regions, particularly in low- and middle-income economies. To address these issues, MDB's procurement experts shall consider phased or tiered sustainability requirements, allowing public sector clients and their suppliers to gradually enhance their capabilities while fostering long-term improvements.

6.3 Limitations

The study explored sustainability value creation through procurement from the perspective of a large regional MDB and the collaboration it established with similar organizations and other stakeholders. Thus, when interpreting the study results it should be acknowledged that they are based mainly on a case-study and inference from it need to be carefully handled (Yin, 2009). However, the use of theoretical frameworks and the participation of other MDBs to the AR project make the study findings informative for similar organizations, presenting similar practices and challenges, as emerged in the AR cycles.

Certainly, further studies are needed to explore MDB's procurement sustainability value creation according to its beneficiaries and in the key industries where they operate (energy, transport and infrastructure). This study nonetheless represents a starting point for shedding light on the drivers, the shapers and the beneficiaries of public procurement sustainability value creation in cross-countries settings, widening the SPP studies perspectives.

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