



SME4SMARTCITIES

Deliverable 3.1.2A: Current Procurement Trends Guide for SMEs

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For more information about the SME4SMARTCITIES project, please see the [SME4SMARTCITIES section on the ENI CBC MED website](#).

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Executive Summary

This Current Procurement Trends Guide describes current public procurement channels and trends and provides information as to how to access public procurement in EU and Mediterranean countries. The purpose of this guide is to promote smart innovation and sustainability in cities across the Mediterranean and to assist SMEs to tap into innovative and green procurement opportunities.

To address societal problems, environmental issues and climate change, to be smarter, more efficient, more resilient and more liveable, cities can use innovative new technologies. SMEs and Business Development can provide remarkable solutions to these challenges. However, by working together with municipality officials and SMEs, and by conducting a city challenges survey, it become apparent that there is a gap of knowledge that hinders easy and effective engagement. Municipal officials may find it challenging to keep up with rapidly evolving technology and tech jargon and SMEs may find it challenging to keep up with administrative jargon and complex processes.

The EU, regional organizations and governments provide directives and incentives to increase the procurement of innovative products and services and to increase green and sustainable development in cities. The European Commission prepared environmental procurement criteria for numerous product and service groups which can be directly inserted into tender documents (EU GPP criteria). Some states have specific rules at the local, regional and national levels to adopt green and sustainable procurement practices.

This guide describes the current trends, guidelines and methods that can assist SMEs and municipalities to successfully engage in innovative, green procurement for mutual benefit. It also describes barriers to green public procurement. With a focus on the participating Mediterranean states in this study, mainly Spain, Italy and Israel, this guide covers methods of procurement that are initiated by municipalities, regional clusters, governments and by SMEs proactively, provide examples, links to resources and recommendations for SMEs to explore and use.

1. Introduction

1.1. Smart Innovation Procurement

Smart Innovation is the adoption and implementation of innovative products, technologies or services that support urban resilience, sustainability, social, economic and environmental well-being. Areas where Smart Innovation is of high benefit to cities and residents include mobility, energy, water, food, waste management, ecology, urban nature, climate, circular economy, sharing economy, citizen engagement and education.

Local and regional authorities account for about 44% of public procurement spent across Europe, and as much as 83% in Spain and 75% in Italy.¹ Approximately 55% of contracts awarded by such authorities are for services and a smaller number are for works and supplies contracts. Social services, IT supplies and services, environmental and waste management, transport and construction-related services account for a large proportion of local authority contracts.

Many Municipalities are aware of “Smart Cities” trends and offerings. Some cities are highly proactive in pursuing “smart cities” practices on technological, environmental, citizen experience and social/educational/SME acceleration levels while other municipalities are on initial levels of the Smart City Journey.



Innovative and green direct procurement initiative, initiated by the Municipality of Kfar Saba - New solar energy production systems built over sports facilities, while also providing roofing and shading. Source: Kfar Saba Municipality's Sustainability and Innovation Division

Some municipalities have dedicated innovation managers and units that proactively seek and embrace innovative initiatives to improve citizen quality of life, services, new digital services for the Public

¹ OECD (2018) *Key Data on Local and Regional Governments* in the EU, p 9.



Administration and municipal logistics. Some municipalities publish calls for proposals and initiate events such as hackathons. Cities also participate in European Projects such as the Interreg Europe Pure Cosmos project, that develop highly integrated approaches to cut costs and improve the quality of public administration while improving the effectiveness of public support for SMEs by reducing regulatory complexity, bureaucracy and uncertainty for the development of SMEs² or the Interreg Europe BETTER project³

Examples:

[Genova Smart City Association](#) (Italian) | [ERDF OPERATIONAL PROGRAMME - Liguria](#) (En)

[Kfar Saba Sustainability and Innovation](#) (Hebrew)

[Herzliya Strategy and Innovation](#) (Hebrew)

[Tel Aviv Start-up City](#) (Hebrew)

[Haifa Smart City](#) (Hebrew)

NGO organizations, events and exhibitions promote urban innovation, smart city practices, SMEs and start-ups

Examples:

[Smart Cities Expo World Congress in Barcelona](#)

[Israel cities and SMEs participation in Barcelona Smart Cities Expo](#)

[Greencities & S-Moving Forum Málaga](#)

[Israel Muni Expo](#) (Hebrew)

[DLD Tel Aviv Conference](#)

1.2. Public Procurement of Innovation

From about 2010 onwards, public procurement of innovation (PPI) became a very prominent topic across Europe. This was partly in response to the financial crisis, which pointed to a need for substantial public investment in social and environmental projects while increasing the efficiency of state spending. Prominent research and publications, such as Mariana Mazzucato's *The Entrepreneurial State* (2013) also helped to place PPI on the agenda. This is reflected in the 2014 EU Procurement Directives, which allow innovative characteristics to be taken into account in award criteria and include procedures designed to procure goods or services not currently available on the market.

For the procurement of R&D services and prototypes, pre-commercial procurement (PCP) can be applied. If a public authority wishes to purchase the outcome of R&D, the innovation partnership procedure allows for the award of a commercial contract at the end of the R&D/testing cycle. One or more partners may be involved in developing and testing products to meet the needs defined by the public authority. The Horizon 2020 programme has been instrumental in supporting many applications of PCP/PPI, including in the healthcare,

² [Interreg Europe - PURE COSMOS](#)

³ [Interreg Europe - BETTER](#)

computing, transport and environmental management sectors. Examples of PCP/PPI projects, including many which involve SMEs, can be found here.

1.3. Green Procurement

Many municipalities recognise the power of procurement of environmentally friendly and sustainable goods, services and technologies, to alleviate environmental, residential and public health issues that increasingly affect cities today. By purchasing goods, services and works with a reduced environmental impact, public authorities can make an important contribution towards local, regional, national and international sustainability goals.

Green Public Procurement (GPP) includes life-cycle costing, specification of sustainable production processes, and use of environmental award criteria to help contracting authorities identify environmentally preferable bids. The concept of **Sustainable Public Procurement (SPP)** includes both environmental and social criteria in purchasing decisions.

GPP is a major driver for innovation, providing industry with real incentives for developing green products and services. This is particularly true in sectors where public purchasers represent a large share of the market (e.g. construction, health services, or transport). GPP can also provide financial savings for public authorities – especially when considering the full life-cycle costs of a contract and not just the purchase price. The result is a win-win positive cycle for both public authorities and for SMEs.

European DIRECTIVE 2014/24/EU⁴ enables public authorities to take environmental considerations into account (note: for entities operating in the water, energy, transport and postal services sectors directive [Directive 2014/25/EU](#) is of more relevance). For SMEs, knowing these procedures is useful for their work with municipalities. Here are some procurement directives that the Directorate-General for the Environment (DG ENV), the European Commission department responsible for EU environmental policy, highlights for policy makers and procurement managers.

- Where a contracting authority wishes to purchase goods or services, which are not currently available on the market, it may apply “innovation procurement” or “pre-commercial procurement” tools. One example is “an **innovation partnership**” with one or more partners. This allows for the research and development (R&D), piloting and subsequent purchase of a new product, service or work. The procedure for establishing an innovation partnership is set out in Article 31 of Directive 2014/24/EU.

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02014L0024-20200101>



- The procurement directives specifically allow for **preliminary market consultation** with suppliers in order to get advice, which may be used in the preparation of the procedure. Article 40 of Directive 2014/24/EU.

The European Commission Green Public Procurement (GPP) guidance (last updated 2019), provides an overview of the legal framework for public procurement, with criteria and guides for implementation of GPP⁵, which include environmental and social⁶ considerations. In addition, **Pre-commercial procurement**⁷ can be used to advance green innovative procurement by having public authorities and SMEs work together to develop technologies, products or processes to meet the environmental objectives identified by a public authority⁸.

1.4. Standards, Eco-Labels and green award criteria

ISO published ISO 20400:2017⁹, a standard aimed at providing guidance to organizations, independent of their activity or size, on integrating sustainability within procurement, and ISO 26000¹⁰ for social responsibility. Many public bodies also implement GPP/SPP criteria based on national or regional criteria, or the common EU GPP criteria¹¹.

The 2014 directives allow contracting authorities to make reference to one or more specific ecolabels, provided the labels are appropriate to define the characteristics of the goods or services being purchased, the criteria for the label are based on scientific information and adopted using an procedure in which all interested stakeholders can participate, and all suppliers can apply for the label.

Under the 2014 procurement directives, all contracts must be awarded on the basis of Most Economically Advantageous Tender (MEAT). Financial evaluation may be based on life cycle costs (see below) of the solution, and not just the purchasing price. Environmental criteria may be viewed as determining the value of the proposal if they are linked to the subject matter of the contract, do not restrict the choices of the contracting authority, enable effective competition, are expressly mentioned in the contract notice and tender documents, together with their weightings and any applicable sub-criteria, and (in Europe) comply with the Treaty principles.

⁵ [Commission guidance - GPP - Environment](#)

⁶ [DG Employment, Social Affairs and Inclusion website](#)

⁷ [Pre-Commercial Procurement \(PCP\) website](#)

⁸ [52007DC0799 - EN - EUR-Lex](#)

⁹ [ISO 20400:2017](#)

¹⁰ [ISO 26000 Social Responsibility](#)

¹¹ [EU GPP criteria](#)



1.5. Minimum mandatory criteria

Within [the EU Circular Economy Action Plan](#), the commission will propose minimum mandatory green public procurement criteria and targets in sectoral legislation and phase in compulsory reporting to monitor the uptake of Green Public Procurement. Furthermore, the Commission will support capacity building and encourage public buyers to take part in a “Public Buyers for Climate and Environment” initiative^[12], which will facilitate exchanges among buyers committed to green public procurement implementation. Lastly, the future Strategy for a Sustainable Built Environment, which is part of the action plan, will integrate life cycle assessment in public procurement.

1.6. Other green public procurement criteria

The European Commission prepared environmental procurement criteria for numerous product and service groups which can be directly inserted into tender documents¹³. These EU GPP criteria are an excellent source of knowledge and reference for any SME that provides products and services that include anything from catering services to computer hardware and office building design, construction and management. Some Member States have specific rules creating mandatory green public procurement standards for particular sectors or types of contracts. National procurers should ensure they are up to date with national requirements. A detailed list of EU policies, strategies and legislation related to green public procurement can be found in the Annex to the "Buying Green" handbook¹⁴. While these guidelines are intended for policy makers and procurers, SMEs will also find them useful.

Individual contracting authorities at the local, regional and national level have also adopted green and sustainable procurement practices. Some of their actions have inspired National Action Plans on GPP (NAPs) or been taken up as examples in other Member States. Many such examples are featured in this handbook, and more good practices are continuously being put into place across the EU. A collection of over 100 of these examples can be found at the EU GPP website - both ongoing projects¹⁵ and completed projects¹⁶.

¹² Status unclear at the time of writing.

¹³ [EU GPP criteria](#)

¹⁴ [A handbook on green public procurement 3rd Edition](#)

¹⁵ [GPP ongoing projects - Environment](#)

¹⁶ [GPP completed projects – Environment – European Commission](#)



The "Buying Green" handbook

Resources in specific countries:

Italy:

- [Italy green public procurement](#) (Italian)
- Information on the National green public procurement Action-Plan – in [Italian](#) and [English](#)

Spain:

- [green public procurement Manual](#) (Spanish. Ayuntamiento de Madrid – City of Madrid)
- [Information on green public procurement](#) (Catalan. Generalitat de Catalunya – Government of Catalonia)
- City + sustainable: green public procurement – in [Catalan](#), [Spanish](#) and [English](#) (l'Ajuntament de Barcelona-City of Barcelona)
- green public procurement website [Compra pública sostenible](#) (Catalan)
- green public procurement in the Basque Country in [Euskadi](#), [Spanish](#) and in [English](#) (Ihobe – Basque Agency for Environmental Management).
- [Basque country green public procurement manual](#) (Spanish)



In Israel, the Ministry of Environmental Protection has published green criteria for several domains¹⁷ and the “Forum 15” Municipalities Organization published an outline for adopting an environmental and sustainability approach in all urban tenders, with concrete steps and tools for municipalities¹⁸.

In Palestine, green public procurement is mostly seen as part of green building criteria¹⁹.

ICLEI provides a range of guidance and resources for implementing Sustainable Public Procurement, which include purchasing criteria for six product groups (buses, cleaning products & services, electricity, food & catering services, IT products, building construction & renovation) in [Procura+](#), a network of more than 40 European public authorities and regions that connect, exchange and act on sustainable and innovation procurement.

Resources include a manual for SPP implementation and a collection of Best Practice Case Studies available on the website.

¹⁷ [הטמעת תנאים ירוקים במכרזים](#)

¹⁸ Forum 15 - [An outline of environmental management and sustainability in urban tenders](#) (Hebrew)

¹⁹ [SUSTAINABLE CONSUMPTION AND PRODUCTION NATIONAL ACTION PLAN IN PALESTINE | 2016](#) p. 87



2. The Value of SMEs

In the EU, an SME is defined as a company with less than 250 employees and either turnover of up to €50 million or a balance sheet total of up to €43 million.

Cities recognise the benefits of diversifying their supply chain with innovative SMEs. A recent EU-level study of SMEs in public procurement found that 65% of contracts valued above the EU threshold and 86% of below-threshold contracts were won by SMEs.²⁰ However, only 33% of the value of above-threshold contracts was won directly by SMEs, with a further 16% estimated via indirect participation.²¹

Rates of SME participation in public tenders vary widely between European countries, with Lithuania, Greece and Malta having the highest rates and Italy, Spain and Portugal the lowest.²² Interestingly, SMEs appear to be only marginally more successful at winning local or regional authority contracts compared to those awarded by central government, utilities, or other public bodies.²³

Today, some initiatives to promote SME access to tenders are aimed at domestic or local SMEs, while others are open to SMEs from any country.

²⁰ [European Commission DG for Internal Market, Industry, Entrepreneurship and SMEs \(2019\) *Analysis of SMEs participation in public procurement and measures to support it – Final report*](#)

²¹ Note that figures which contrast the value of public sector contracts won by SMEs with their overall contribution to GDP can be misleading because many SMEs provide goods or services as subcontractors or non-lead partners, but this information is not captured by most tender databases.

²² *Ibid*, p 20.

²³ *Ibid*, p 50



3. Procurement initiated by Municipalities

Municipalities promote both innovative and green procurement using diverse channels

1. **Direct procurement** by the municipality - such as replacing street lights
2. **Planning and guidance** - such as urban masterplans, waste management programs and adoption of green building standards
3. **Infrastructure and services** - such as bike lanes and car sharing parking spaces
4. **Innovation procurement (Empowerment)** - stating needs and working with innovators to develop solutions - through dedicated R&D on behalf of the supplier, accelerator programs, communication channels and campaigns

The following sections outline innovative and green procurement practices and trends across all channel types.

3.1. Adoption of green public procurement criteria

Despite the clear contribution of green products to the environment and society, their adoption is slow and insufficient. This may be due to low awareness of their benefits or because they are more expensive than conventional products. Prices of innovative green products are initially high because of R&D and production costs. However, prices often tend to decrease, as happened in solar energy systems.

Short-term price considerations overlook the importance and value of the full product life cycle (Life-Cycle cost). The real cost of a product is not just the direct purchasing price, but includes all incurred costs during its life cycle, including transportation, use, maintenance, and waste disposal as well as external environmental, health, social and economic costs. Life cycle costs often highlight the advantage of green products which are usually more resource efficient (thus costing less during use) or do not contain hazardous materials (thus costing less to dispose of).

A product's life-cycle perspective emphasizes the aggregate costs and long-term benefits of using green, sustainable products. Yet, many purchasing organizations still take decisions mainly based on purchasing price. As purchase price, energy and maintenance costs may be paid by different departments within a single authority (known as the problem of split incentives), establishing life-cycle costs within procurement procedures will likely require intra- or even inter-authority cooperation.

Italy: An overview of good examples of environmental management criteria in green public procurement in Italy is available in the presentation "Overview of good examples of using EMAS or environmental management criteria in GPP Experiences in Italy"²⁴ by Nadia Galluzzo for Interreg Europe's ENHANCE project.

²⁴ https://www.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1520607446.pdf



The Ministerial Decree 2017 of the Ministry of Infrastructure and Transport²⁵ entrusted metropolitan cities with the definition of Urban Plans for sustainable mobility. La Brianza, with 870 thousand inhabitants and one of the highest land consumption and population density in Italy and Monza, ranked third place among the most polluted provincial capitals in Italy and in 98th place out of 104 provincial capitals for overall quality, launched the “Piano Urbano della Mobilità Sostenibile di Monza e della Brianza” (PUMS) program to fight “environmental decay” by focusing on the mobility system²⁶.

Israel: “Forum 15” organization of large, independent municipalities, adopted directives for environmental and sustainability management in urban tenders^{27,28} which it proactively encourages municipalities to adopt. While there is a preference for environmentally friendly and sustainable services, they are not obligatory. These directives encourage changing perspectives of “Green” procurement from looking at products that have reduced environmental impact (such as recycled paper) to a full product life cycle approach. In 2014, Forum 15 published an outline for adopting an environmental and sustainability approach in all urban tenders, with concrete steps and tools for municipalities²⁹. Also, the Local Government Economic Services company that provides services to many municipalities and reviews tenders for environmental impact before publishing³⁰ adopted the ISO-14001 environmental management standard³¹ and communicates a preference for green procurement.

3.2. Barriers to Green Public Procurement

Barriers to implementation of GPP have been identified in the RELIEF project, the European Commission survey on “Green Public Procurement in Europe 2006”. The main barriers and strategies to resolve them are summarized below.

Lack of political support

Lack of awareness, or low priority on the political agenda results in little expectation from procurement officials to implement GPP, especially in the light of additional pressures including cutting costs and meeting the demands of internal users and the public.

Green products are perceived to cost more

When solutions compete based merely on the purchasing price and not the total life cycle cost, there is often a perceived or real disadvantage to green products, resulting in many procurement officials avoiding even trying to include them in the tender for fear it would increase the final price.

²⁵ Identification of the guidelines for urban sustainable mobility plans, pursuant to article 3, paragraph 7, of Legislative Decree no. 257

²⁶ [PUMS – Piano Urbano della Mobilità sostenibile di Monza e della Brianza](#)

²⁷ [Outline for environmental conduct and maintained in municipal tenders \(HE\)](#)

²⁸ [Winning recipes from the field for the application of urban sustainability \(HE\)](#)

²⁹ Forum 15 - [An outline of environmental management and sustainability in urban tenders](#) (Hebrew)

³⁰ Forum 15 -- [Environment and Sustainability Services](#) Page 5 (Hebrew)

³¹ [ISO 14000 FAMILY ENVIRONMENTAL MANAGEMENT \(EN\)](#)



According to the ENV DG GPP website "a study carried out in 2008 ("[Collection of Statistical Information on Green Public Procurement in the EU](#)") revealed that in general GPP does not increase costs but can actually help the purchasing organization cut costs. Using a Life-Cycle Costing (LCC) approach to calculate the financial impact of GPP, the average financial impact of GPP within the seven best performing Member States was -1% (on average for 10 priority products groups/services) in 2006/2007. However, the 2011 study on the [Uptake of Green Public Procurement in the EU 27](#), by the Centre for European Policy Studies and the College of Europe, showed once again that purchasing costs are still the predominant criterion for awarding contracts. According to this study, 64% of the respondents mainly use the lowest price as the decisive criterion, while only a minority uses predominantly Life Cycle Costing evaluation methods."

Working with annual budgets, which do not incentivize long-term savings, and having budgetary responsibility for different costs (purchase price and electricity consumption during use, for example) split between different departments, compound this issue.

Lack of expertise in applying environmental criteria

Procurement officials are not experts in environmental criteria. This understandable lack of knowledge creates a natural aversion to include environmental criteria in the tender, both for fear that they would be irrelevant/incorrect or that it would be difficult to evaluate compliance of the bidders.

The need for systematic implementation and integration into management systems

Smaller organizations, or organizations where the purchasing activity is decentralized, do not have the managerial processes to integrate GPP into the procurement process. Stiff procurement protocols, and resistance to change among staff (including working with new suppliers or innovative solutions) can be a barrier.

Limited established environmental criteria for products/services.

While the EU has environmental criteria for numerous product groups, this is obviously not sufficient to cover all possible tenders. This is challenging for procurers who lack technical knowledge but wish to include such criteria in tender specs.

Missing market intelligence

The market for sustainable products and services is developing rapidly, and many public sector organizations do not have the dedicated capacity to keep up. Often procurers are not aware of the existence of sustainable solutions, or of their price-competitiveness.

3.3. Performance contracting

Performance contracting is another opportunity to improve the sustainability performance of the tender. As explained in an IISD briefing [Moving Towards Performance-Based Specifications in Public Procurement](#):



Energy is a specific topic where performance contracting has taken the lead. The buying green handbook³² defines it as follows: "Energy Performance Contracting (EPC) is a contractual arrangement between a building owner or occupier (including public authorities) and an Energy Service Company (ESCO) to improve the energy efficiency of a building. The investment costs are typically covered by the ESCO or a third party such as a bank, so no financial outlay is required by the public authority. The ESCO receives a fee, usually linked to the guaranteed energy savings. After the specified contracting period, the savings from energy efficiency improvements to the building will revert to the public authority."

Energy performance contracting is a rather specific application for which the market of providers tends to be limited. More broadly, outcomes-based contracts are used to deliver a range of public services - see info here: [Government Outcomes Lab](#)

To make such contracts more financially attractive for the private sector, the contracting authority often aggregates several buildings or local authorities and creates size advantage, enabling the deployment of measures that would otherwise not be cost efficient.

Performance based contracting is specifically allowed under the procurement directives^[33]. It is often seen as a tendering process which encourages innovation and disrupts the market. It is critical however to consider how proposals will be compared and how performance will be measured.

Numerous such examples exist in Europe and beyond for various sectors such as lighting, carpets, building elements, water treatment, HVAC, elevators, and so forth. As an example, the Finnish company Martela, for example, is building upon the interest in circular procurement and offering an "[office space as a service](#)" concept in Nordic countries. Organisations can lease all furniture and facilities as a flexible service that is monitored and adapted for optimal employees' comfort and wellbeing. Delivery, installation and recycling services are followed by utilisation rate and experience measuring in an innovative circular economy model.

³² [buying green handbook](#)

³³ Article 42(3) of Directive 2014/24/EU; Article 60(3) of Directive 2014/25/EU



4. Procurement initiated by Regions

In some countries, such as Spain, regions publish tenders and requests for proposals in addition to those published by municipalities. In other countries such as Israel, regions and city clusters publish via the participating municipalities only.

Examples:

Region of Murcia - tenders and requests for proposals are published at the [CONTRATACIÓN PÚBLICA](#) website (ES). All bidders who submit bids through the simplified open procedure, must be registered in the Official Registry of Bidders and Classified Companies of the Public Sector, or where appropriate in the [Official Registry of Bidders of the corresponding Autonomous Community](#).

Region of Andalusia - New tenders are published in the [portal of the Andalusian government](#). In some cases where the processing has been greatly simplified there is a simplified procedure in which tenders for services can be placed for up to 100,000 euros. There are other super simplifications of up to 35,000. The solvency requested must be proportional to the contract and that it can never be a barrier to the participation of SMEs. The economic solvency will be at most 1.5 times the amount of the billing contract in the sector (or a contract annuity) and the technique of 0.7 times of similar contracts according to the first three digits of the CPV. Any more demands in the specifications should be examined, because in "normal" contracts they could be appealable. Companies which are less than 5 years old and for contracts of less than a fixed amount (when a city council is bidding for up to 214,000 ILS plus VAT). The technical solvency can be demonstrated by personnel who carry out the work; facilities (as specified or not specified).



5. Procurement initiated by the National Authority

Despite variations from country to country, all EU member states promote procurement initiatives, encouraging the public demand for innovation and integrating environmental standards and requirements into procurement processes.

Italy:

The Three-Year Plan for Information Technology in Public Administration 2019-2021 provided for the establishment of [Appaltinnovativi.gov.it](https://www.appaltinnovativi.gov.it), a platform for communicating with companies, start-ups and research centers which supports open Innovation and innovation procurement. The Ministry for Innovation and Agid³⁴ (Agenzia per l'Italia Digitale - Agency for Digital Italy) were also created, with the subsidiary PAGO PA.

To implement green public procurement strategy, Italy has adopted the "Action Plan for the environmental sustainability of public administration consumption" (PAN GPP) to define national objectives, identify categories of goods and services of minimum environmental criteria (CAM) The Code stipulates that contracting authorities contribute to the achievement of the environmental objectives including in the design and tender documentation at least the technical specifications and contractual clauses contained in the minimum environmental criteria adopted by ministerial decree. The plan provides guidelines for public bodies to promote green public procurement.

Israel:

Non-obligatory Government Resolutions 1057³⁵ and 5090³⁶, "Green Government", define targets and measures for green procurement. Non-obligatory Government resolution 3923 "Encouraging Goods and Corporations of Environmental Standards in Public Procurement"³⁷, encourages public procurement of environmental standards in Tender Regulations. Further, a 2009 update of the Tender regulations (24a (10)) explicitly states that the Accountant General can prescribe provisions for preference of goods and corporations that comply with Israeli or international environmental standards – any standards that are approved by the Ministry for the Protection of the Environment³⁸.

The Ministry of Finance non obligatory administrative Regulation 7.4.2.9, integrating environmental requirements into government procurement processes³⁹ - recommends and guides government ministries on how to integrate environmental standards or environmental requirements into their procurement processes.

³⁴ <https://www.agid.gov.it/en/agency/about-us>

³⁵ "1057 ממשלה ירוקה" - ייעול התפעול של משרדי הממשלה | מספר החלטה"

³⁶ "5090 ממשלה ירוקה" - ייעול התפעול של משרדי הממשלה - תיקון החלטת ממשלה | מספר החלטה"

³⁷ עידוד טובין ותאגידים בעלי תקן סביבתי ברכש ציבורי

³⁸ https://www.nevo.co.il/law_html/law01/242_002.htm#Seif32

³⁹ [Regulation 7.4.2.9 Integrating environmental requirements into government procurement processes](#)



The Government Procurement Administration and the Ministry of Environmental Protection have declared that they are interested in examining solutions that help improve the government's environmental performance, encourage innovation and develop dialogue channels with the market. The Government Procurement Administration invites providers of "green" products and services to offer them to evaluation - [Proposal of Green Products to the Government](#) (HE).

6. Current Municipal Procurement Processes

6.1. Tenders

6.1.1. Tender Laws

Publicly advertised tenders are mandatory in EU and most Mediterranean countries. The [EU public procurement directives](#) are the basis for procurement law in the EU-27 countries as well as a number of countries seeking to join or associate with the EU (e.g. Albania, Serbia, Montenegro). In Israel, the legal framework is the Obligatory Tenders Law.

The EU procurement directives⁴⁰ for public and utility sector contracts and framework agreements define specific monetary thresholds, based on the total value over the duration of the contract, including options or renewals. Contracts valued at or above these thresholds must be advertised in the Official Journal of the European Union (OJEU), with notices published online via the European Commission's Tenders Electronic Daily ([TED](#)) database.

Contract notices include basic information about procedures and deadlines and should provide a link to access documents or further information. The relevant Common Procurement Vocabulary (CPV) codes for goods, services or works purchased must be included. Interested bidders for public contracts typically subscribe to one or more tender notification services which collect notices based on CPV codes or other descriptors used on national databases.

Communication with bidders during the tender process, especially for above-threshold procedures, is subject to specific rules. Any questions must be submitted in writing and responses are shared with all bidders. Under European competition law, breaking rules about communication between bidders can lead to disqualification. At the end of a tender procedure, a contract award notice (CAN) must be published. Bidders are entitled to information on their tenders and comparison with the successful tender.

For below-threshold contracts, rules regarding advertisement and procedures may be defined at national or regional/local level. The European Court of Justice (CJEU) has held that the Treaty principles of transparency and equal treatment also apply to below-threshold contracts where they are of 'certain cross-border interest'.⁴¹ In practice, this means that public authorities often choose to advertise below-threshold contracts in the OJEU, or to follow procedures similar to those set out in the Directives. However, this is by no means a universal practice, and SMEs wishing to tender for below-threshold contracts need to identify the publication platforms used in the region(s) or sector(s) where they wish to compete. The [Opentender](#) platform has a useful overview of databases.

⁴⁰ Directives 2014/23/EU (Concessions), 2014/24/EU (Public Sector) and 2014/25/EU (Utilities)

⁴¹ See for example Case C-412/04 *Commission v Italy*



Italy: public administrations are required to issue public tenders for the acquisition of goods or services and for the execution of works and public works above certain value thresholds. Legislative Decree no. 50 of 18 April 2016 (Public Contracts Code) is the national regulatory source governing public works, supply, service and concession contracts. This Decree was issued in implementation of Directives 2014/23/EU, 2014/24/EU and 2014/25/EU.

Spain: Contracts, whatever their legal nature, are concluded by Public Sector entities subject to the scope of the LCSP⁴².

Israel: For all governmental and public authorities, tenders and purchase contracts are mandatory⁴³. For municipalities, detailed rules for tenders are defined in the the Municipal Regulations (Tenders), 1987 law⁴⁴. Each municipality is obliged to make a public tender for contract work⁴⁵ ("a municipality shall not enter into a contract for the transfer of real estate or goods, for ordering goods or for carrying out work except by public tender."). Another option for specific initiatives is a call for proposals, see section below.

Palestine: Tenders are generally mandatory for public procurement acts; purchases of works, goods, services or any transactions must abide by the Palestinian Public Procurement Law No. 8⁴⁶, except in certain cases examined below. The "Supreme Council for Public Procurement Policies" was established to implement the procurement law. All public procurement activities in Palestine are subject to evaluation of the board to ensure compliance with laws and orders regarding purchasing agencies; the council evaluates agency performance.⁴⁷

6.1.2. Procedures

The EU Procurement Directives define six procedures for the award of contracts:

Open procedure – Any operator may submit a tender. Pass/fail criteria may be applied to determine if bidders have the financial and technical capacity to perform a contract.

Restricted procedure – Any operator may submit an expression of interest. Criteria related to experience, technical and financial capacity, human resources and other factors are applied in order to select a minimum of five bidders to tender.

Competitive dialogue – After an initial selection stage, a minimum of three bidders are invited to submit proposals in response to a defined problem/need. These proposals are then refined in a process of dialogue with the contracting authority, before final tenders are submitted.

⁴² [Documento consolidado BOE-A-2017-12902](#)

⁴³ [Israel Tender Obligation Law, 1992](#)

⁴⁴ [Israel Municipal Regulations \(Tenders\), 1987](#)

⁴⁵ [Israel Municipal Ordinance, section 197](#)

⁴⁶ [Palestinian Public Procurement Law no.8, 2014](#)

⁴⁷ [Palestinian protocol for Procurement no.5, 2014](#)



Competitive procedure with negotiation – After an initial selection stage, a minimum of three bidders are invited to submit tenders in response to a detailed specification. These tenders may be subject to negotiation prior to contract award.

Innovation partnership – One or more partners are selected to carry out phased activities linked to the research and development, prototyping, testing and commercial production of a new product or service. The number of partners may be reduced at the end of each phase.

Design contest – Most commonly used to commission town plans, architectural or artistic works, a design contest involves the use of a jury to select from amongst competing designs.

The open procedure is the most common across Europe, followed by the restricted procedure. The other procedures are applied in specific circumstances where open or restricted procedures are not appropriate, for example due to the complexity of a contract or the need to develop solutions not currently available on the market. Their use varies widely between EU countries, with lower rates in more recent EU member states. Local authorities are slightly more likely to use these procedures compared to central government.

All procurement procedures involve the application of published award criteria, which must include a cost element, and which may also address qualitative, environmental, social, innovative or other characteristics of the goods or services being purchased.

Framework agreements are frequently used to award multiple contracts, and must use one of the above-mentioned procedures. For subsequent contracts, supplementary tenders may be invited from the operator(s) admitted to the framework, following a simplified procedure.

Italy: To encourage the participation of SMEs in large contracts, tenders can be subdivided into lots, as regulated by art. 51 of Legislative Decree no. 50/2016.

6.1.3. Tender Publications and Contacts

Tenders are published publicly on the municipality's website and attached to a designated contact. In some countries, municipal tenders are also published on a national repository.

In Spain, each tender needs to be registered in ROLECE (*Official Registry of Bidders and Classified Companies of the State*). Tenders are published publicly at [Plataforma de Contratación del Sector Público](#). Proposals are submitted through electronic envelopes, ensuring integrity and confidentiality.

Examples:

Genova: [Bandi e Gare](#)

MALAGA: [Perfil de Contratante](#). The controlling authorities are the general director of recruitment, the councilor and the mayor of Malaga.

Murcia - [Perfil del Contratante](#), <https://contratacion.murcia.es/>



Caravaca de la Cruz: [Portal de Transparencia](#)

Lorca: [CONTRATACIÓN](#)

[Plataforma de Contratación del Sector Público](#)

Cartagena: [Perfil del Contratante](#)

Israel: [המאגר- ריכוז קולות קוראים לרשויות המקומיות | משרד הפנים](#)

6.1.4. Tender Restrictions

Italy: The Code provides that public contracts are awarded in compliance with the Community principles of impartiality and equal treatment.

Subjects that fall within the definition of "economic operator" provided for by the Code (individual entrepreneurs, craftsmen, commercial companies and cooperatives; consortia, temporary business associations) who meet the general requirements of the Code may participate in tenders. The criteria include:

- Not subject to bankruptcy proceedings or anti-mafia measures;
- No serious crimes against the State or the Community that affect professional morality; no participation in criminal organizations, corruption, fraud, money laundering;
- Not having committed other offences and breaches of security regulations or any obligations arising from employment relationships, payment of taxes and duties; having submitted false declarations or documentation concerning requirements and conditions relevant to participation in other tender procedures; serious breaches of the rules on social security and welfare contributions.

As per national legislation, a tender in Italy can be waived for contracts below the threshold with a tender-based amount of less than €40,000 (Article 36, paragraph 2, letter a, of Legislative Decree No. 50 of April 18, 2016, as amended).

Israel: The Tender Obligation Law, 1992 clearly define that **no discrimination** is allowed. However, there may be a preference to choose businesses led by a woman if several vendors reach the same winning score in a tender⁴⁸

Spain: The Law codifies requirements for withdrawal by the administrative body:

1. The obligation of information and notification.
2. The obligation to compensate suitable candidates - bidders or the successful bidder - for expenses incurred preparing the offer according to the specifications or, failing that, by the evaluation criteria for the calculation of the patrimonial responsibility of the State.

⁴⁸ https://www.nevo.co.il/law_html/law01/242_001.htm#Seif12 (Hebrew)



3. The decision to withdraw must be based on reasons of public interest and a new procedure cannot be republished if said circumstances persist.
4. An insurmountable legal infraction of the procedural norms.

6.1.5. Tender Exceptions

Procurement is possible without tenders in these cases:

- contracts below certain value thresholds (approximately 40 000 Euro and 15 000 Euro in supplies), with slight variations from country to country
- Unattainable supplies and services with specialized expertise. In the case of a single supplier strict guidelines are in place (e.g. in Spain a report must be signed by the unit petitioner in the supporting relevant documentation; Israel requires a supporting letter from an unbiased professional authority. The Tenders committee reviews any claims and decides accordingly⁴⁹.)

Italy: Exceptions are allowed in the following cases:

- "In house" foster care,
- Special sector contracts and concessions awarded to a joint venture or to a contracting entity forming part of a joint venture
- Contracts and concessions awarded to an affiliated undertaking
- Exclusion of activities directly exposed to competition
- Service contracts awarded on the basis of an exclusive right
- Contracts in special sectors (water, energy, transport, postal services, ...)
- Specific exclusions for procurement and service concession contracts (including purchase or lease of land and buildings; arbitration and conciliation services; legal representation in the process; services related to employment contracts)
- Such contracts must be awarded in accordance with the principles of economy, effectiveness, impartiality, equal treatment, transparency, proportionality, publicity, environmental protection and energy efficiency

⁴⁹ Reference: [review of the law by Tzahi Herman Attorney office](#) (Hebrew)

Spain:

- Work contracts greater than 40,000 euros and less than 5,548,000 euros and works or services concession contracts greater than 15,000 euros and less than 221,000 euros may be awarded by any of the following procedures:
 - Open procedure
 - Restricted procedure
 - Negotiation procedure (negotiation procedure without advertising is excluded)
 - Competitive dialogue
 - Partnership procedure for innovation

Legislation permits the amendment of a concluded contract without a new procurement procedure, provided that this is expressly set out in the tender documents, or in case of unexpected circumstances. In the latter, the contracting authority shall not alter the essential conditions of the tender and award, and the scope of the amendments shall not exceed what is strictly necessary to include new provisions owing to unexpected circumstances. The restricted proceeding allows the contracting authority to limit the number of bidders that can participate in a tender procedure according to impartial criteria related to financial solvency or technical ability. **In any event, the number of bidders shall not be less than five.**

Act 9/2017 allows the contracting authorities use of the competitive procedure with negotiation, and the authorities shall request offers from at least three undertakings when possible.

Administrative proceedings are normally concluded within one or two months. Judicial proceedings may take two years initially, and another one or two years if a ruling is appealed before the High Court.

The typical costs of making an application for the review of a procurement decision depend on the estimated value of the contract. However, the minimum cost of the legal services related to filing a challenge to a decision with the administrative tribunals of contractual complaints is €3,000 to €6,000.

Besides formal requirements, there are two substantive issues that should be considered:

1. if a participant challenges an award based on any potential nullity of any term set out in the tender document, but did not challenge the tender document itself, the award challenge shall be dismissed, as it is considered that the lack of challenge of the tender documents is deemed as a full acceptance of their contents; and
2. if a participant challenges an award, the claim shall only be admitted if such participant would be the awardee of the public contract, if the administrative tribunal agrees with the participant's legal grounds

Israel: Exceptions should be exercised with care. The Tender Committee can decide whether to approve specific exceptions⁵⁰.

6.1.6. Barriers to SME access to procurement opportunities

Barriers to SME access to public procurement span five main categories:

1. Lack of information about procurement opportunities

The most basic barrier to an SME accessing public procurement is lack of information about the tender. Despite publicity requirements not all public contracts are advertised; some are advertised only in local languages or local publications/databases. Some European countries (e.g. Ireland) have one platform for publishing all public tenders; others have different regional or sectoral platforms. Some tender platforms are not openly accessible, for example requiring registration. This makes it difficult (or impossible) for SMEs to conduct comprehensive searches for new opportunities, for instance by using an online notification service. Until recently, information about many tenders was not available in electronic format, although this has changed with the phasing in of mandatory e-procurement for contracts above the EU-threshold.⁵¹

Information in contract notices is often incomplete or minimal so access to the full tender is essential to decide whether to tender or submit an expression of interest. EU level tenders are required to make procurement documents fully and freely available online from the date of publication of a notice.⁵² However, compliance is patchy, with many contracting authorities publishing only incomplete documentation. Even where documents are fully available online, their format/presentation sometimes makes it difficult to quickly identify the subject-matter and main details of the planned purchase.

2. Restrictions on eligibility for tenders

In all tender procedures, contracting authorities can apply exclusion and selection criteria to determine eligibility.⁵³ For contracts valued above the EU threshold, common exclusion grounds relate to criminal convictions, violations of social, environmental or labour law, and other serious misconduct. Selection criteria should be specific to each procedure and relate to financial and economic standing, technical and professional ability, and suitability to pursue relevant professional activity. The 2014 Procurement Directives define selection criteria and possible evidence. This includes a limit on the turnover requirements for bidders to two times the value of the contract, a measure intended to support SME participation.

Despite these rules, selection criteria often create a barrier to SME participation in tenders. Excessive or highly specific requirements in terms of previous experience, financial, technical or human resources can prevent an otherwise qualified business from tendering. Sometimes the precise nature of the requirement may not be clear from the tender documents, especially with regards to national or local administrative requirements. The 2014 Directives restrict the ability of contracting authorities to request detailed documentation at selection stage, by enabling candidates to submit a self-declaration in the form of the European Single

⁵⁰ [Rule 3 of the Municipal Regulations \(Tenders\), 1987](#)

⁵¹ Under Art. 22 of Directive 2014/24/EU, from 2018 all contracting authorities are obliged to accept e-tenders.

⁵² Art. 53 of Directive 2014/24/EU.

⁵³ In an open procedure, pass/fail eligibility criteria may be applied either before or after evaluation of tenders.



Procurement Document ([ESPD](#)). Use of the ESPD is uneven across countries and sectors and does not preclude providing documentation at a later stage.

3. Procedural barriers

The use of common procedures defined in the Procurement Directives is intended to reduce administrative complexity. But this is far from a complete harmonisation of procurement practices, and SMEs bidding for local authority contracts may encounter a variety of processes even within a single region or city. Procedural barriers particularly affecting SMEs include:

- Short tender periods – in some cases ten days or less for above-threshold contracts
- Requirements to register on a qualification system for utility sector contracts
- Legal requirements such as notarised documents or extracts from judicial records
- Excessively long or complex tender documents which are difficult to interpret
- Tender or contract terms which place excessive risk on the bidder/contractor

While all these practices are legal under the Procurement Directives, they do not necessarily reflect best practice or SME-friendly policies which may apply at national or local level. Generally, use of more flexible procedures under the Directives (competitive dialogue, competitive procedure with negotiation, innovation partnership and design contests) remains very low in comparison to the more rigid open and restricted procedures. This makes it more difficult for SMEs to propose innovative products and services, and for local authorities to evaluate and accept them.

4. Technical barriers

Technical barriers may relate to the tender process or to the contract itself. These include use of e-procurement platforms with limited functionality or accessibility, e.g. due to restrictive file upload sizes or complex registration requirements. Compatibility issues may also arise between industry-standard software and that used by public authorities. Tender submissions sometimes require use of specific tools to submit detailed pricing information, technical drawings/designs or datasets. Under Article 22 of Directive 2014/24/EU, all such tools should be generally available and interoperable with ICT products in general use, and must not restrict economic operators' access to the procurement procedure.

Regarding technical requirements for the performance of contracts, contracting authorities may define specifications in a number of ways. The use of standards is particularly common for supplies and works but can also play a role in service contracts. References to European, international or national standards should always be accompanied by the words 'or equivalent' – with bidders obliged to demonstrate the equivalence of products or processes where alternatives are proposed.⁵⁴ Alternatively specifications may be defined in terms of functional or performance-based requirements, either alone or in combination with standards. While the rules on specifications are intended to prevent discrimination and constraints on competition, examples of specifications which limit innovation and the possibility for SMEs/new market entrants to compete are not hard to find.

5. Financial barriers

Commonly reported financial barriers affecting SME access to public contracts include:

- Requirements for financial guarantees/performance bonds

⁵⁴ Art. 42 of Directive 2014/24/EU and Case C-14/17 *VAR Srl and ATM v Iveco Orrechia SpA*.



- Turnover requirements / application of balance sheet criteria, e.g. profitability, assets
- Contract size exceeding SME financial capacity
- Insurance requirements
- Payment terms which impose risk on the contractor or create cash flow problems

Although the EU Procurement Directives attempt to address some of these issues – namely through limits on turnover requirements and encouraging contracting authorities to divide contracts into lots – financial barriers continue to affect SME participation for many public contracts, including those awarded by local authorities. In some cases, financial requirements are driven by general organisational practices or national/local policies, rather than by a contract-specific risk assessment. In Spain the Building Act (Law 38/1999) sets minimum amounts and periods of insurance for construction contracts, and in Italy professional liability requirements are set out in the Civil Code.

6.1.7. Facilitators for SME access

Existing practices across Europe present solutions for all these barriers. The following sections provide examples for Structural/Legal, Public Authority-Led and SME-Led solutions.

Under EU procurement law, it is illegal to discriminate in favour of SMEs, for example by preventing larger companies from bidding. Likewise, it is not generally possible to favour domestic companies over those from other EU countries, or countries which have a legal right of access to the EU public procurement market.⁵⁵ However various measures which support greater SME participation in tenders have been successfully adopted by local authorities.

Division of contracts into lots

The division of large contracts into smaller lots facilitates SME participation. Article 46 of Directive 2014/24/EU encourages this practice by requiring contracting authorities to explain decisions not to divide a contract into lots, and national legislation can mandate division into lots.⁵⁶ Lots may be divided according to subject-matter (e.g. separating different activities to be performed in a works contract), geography (e.g. by districts of a city or region), value (different contractors carry out IT services depending on value band) or other criteria. The contracting authority indicates in the notice whether bids can be submitted for one or multiple lots.

As an example, the city of Valladolid, Spain adopted a Municipal Plan to support the participation of SMEs in public procurement. Valladolid has made the division of contracts into small lots a general practice – one €8 million contract was divided into 18 lots. Although this can involve more administrative work, together with other measures it has led to 75% of city contracts being awarded to SMEs, significantly higher than the Spanish and EU averages. A recent large-scale EU study suggests that the division of contracts into 10-19 lots increased SME participation from 62% to 65%.

⁵⁵ Such legal rights of access exist under the WTO Government Procurement Agreement, as well as under bilateral trade agreements signed by the EU and partner countries. Further information is available [here](#).

⁵⁶ For example, Germany's 2016 Procurement Regulation for Public Works (VOB/A) includes a requirement to divide contracts into lots, with exceptions for economic or technical reasons.



Tender award criteria

Award criteria which focus on quality, environmental performance, innovation or other non-cost elements support SME success in tenders because larger companies often have a price advantage in terms of economies of scale, and may offer large discounts to secure public sector contracts. Qualitative criteria also force contracting authorities to evaluate products or services on their merits, rather than simply relying on a company's reputation, previous experience, resources etc. The 2014 Procurement Directives require all contracts to be awarded on the basis of 'most economically advantageous tender' (MEAT), but it is only where the 'best price-quality ratio' (BPQR) approach is taken that non-cost criteria are included. The use of qualitative criteria varies substantially between countries, regions and individual contracting authorities and is sometimes viewed with suspicion in areas with high levels of corruption or strong constraints on public spending.

Spain: Award criteria are directly related to the purpose of the public contract, and based on quality score, technical value, environmental or social advantages, price and quality-price ratio, costs bound to the use of the goods supplied, term for execution, provision of the service, maintenance, aesthetic and functional characteristics, technical assistance and after-sales or customer services.

The criteria are set out by the contracting authority and expressly indicated in the tender documents. They cannot refer to the bidders' technical ability or financial solvency, which are tender admission criteria, not tender award criteria. In cases where the contracting authority decides to set out only a single criterion for an award, the criterion will be the price offered.

Award criteria can be appraised automatically, by means of formulae, or by a value judgment. In order to ensure impartiality, the appraisal of award criteria based on value judgments is carried out before the appraisal of the award criteria based on formulae.

Generally, award criteria based on formulae count for more than award criteria based on value judgments. When award criteria based on value judgments receive a higher score than those based on formulae, the contracting authority forms an expert committee of at least three members that appraise the award criteria based on value judgements, or commission such an appraisal from a specialised technical body.

Italy: The Marche Region in Italy developed qualitative criteria allowing innovation and flexibility while still requiring objective evidence from bidders. Following an earthquake in the region in 2016, a new paediatric hospital which met high safety and accessibility standards was needed. The qualitative criteria accounted for 80% of the scoring and included aspects linked to architectural quality, environmental performance and contract management.⁵⁷ Although such procedures can enable SME success, the evidence that use of BPQR instead of lowest price systematically favours SMEs is relatively weak at EU level.⁵⁸ Nevertheless, use of non-cost criteria can be essential to encourage innovation in bids, giving opportunities for SMEs to compete.

⁵⁷ European Committee of the Regions (2019), p 60

⁵⁸ European Commission (2019), p 162



Limits on eligibility requirements

Restrictions on eligibility requirements ensure that the criteria used to select bidders are proportionate and do not exclude SMEs unfairly. The 2014 Procurement Directives limit turnover requirements which may be applied to two times the value of the contract, and also limit the period over which bidders can be asked to provide details of previous contracts.⁵⁹ Bidders may rely on the capacity of other entities to meet eligibility requirements, for example a partner, subcontractor or parent company.⁶⁰ Aside from these legal limits, best practice in SME-friendly procurement generally involves streamlining eligibility requirements as much as possible. This means ensuring that any rules regarding human or technical resources, qualifications or certifications and insurances are strictly in line with the needs of the contract.

Example:

The region of Andalucia and the city of Logroño in Spain have both implemented measures to reduce economic and financial requirements for bidders.⁶¹ In the United Kingdom, the Public Contracts Regulations 2015 removed the possibility for contracting authorities to apply a pre-qualification stage for below-threshold contracts, one of several measures intended to increase SME tendering. Although it is difficult to confirm a causal relationship, this measure does not seem to have been successful, as the percentage of contracts awarded to SMEs fell during the period following implementation of the 2015 Regulations. This suggests that it is not the presence of eligibility/selection criteria themselves which has a strong effect on SME participation, but the way in which these are set and evaluated.

Support programmes

A wide range of support programmes are available to SMEs at European, national and local/regional level. Many of these include financial and technical support to help access public procurement markets. In addition to ongoing schemes, SMEs should be aware of the potential for R&D support in specific sectors via pre-commercial procurement (see box on innovation procurement). More limited forms of support such as information or networking sessions targeted specifically at SMEs wishing to access public procurement are also used in many European localities.

Example:

The region of Sardinia in Italy introduced a publicly financed scheme aimed at helping SMEs to acquire a quality certification in line with European standards (Article 29 of Regional law 8/2018). This was combined with the provision of specific information and guidance to SMEs on tendering for public contracts. In Ireland, a series of breakfast briefings targeting SMEs was jointly organised by the Office for Government Procurement and a trade association. At EU level, the European Innovation Council ([EIC](#)) Pilot offers coaching and mentoring services to SMEs, as well as funding for innovative business ideas.

⁵⁹ Articles 58(3) and Annex XII of Directive 2014/24/EU

⁶⁰ Article 63 of Directive 2014/24/EU

⁶¹ See further information (in Spanish) for [Andalucia](#) and [Logroño](#)

6.2. Market engagement - Events and Competitions

Cities may conduct special events, exhibitions, competitions and development hackathons in the search for innovative products and services. These are usually announced on municipal internet sites and promoted on professional magazines and social media. Following municipal newsletters, Facebook, Twitter and similar media channels helps SMEs and entrepreneurs find such opportunities.

Example:

In Turin, Italy, a contract for the supply of eight innovative electric vehicles for waste collection was awarded in 2017. This followed a market engagement process of market sounding and events in collaboration with a European electric vehicle association ([NEV Mobility](#)). The contracting authority assessed potential solutions and developed a technical specification reflecting the emerging market for neighbourhood electric vehicles, which are ideal in the historical centres of the towns near Turin to reduce air pollution and noise emissions. The contract is expected to result in financial savings of €8,524 and CO₂ savings of 17 tonnes each year.⁶²

6.3. RFIs and RFPs

Requests for Information (RFI) present interest in a particular area or type of service and are open to information of specific offerings in that area. RFIs are used to broadcast topics of interest and to initiate public initiatives related to these topics.

Requests for Proposal (RFP) call to receive actual proposals from potential suppliers.

RFPs differ from tenders in process and scope. They are published when there is no large budget and only pilots, POCs (Proof of Concept) or Pro-Bono voluntary work are requested.

Note that there is very little consistency in the use of these terms. For example, requests for actual tenders are variously labelled RfPs, ITTs (Invitations to Tender), RfTs, etc. At the qualification stage, documents are sometimes called Expressions of Interest (EOIs), Pre-qualification Questionnaires (PQQs) etc.

6.4. Piloting and Forward-Commitment Procurement

Piloting and Forward Commitment Procurement (FCP) encourage innovation and SME participation by de-risking procurement. Piloting involves a small-scale test of a new product, service or work – e.g. developing a beta version of a public health app or a prototype of a new bus shelter which is tested by users. Pilot projects may be procured on a standalone basis or as a phase within a larger process such as innovation partnership. In Piloting, the contracting authority generally holds a separate competition for procurement on a commercial scale. FCP involves a public authority defining a need for solutions not currently available and defining an allocated budget to purchase a solution - should it match the pre-defined criteria. If a developed product or service meets the required performance and price, the public authority commits to purchase it. FCP

⁶² SPP Regions Project (2018) – [Case Study on CIDIU](#)

encompasses techniques such as the use of market engagement and encouragement of networking/consortium formation by bidders.

Examples:

Piloting is widely used for new or complex public projects, and their design and implementation varies widely. An example of piloting as part of an innovation partnership to address urban flooding is the town of [Frederiksberg, Denmark](#).

An example of FCP is the development of a sustainable bed-washing solution for the [Erasmus Medical Centre](#) in Rotterdam, the Netherlands.

6.5. Registration

Israel: To be considered as municipal suppliers, SMEs need to register with each municipality for which they plan to provide services and products. Suppliers are directed to register to a “suppliers pool” and to have a supplier account set up during the procurement process or in advance. The registration to the “suppliers pool” is important for participation in small-scale tenders, where only registered suppliers can participate, and to receive updates of new tenders or RFIs. Consultants and similar service providers may need to register for a “Consultants Pool” for services that do not require a tender process. This is done on a per municipality basis. Examples: Kfar Saba⁶³, Herzlia⁶⁴

Italy: the reference legislation for negotiated procedures is always national and never at municipal level.

There is no "registration" as a supplier. The designated supplier receives a direct award or follows a negotiated procedure based on the contract code, which sets out specific references to the requirements for a supplier in order to contract with the PA.

A company wishing to take part in a negotiated procedure is required to self-certify the following requirements, under the responsibility of the PA:

- The absence of any grounds for exclusion pursuant to art. 80 of Legislative Decree 50/2016 (mainly relating to criminal records, anti-corruption legislation);
- The general, technical-professional, economic and financial requirements for participation in the procedures governed by this code (and meeting these requirements for the duration of the contract), acquired through the centralized database managed by the Ministry of Infrastructure and Transport: the National database of economic operators (art. 81 dlgs 50/2016);
- Certification of regularity of contributions (D.U.R.C.) requested directly by the Municipality or voluntarily sent by the assignee company together with the invoice.
- At the time of submission of the tender offer the company/company must submit:

⁶³ <https://www.kfar-saba.muni.il/?CategoryID=3349>

⁶⁴ <https://www.herzliya.muni.il/82/>



- The single European tender document (DGUE), in accordance with the model form approved by regulation of the European Commission. The DGUE exists exclusively in electronic form and consists of an updated self-declaration as preliminary documentary evidence in place of certificates issued by public authorities or third parties confirming: a) the electronic operator is not in any situation referred to in Article 80; b) he meets the selection criteria defined by Article 83; c) he meets any objective criteria laid down in accordance with Article 91;
- Model supplementary information to the EU DG

The company/company that is awarded a contract will be subject to regular checks for accounting, fiscal and penal purposes before the conclusion of the contract.

Spain: SMEs need to be registered at [Plataforma de Contratación del Sector Público](#).

The following documentation is necessary⁶⁵:

Deeds of constitution of the company, duly registered in the Mercantile Registry and subsequent modifications (if any).

- CIF or DNI accreditation card. Registration in IAE and legal permits: The heading in which the company is registered must coincide with the object of the tender.
- Business Classification File: The average term for obtaining this file is three months, and the request can be made electronically on the Ministry's website.
- Data relating to the economic and financial solvency of the company.
- Certificate of being up to date with the payment of Social Security payments.
- Certificate of being up to date with the payment of tax obligations.
- Declaration of not incurring incompatibilities.
- The tender documents usually include a model declaration.
- Proof of having made the provisional guarantee (if requested in the contract).
- Provisional and execution guarantees according to individual administrations

<https://www.gedesco.es/blog/como-funciona-una-licitacion-publica/>

6.6. Information Transparency

Small and medium-sized companies need information on municipal work plans and initiatives, detailed information on tenders, geographic, demographic and other types of urban data, and of course market data, before committing to developing or offering products and services.

⁶⁵ <https://www.gedesco.es/blog/como-funciona-una-licitacion-publica/>



Israel: Information Transparency is mandatory by the Freedom of information Law (1998). Public authorities, including municipalities, are bound to make available all public information. Usually tender documents and attachments can be viewed on the municipality's website, free of charge. Bidders have full responsibility to keep informed of any clarifications and changes. They may contact the municipality via e-mail for clarification. All information is in Hebrew.

Often a Strategic Department collects and analyzes information, working together with the innovation unit and usually having all necessary information for SMEs. Suppliers should contact the main municipal information service (106) for inquiries.

Information resources are on a municipal level and vary by municipality. They are kept up to date by municipalities as they are needed for ongoing business and public transparency.

Examples:

[Kfar Saba arena of urban transparency. Contracts and tenders](#) (Hebrew)

[Herzliya Information Transparency, Services and infrastructure tenders](#) (Hebrew)

[Tel Aviv Transparency and Public Sharing, TLV OpenData, Work plans, Services and Procurement](#) (Hebrew)

[Rishon Lezion Procurement tenders and contract works](#) (Hebrew)

[Petach Tikva Procurement and services tenders](#) (Hebrew)

Italy: SMEs need market data before committing to develop or offer products and services. Municipal databases include transportation volumes, commerce, use of land, building density, energy sources, suppliers and tenders records. Cities provide these open data repositories.

[Il portale Open Data del Comune di Genova](#) for culture, demographic and statistical, school, election, and open data

[Geoportal Regione Liguria: Home](#) for direct access to the updated and structured catalog of regional geo-referenced cartographic open data of Liguria.

[Genova Geoportale](#) WMS and WFS services provided by the Municipality of Genoa. The WMS service (Web Map Service) is a standard technical specification for displaying maps on the Internet, provided by a server following an interactive request.

Spain: [Municipal transparency Portal \(ES\)](#)

6.7. Information Privacy and Confidentiality

Israel: Following the Freedom of information Law (1998), specific types of information are defined as confidential and sharing is forbidden. The Tel Aviv Municipality website details the list of types of confidential data: [שקיפות ושיתוף ציבור - חוק חופש המידע](#) (HE)



6.8. Municipal fiscal year milestones

Some Municipalities publish fiscal milestones publicly to allow SMEs to sync with their yearly work schedule.

Israel: By law, the fiscal year begins on January 1st.⁶⁶ Two months before the new year, the municipal budget is brought to the municipal council for an open, transparent discussion. The summary of the approved budget is published in the municipal public records⁶⁷.

Italy: In Genoa, the Single Programming Document submitted to the City Council by July 31st is the main instrument for strategic and operational guidance and is a prerequisite for all programming instruments. It consists of the strategic section, with a time horizon equal to the administrative mandate and the operating section, with a time horizon that coincides with the budget estimate. It is defined as such by Article 151 of Legislative Decree No. 267/2000 (Consolidated Law on Local Authorities), while Article 170 of the same Legislative Decree No. 267/2000 defines it as an indispensable prerequisite for the correct approval of the financial statements, since the accrual and cash flow forecasts of the financial statements are approved on the basis of the strategic and operational guidelines. Pursuant to the same article, by November 15th each year, the local council must submit an update note to the DUP, together with the draft budget resolution and three-year plan for tenders, to the local authority of Genoa. For major projects to be included in the yearly budget plan, it is worth coordinating with the municipality before November, to include them in budget planning. The timing of tenders for new initiatives might depend on approval times and use of the yearly budget. This varies greatly depending on many factors.

The operational section includes

- Public works programme (as per art. 21 of Legislative Decree no. 50/2016)
- Plan for the sale and development of real estate (drawn up pursuant to art. 58 of Decree Law no. 112 of 25 June 2008 and art. 3 of the current Regulations for the sale of the real estate assets of the Municipality of Genoa;
- Two-year programme for the purchase of goods and services (pursuant to art. 21, paragraph 6, of Legislative Decree no. 50/2016)

⁶⁶ [Israel Municipal Ordinance, section 205](#)

⁶⁷ [Israel Municipal Ordinance, section 209](#)



6.9. Payment policy

Israel: The Vendor Payment Ethics Act, 2017, determines the deadline for payment of a service provider and suppliers.⁶⁸⁶⁹⁷⁰ By law there is no difference between vendors, with the exception of building and construction projects where longer payment credit deferral periods are allowed.

Example: Jerusalem - [Payments to municipal providers Work Processes & control \(HE\)](#)

Payments go through a controlled process: opening a supplier card, main administrative accounting and control unit, relevant unit level approval, payment processing through dedicated financial and logistic systems. It is customary for public institutions, governmental offices and municipalities to delay payments by a fixed “credit” period, usually by deferring monthly payments by 30 or 45 days.

⁶⁸ [Vendor Payment Ethics Act, 2017](#)

⁶⁹ kolzchut.org.il

⁷⁰ [The Federation of Israeli Chambers of Commerce](#)

7. Solutions initiated by SMEs

7.1. Strategic Approach: Specialization

SMEs which are highly specialised in niche areas can succeed in winning public contracts where these align with their specialized competencies. Many products and services in the health, defence, education and social services sectors are purchased almost exclusively by public sector clients. By identifying one or a small number of such needs and focusing exclusively on them, SMEs can carve out business opportunities which align with their strengths. For example, a local fire authority may prefer to contract with an SME which exclusively produces PPE for firefighters, rather than a larger manufacturing firm. Specialization also enables SMEs to become familiar with the main buyers in that field and so to be aware of upcoming tender requirements.

Examples: The Smart Specialization Platform developed as part of the EU's Cohesion Policy features a number of [examples of SME specialisation](#) contributing to regional development. It also presents reports on the [effectiveness of regional policy in supporting SME growth](#) and [strategies to support the internationalisation of SMEs](#).

7.2. Tactical Approach: subcontracting / partnerships

Many SMEs choose to partner with other companies in order to participate in public tenders. This can take many forms: subcontracting, formation of a project-specific consortium, long-term partnerships, etc. As noted above, for EU-value tenders bidders can rely on other entities and are not required to have any form of legal relationship with them. Contracting authorities may request evidence of the ability of the capacity of a partner or subcontractor, and at contract award stage can require more formal arrangements. In addition to helping SMEs meet eligibility, technical and financial requirements for tenders, teaming up with companies particularly specialised in a sector, or familiar with the procedures applied by a local authority, is valuable.

Examples: A EU-wide study in 2014 found that SMEs acquire approximately 16% more share in the total number of public contracts above the EU-thresholds from participation as a member of a joint bid arrangement or as a subcontractor⁷¹. Some local authorities, such as Valladolid, explicitly encourage the participation of SMEs as subcontractors in public contracts.

From the SME perspective, the relative benefits and risks of acting as a subcontractor largely depend upon the contractual terms governing payment and liability. Many public authorities have contractual terms requiring subcontractors to be paid within a certain maximum period, or which provide for direct payment of subcontractors by the public authority itself.

⁷¹ PwC, ICF GHK and Ecorys - [SMEs' access to public procurement markets and aggregation of demand in the EU](#), 2014



7.3. SME Initiatives

In addition to the two approaches outlined above, SMEs can take other initiatives to promote their products in municipalities and they are encouraged to do so by the public authorities as long as it is done within the limits of the procurement laws and regulations.

Israel: The Government Procurement Administration and the Ministry of Environmental Protection have declared that they are interested in examining solutions that help improve the government's environmental performance, encourage innovation and develop dialogue channels with the market. The Government Procurement Administration invites providers of "green" products and services to offer them to evaluation - [Proposal of Green Products to the Government](#) (HE).

8. Recommendations for SMEs

The following steps should be taken to increase SME participation and success in local authority procurement:

1. Invest in the entire procurement cycle

Just as local authorities are encouraged to treat procurement as a strategic function, engagement with local authorities should begin at the earliest stage (even prior to a defined procurement need being identified), and continue through any market engagement exercise, the post-tender period (asking for a debriefing if unsuccessful) and the contract delivery stage (if successful). Decide on the most appropriate tone and technique for each stage, keeping in mind that traditional marketing techniques are often not appreciated by procurement officers.

2. Focus on platforms and procedures which are SME-friendly

Tendering for public contracts is time and resource-intensive. To focus efforts on contract opportunities for which they have the greatest chance of success, SMEs should identify one or several platforms on which to establish a supplier profile and search for upcoming tenders. Keep an eye out for pre-procurement or market sounding activities and respond quickly and comprehensively to any requests for information. Look for notices which explicitly mention innovation, lots, best price-quality ratio or piloting as these may indicate the buyer will be particularly receptive to SME bids.

3. Specialise and/or partner with others

Develop a specialisation strategy which fits in with the needs of public authorities in the locality or region you wish to target. Rather than trying to establish competence across a broad range of activities, focus on those where your business can stand out from the crowd and offer a service tailored to public sector needs. Keep an open mind regarding subcontracting opportunities or the formation of partnerships, as these can offer an in-road to public contracts which would otherwise be inaccessible.



9. Conclusion

This guide describes current public procurement channels, guidelines and trends. We have outlined and provided methods, examples and links to resources to promote smart innovation and sustainability in cities across the Mediterranean, and to assist SMEs to tap into innovative and green procurement opportunities.

The EU, regional organizations and governments, provide directives and incentives to increase the procurement of innovative products and services and to increase green and sustainable development in cities. The European Commission prepared environmental procurement criteria for numerous product and service groups which can be directly inserted into tender documents (EU GPP criteria). Some states have specific rules at the local, regional and national levels to adopt green and sustainable procurement practices.

These directives and tools can assist both SMEs and municipalities to successfully engage in innovative, green procurement for mutual benefit. This guide covered methods of procurement that is initiated by either municipalities, regional clusters, governments or by SMEs proactively, with a focus on the participating Mediterranean states in this study, mainly Spain, Italy and Israel, and provided recommendations for SMEs to explore and use.



10. References

10.1. Official Websites, Guides and Platforms

European Commission GPP website and Helpdesk

The European Commission established a free Helpdesk to disseminate information about green public procurement and to provide answers to stakeholder enquiries. Contact details are available on the GPP website at: <http://ec.europa.eu/environment/gpp/helpdesk.htm>

The GPP website is a central information point on practical and policy aspects of green public procurement implementation. It provides links to a wide range of resources related to environmental issues as well as local, national and international green public procurement information, including past and on-going green public procurement-related projects, a News Alert featuring the most recent news and events on green public procurement, responses to Frequently Asked Questions (FAQs), a glossary of key terms and concepts, studies, green public procurement examples and this handbook. All are available for download from the website: [Green Public Procurement - Environment - European Commission \(europa.eu\)](http://ec.europa.eu/environment/gpp/)

The GPP website has a [Training Toolkit for GPP](#). For GPP criteria for products and services categories click [here](#). These tools are useful for integrating green criteria in tender specification.

Buying Green handbook

OpenTenders Portal

A European portal for "Making Public Tenders More Transparent". [Opentender Platform](#)

Other Resources

European Commission (2019) [Analysis of SMEs participation in public procurement and measures to support it – Final report](#)

European Committee of the Regions (2019) [Assessing the implementation of the 2014 Directives on public procurement: challenges and opportunities at regional and local level](#)

IISD, 2013. Moving Towards Performance-Based Specifications in Public Procurement. <https://www.iisd.org/publications/moving-towards-performance-based-specifications-public-procurement>

Interreg Europe Pure Cosmos project, develop highly integrated approaches to cut costs and improve the quality of public administration while improving the effectiveness of public support for SMEs by reducing regulatory complexity, bureaucracy and uncertainty for the development of SMEs, <https://www.interregeurope.eu/purecosmos/>

Interreg Europe BETTER project, <https://www.interregeurope.eu/better/>



Junta de Andalucía (2010) [*Recomendaciones para facilitar el acceso e promover la competencia en el ámbito de la contratación pública Andaluza*](#)

OECD Sigma (2016) [*Public Procurement Brief 36: Division of Contracts into Lots*](#)

Procura +, 2016. The Procura + manual. A Guide to Implementing Sustainable Procurement. https://procuraplus.org/fileadmin/user_upload/Manual/Procuraplus_Manual_Third_Edition.pdf

PwC/DG MARKT (2013) [*e-Procurement Golden Book of Good Practice: Final Report*](#)

Smart Specialisation Platform – [Resources for SMEs](#)

Switchmed, 2016. SUSTAINABLE CONSUMPTION AND PRODUCTION NATIONAL ACTION PLAN IN PALESTINE | 2016. <https://switchmed.eu/wp-content/uploads/2020/04/02.-SCP-NAP-Palestine.pdf>

SPP Regions Project (2018) [*Best Practice Report on Market Engagement*](#)

[Public Procurement - Work areas - Getting The Deal Through](#)

[LCSP; Procedimientos por cuantías y plazo mínimo de licitación](#)

Eafip (European Assistance for Innovation Procurement) Toolkit

Eafip provides support to policy makers in designing PCP and PPI strategies, and to procurers and their legal departments in implementing such procurements.

Procura+

Procura + 3rd edition of the manual "A Guide to Implementing Sustainable Procurement" provides online resources and clear, easy-to-understand guidance for any European public authority on sustainable procurement.

Procurement of Innovation Platform

An online hub that helps public authorities, procurers, policy makers, researchers and other stakeholders harness the power of public procurement of innovation (PPI) and pre-commercial procurement (PCP).

Sustainable Procurement Platform

A one-stop shop for resources on sustainable public procurement (e.g. criteria, guidance, case studies).

Sustainable Procurement Resource Centre

The Sustainable Procurement Resource Centre is a one-stop access point for procurers, policy makers, researchers and other stakeholders and contains key knowledge on effectively undertaking sustainable procurement. It lists the latest news and events on sustainable procurement, networking opportunities and an extensive searchable database of procurement criteria; policies and strategies; tools and guidance; good practice case studies, projects and initiatives; studies and reports; eco-labels and other labels and useful links.

Sustainable Consumption and Production Clearinghouse

The Sustainable Consumption and Production Clearing House, maintained by the United Nations Environment Programme (UNEP) reports on the UN's 10-year Framework of Programmes on Sustainable Consumption and Production, and contains resources on public procurement.



10.2. Case Studies

ICLEI Europe's [database](#) has a plethora of over 80 projects on sustainable procurement.

In Israel, information databases exist for city climate and environmental quality, such as [data.gov.il](#), [Air quality, waste and recycling](#), [Tel Aviv report 2018](#) and for transportation, such as [Ecowiki - Israel Transportation data](#), [Data.gov.il](#), [Knesset Public Transportation research](#), [Tel Aviv OpenData](#),

Until 2015 a regional network including Palestinian territories operated under the guidance of the World Bank's MENA Procurement program - [The MENA Network of Public Procurement Experts](#) which consists of government-nominated representatives, responsible for leading public procurement in nine MENA countries – Djibouti, Egypt, Jordan, Lebanon, Libya, Morocco, Palestinian Territories, Tunisia, and Yemen.

Numerous publications collect green public procurement good practices. Examples are:

- The EC environment DG [database of GPP good practices](#)
- The Interreg GPP-stream project's [compilation of GPP good practices](#) (2019)
- [GPP, a collection of good practices](#) (2012)

[URBACT database of GPP best practices](#) (2018)

For about 15 years, the URBACT programme has been the European Territorial Cooperation programme aiming to foster sustainable integrated urban development in cities across Europe. It is an instrument of the Cohesion Policy, co-financed by the European Regional Development Fund, the 28 Member States, Norway & Switzerland.

The EU-funded [SPP Regions](#) project (2015-18) promotes stronger networking and collaboration at both the European and sub-national regional level on sustainable and innovative procurement (SPP/PPI), and stimulates capacity building and knowledge transfer. The project contains [tender models and case studies](#) of sustainable public procurement.

Circular economy best practices

- A [collection of relevant practices](#), innovative processes and 'learning from experience' examples of green public procurement in circular economy exists on the European Circular Economy Stakeholder Platform
- In 2017 the EU published a brochure on the European policy framework on circular economy with good practice experiences from across Europe demonstrating how circular economy principles are employed in public procurement. The brochure is available in [English](#), [French](#), [German](#), [Italian](#), [Polish](#) and [Spanish](#).
- Aalborg university, as part of the Interreg project CircularPP, published a [compilation of examples of circular business models in public procurement](#)

10.3. Municipal Networks and Organizations

[Public Procurement Network](#)



PPN is a network of public procurement experts dedicated to companies participating in procurement procedures. It involves all EU Member States, EU candidate countries, EEA Members and Switzerland.

[Covenant of Mayors for Climate and Energy](#)

A database of case studies of green public procurement searchable by country and sector.

[Energy Cities](#)

An association of close to 200 European local authorities in 30 countries, to promote local sustainable energy policies.

[Build up](#)

The European web portal for energy efficiency which encourages building professionals, public authorities and property owners to share knowledge on cutting energy consumption.

[Eurocities](#)

A network of over 140 European cities in some 30 European countries with a platform for sharing knowledge and exchanging ideas through thematic forums, a wide range of working groups, projects, activities and events.

[The Procurement Forum](#)

ICLEI manages the [Procurement Forum](#), part of the [Procurement of Innovation Platform](#), enabling stakeholders to exchange, connect and support groups working on green and sustainable procurement related topics. Participants can create groups to coordinate projects.

[list of networks at the env DG GPP site](#)

10.4. Reports

Deloitte/DG GROW (2019) [Study on Uptake of Emerging Technologies in Public Procurement](#)