

Conclusions and recommendations of the National Audit Office

State as a promoter of cleantech acquisitions – Implementation of cleantech procurements

Climate change and depletion of non-renewable energy sources create new global markets for sustainable clean technology (i.e. cleantech) solutions. Finland can also benefit from this trend. One of the objectives of the Programme of Prime Minister Juha Sipilä's Government is to make Finland a pioneer in the bioeconomy, a circular economy and cleantech. In the Government Programme, a total of more than EUR 300 million was allocated to the priority area Bioeconomy and clean solutions between 2016 and 2018.

The aim is to create markets for sustainable solutions through public procurement and to promote the policy objectives set out for cleantech acquisitions. The total value of public procurement in Finland is about EUR 35 billion each year. This accounts for around 17% of the GDP.

The purpose of the audit is to investigate what kinds of practical problems can cleantech acquisitions solve and what practices could be useful in the implementation of cleantech procurements. In the examination of useful practices, the emphasis is on investigating the factors that can hamper or foster making sustainable acquisitions in organisations engaged in procurement activities. The answer largely concerns being able to identify the risks involved in the acquisitions and finding effective means to manage those risks.

Cleantech acquisitions can solve complex issues

Cleantech acquisitions can vary in nature and scope. They can also be used to solve a variety of issues. Large-scale transport infrastructure and power plant acquisitions can involve extensive network impacts and can solve a range of challenges related to urban planning and regional development. Cleantech acquisitions can also solve problems resulting from environmental pollution, as well as circular economy challenges. When planning cleantech acquisitions, various environmental concerns and life-cycle impacts can be addressed in a comprehensive manner. The procurement organisation can also aim to solve several issues with a single acquisition. Cleantech acquisitions are also often innovative procurements. The above characteristics of cleantech acquisitions identified in the audit also provide one way of structuring the ambiguous concept of cleantech.

Cleantech procurements can be implemented with operating models that rely on cooperation and interaction

There is no one correct process to implement cleantech procurements, but there are good practices that have been found to support successful procurement and achievement of related objectives. An essential component of a carefully planned procurement process is often market dialogue, which not only helps to specify the object of procurement but also to avoid excluding potential suppliers outside the competitive bidding process. The object of procurement can also be specified in the call for tenders from the perspective of the objectives set for the procurement. Life-cycle impacts may be used as tender comparison

criteria, and environmental considerations can be used as principles guiding the overall planning of the procurement. Innovative, large-scale procurements can also be implemented based on contracting models that foster cooperation and interaction, such as the alliance model that is increasingly applied in Finland.

A favourable regulatory environment can also open up new opportunities for innovative solutions

Cleantech procurements are implemented in a regulated operating environment, and therefore the implementation may involve complex legal risks. For example, appeals with the Market Court or various permit procedures may hamper the implementation of procurements. Cleantech acquisitions may concern large-scale construction projects, and appeals with the Market Court concerning even a minute component of the overall project can impede the implementation of the entire project. On the other hand, regulation can also create new opportunities for the implementation of innovative cleantech procurements. For example, landfill bans have opened up new opportunities for innovative waste-to-energy and circular economy solutions. Regulation concerning the obligation to clear up any environmental damage can also foster the implementation of innovative cleantech procurements.

Risk management tools suitable for cleantech procurements

In addition to legal risks, green public procurements may also involve other types of risks. Luckily, there are tools to manage such risks. These include, for example, developing the operating culture and management models of the procurement organisation, using tested technical solutions, engaging stakeholder groups in the process, and improving the assessment of the profitability and effectiveness of procurement activities.

The procurement organisation can also prepare for market failure situations. Even in markets with limited competition, it is often still possible to determine an acceptable level for the contract price. With careful planning, the procurement organisation can also boost the interest of potential suppliers towards the competitive bidding process. Interactive procurement planning and procurement procedure models and contracting models enhancing the commitment of the contracting parties to cooperation and common objectives are also often used as risk management tools.

Procurement organisations should develop their competence and procurement strategy in a systematic manner

Good practices supporting the implementation of green public procurements and applying effective risk management tools in public procurement require competence development at procurement organisations. Development of competence, procurement management activities, operating models and risk management activities are also key components of strategic procurement. An advanced procurement strategy can effectively combine competence, operating models and risk management activities into practical measures.

Recommendations of the National Audit Office

1. Procurement units should continue the development of their procurement strategies so that their strategy could better support the implementation of innovative cleantech procurements. Procurement units could be steered towards this objective, for example, with growth agreements, the conclusion of which is the responsibility of the Ministry of Economic Affairs and Employment.
2. The operating models for the implementation of procurements identified in the audit, as well as different risk management tools, such as acquisition impact assessments, development of organisational management models, operating culture and contractual cooperation, engaging of stakeholder groups in the process, and preparing for lack of competition, are key procurement strategy implementation tools. Procurement units engaged in public cleantech procurement activities should utilise the above operating models and risk management tools in the development of their procurement practices and competence.