

Conclusions and recommendations of the National Audit Office

State as a promoter of cleantech acquisitions – Implementation of cleantech procurements in public administration

Finland has set ambitious policy objectives for environmentally sustainable acquisitions (cleantech, bioeconomy, circular economy). In its Decision-in-Principle on the Promotion of Cleantech Solutions in Public Procurement of 13 June 2013 ('the Cleantech Decision'), the Government set out comprehensive policy objectives for the entire public administration regarding public procurement. One of the strategic objectives set out in the Programme of Prime Minister Juha Sipilä's Government (titled 'Finland, a land of solutions', 2015) is to make Finland a pioneer in the bioeconomy, a circular economy and cleantech.

The objective of the audit was to assess how well the policy objectives set for cleantech procurements have been achieved and how the implementation of related procurement strategies could be further developed.

According to the audit findings, central government has only partially succeeded in implementing the Cleantech Decision. In the case of municipalities, the steering impact of the Cleantech Decision has been relatively limited. So far, the policy objectives set out in the Government Programme for cleantech acquisitions have not yet been achieved.

The state and municipalities operate relatively independently of each other. Common strategic operating models (e.g. a common national procurement strategy and concrete common environmental objectives) could enhance the commitment of the different administrative actors to the common objectives. Development of common strategic policies would also require improving coordination between the different administrative branches. A procurement strategy could also be a useful tool to enhance coordination of the common objectives and strategies with the internal activities of each procurement unit.

State organisations have implemented the Cleantech Decision with varying success and the implementation has not been monitored

Hansel Ltd has taken account of the objectives of the Cleantech Decision quite well in its framework agreements. Senate Properties (a state enterprise operating under the auspices of the Ministry of Finance) has also taken environmental considerations into account relatively systematically in its activities. Otherwise, central government organisations have implemented the Cleantech Decision with varying success. The implementation of the Cleantech Decision has not been monitored at ministerial level, and the ministerial working group referred to in the decision has not executed the envisaged monitoring and assessment activities. At municipal level, the steering impact of the Cleantech Decision has remained limited.

The objectives set out in the Government Programme for cleantech acquisitions are ambiguous and the objectives have not yet been achieved

One of the objectives of the Programme of Prime Minister Juha Sipilä's Government is to make Finland a pioneer in the bioeconomy and to develop cleantech solutions into export items. In the Government Programme, the concepts of bioeconomy, circular economy, cleantech and innovative procurement overlap and therefore it can be difficult to determine their exact meaning. In addition, the concepts used to specify the policy objectives are ambiguous. According to the audit findings, no significant reference projects or pilot markets that could promote export have so far emerged in the area of innovative cleantech procurements, referred to in the Government Programme.

The state and municipalities cooperate in some areas related to cleantech acquisitions, but they still operate relatively separately from each other

In addition to the common policy objectives, there are certain operational links between the state and municipalities. For example, state funding may play a key role in large-scale procurements implemented by municipalities or municipally owned companies. Municipalities have also established cooperation networks to promote the achievement of common environmental objectives, and the state also plays a major role in many of these networks. In addition, there are also contractual or ownership-based cooperation activities between the state and municipalities. For example, energy efficiency agreements, growth agreements, and agreements on land use, housing and transportation (LHT agreements) can be used to steer public procurement. The state can also have ownership interest in companies awarded with procurement contracts. Despite these links, the state and municipalities are independent sectors and operate relatively separately from each other. For this reason, communicating and implementing common national objectives at municipal level can be difficult.

At central government level, the responsibility for the development of cleantech procurement activities is divided between a number of ministries. This highlights the need for cross-administrative cooperation and coordination of public sector activities.

Public procurement can be used as a tool to promote the achievement of environmental objectives

Many municipalities have adopted plans that steer the achievement of various environmental objectives. Public procurement also provides an important tool to achieve these objectives. Environmental and climate strategies and procurement strategies should be examined as a whole. In terms of the management of overall operations, it is problematic that the public sector operating models are quite diverse and that they are not based on common nationwide strategic practices.

Sweden has adopted a national procurement strategy, which specifies the common policy objectives for public procurement activities. In addition, Sweden also has in use the system of environmental quality objectives (in Swedish 'miljömålsystem'), which was first introduced in the 1990s. The system specifies extensive environmental quality objectives, to which all administrative actors are required to commit. The

achievement of these quality objectives is monitored at regional and at national level.

Adoption of similar strategic operating models as in Sweden could also enhance the commitment of administrative actors to common objectives in Finland as well. In addition to such strategies aiming to enhance commitment to common objectives, it would also be important to improve coordination between the different administrative actors. It would also be important to ensure that common strategic practices were also applied at municipal level.

National strategic objectives should be coordinated with the internal strategies of individual procurement units

Procurement organisations should be able to flexibly coordinate national strategic objectives with their internal activities. This could be ensured with an internal procurement strategy. To this end, procurement units should develop their practices so that they could better support the implementation of the strategy. This, in turn, requires the development of the procurement competence and procurement management skills.

Recommendations of the National Audit Office

1. In the future, particular attention should be paid to ensuring that any policy objectives set for sustainable (cleantech) acquisitions are unambiguous and measurable. In addition, any strategies concerning cleantech acquisitions should be assessed and monitored in a systematic manner. Monitoring of the implementation of such strategies is the responsibility of the Ministry of Economic Affairs and Employment and the Ministry of the Environment.
2. Cooperation between administrative branches, the state and local authorities should be enhanced to ensure that the policies included in the national strategies are identified and applied by all the organisations that are engaged in procurement operations. This task is shared between the Ministry of Finance, the Ministry of Economic Affairs and Employment and the Ministry of the Environment.
3. An investigation regarding the implementation of a common national procurement strategy, a system of national environmental objectives and related monitoring activities should be considered. This task would require cross-administrative cooperation and participation of the Ministry of Finance, the Ministry of Economic Affairs and Employment, the Ministry of the Environment and the Ministry of Agriculture and Forestry.
4. In addition to the development of national-level environmental and procurement strategies, procurement units should continue the development of their internal strategies and competence. 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.