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CircPro – *Smart circular procurement*

Action plan for Lithuania

Introduction

CircPro's main objective is to increase the implementation of circular procurement under the targeted policy instruments so that the circular economy principles and criteria are incorporated into them or taken into account as a horizontal principle. CircPro targets the circular procurement from different approaches that have different complexity: all of which facilitate closed loops, but where the focus shifts from better quality products to new and innovative products and new business concepts. CircPro partnership consisting of 11 partners from 10 regions has identified main barriers that hinder the systematic implementation of the circular procurement in their regions. These are general lack of knowledge and expertise related to circular procurement, procedural and legal barriers, and procurers' preconceptions about using, as well as lack of, recycled materials. While exchanging experiences during the project The CircPro project partners have identified a number of good practices from the partnership regions that could boost implementation of the circular procurement CP, which were the basis for the development of the action plan.

Lithuanian law and legislative system have not defined Circular public procurement (CPP). However, there is number of strategies and frameworks that creates opportunities for its implementation. CPP can mainly be addressed from two sides: Green public procurement (GPP) and public procurement of innovations (PPI).

Lithuanian government has approved the National Program for the Green Public Procurement Implementation already in 2007. The aim of this program is to promote GPP and ensure that purchased goods and services would be as environment friendly as possible. In the frame of it the list of products and the environmental protection criteria which have to be applied for their procurement have been approved. Minimum environmental criteria must be applied on a mandatory basis, while extended environmental criteria are optional.

In 2018, the full scope of Green public procurements constituted 9.3% of the scope in value (7% in number) of all public procurements. According to GPP annually reports from 2014-2018 period, GPP of highest value was performed by purchasing road works and road signs (433,8 mln. Eur). Moreover, the absence of progress (2017 GPP in value – 7.6%, in number – 3.4%; 2016 GPP in value – 10.2%, in number – 3.7%; 2015 GPP in value – 14.7%, in number – 3.3%) indicate insufficient and scattered policy implementation actions concerning GPP.

More ambitious targets for GPP are now set in the National progress program which is the main strategic document for the development of Lithuania up to 2030. Principle of sustainable development is identified as one of the three main horizontal principles together with innovation and equal opportunities. And it will be measured by the progress of applying GPP. It is planned to reach 50 % of GPP in 2025 and 55% in 2030.

On the other side, one of the pillars of Lithuanian national progress programme is the innovative public procurement, as innovations are explicitly mentioned as one of the horizontal priorities which has to be applied in all the policies. It also sets quite ambitious targets to reach 20% of the innovation public procurement of all the public procurement in 2030, whereas at the moment the percentage is less than 1%. It aims to encourage innovation development and adjustment to public sector in order to supply public sector needs and to help new products to enter the market.

Strategically, a lot of attention is given to the public procurement and its role has to change significantly during the coming years. However, in most of the cases, procurement is still considered an administrative task rather than a professional one and much more has to be done in capacity building and mind-set change among the representatives of contracting authorities in order to use procurement to achieve broader policy objectives, the so-called strategic use of public procurement.

Responsibilities are shared between the Ministry of Economy and Innovation and the Ministry of Environment, thus close coordination among the two ministries is very important. In order to create more opportunities for the CPP in Lithuania policy improvements are needed on the both sides: GPP and PPI. Taking this into account, the action plan sets actions devoted for these improvements.

Part I – General information

Poject Smart Circular procurement – “CircPro”

Partner organization Lithuanian Innovation Centre

Other partner organisations involved (if relevant) -

Country Lithuanian

NUTS2 region Lithuania

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Part II – Policy context

The Action Plan aims to impact:

- Investment for Growth and Jobs programme
- European Territorial Cooperation programme
- Other regional development policy instrument

Name of the policy instruments addressed:

Description of the procedure for the application of environmental criteria to be applied by contracting authorities and contracting entities in the procurement of goods, services or works (Act of Ministry of Environment).

Green public procurement criteria in Lithuania are defined under the Act of Ministry of Environment. It provides the definition what it is considered as a Green public procurement in Lithuanian and specifies the criteria (main criteria and advanced criteria) for different groups of products and services, when the procurement can be considered as green.

Lithuanian smart specialization strategy 2021-2027.

The financial support instrument “Pre-commercial procurement LT” was designed under the first priority of Lithuanian Operational programme. It was designed to encourage innovation development and the creation of new products and services. Policy measure was developed specifically for the public institutions to procure R&D services rather than actual already existing goods or services. The total budget allocated for this support measure was 20 mln EUR. “Precommercial procurement LT” in the context of Lithuania is a unique support measure as it is the only one demand-side innovation support scheme. However, Lithuanian smart specialization strategy defines the thematic fields, where the R&D projects can be supported, as it is the main document while defining the thematic scope of investment. Therefore, in order to create more opportunities for funding for the circular innovation public procurement, it is important to incorporate more aspects of circularity to the Lithuanian smart specialization strategy.

Based on the learnings of the project, Lithuanian innovation center formulated recommendations and presented to the Ministry of Economy and Innovation and Ministry of Environment. The recommendations provided a 10 steps guide how the circular procurement can be supported and promoted in Lithuania both from the perspective of GPP and Innovation public procurement.

Part III – Details of the actions envisaged

Action 1

Improving the GPP criteria in order to incorporate the principles of CPP.

Background

GPP provisions serve as a first approach of circular procurement – the acquisition of better quality products. This approach is the least complex out of four and requires smallest resources, so it could be broadly applied in public institutions. The understanding of GPP peculiarities is an important part of the implementation of circular procurement, as both concepts can share the same criteria, evaluation methods, goals, etc. Having strong tradition in GPP application, contributes to less difficult recognition of CPP.

At the moment, one of the main obstacles which hinders further uptake of the GPP in Lithuania is the legal framework, which defines GPP requirements. There is a strong need to review significantly the environmental criteria which are listed, as at the moment, as the criteria are very specific and detailed covering only a limited scope of environmental protection requirements. Environmental protection requirements of a more general nature are rarely foreseen in the narrow definition.

Therefore, the definition of green procurement, which would not be limited to requirements for green products, but would allow taking into consideration broader environmental requirements, would satisfy the best integration of environmental protection requirements and circular economy principles into the public procurement. If a narrow definition of green public procurement continues to dominate in Lithuania, there is a danger that green procurement will remain a formal instrument. It is suggested to encourage more frequent use of advanced environmental criteria, gradually moving to the exclusive implementation of these criteria.

Action

Based on the learnings of the project, Lithuanian innovation center formulated recommendations and presented to the Ministry of Environment. The recommendations provided a 10 steps guide how the circular procurement can be supported and promoted in Lithuania.

It was identified during the project learning activities, that most of the countries do not have the definitions of circular procurement in their legal systems, so the main recommendation proposed to the Ministry of Environment was to start promoting the circularity aspects for the procurement from the perspective of green public procurement, because it is the simplest way for the procuring organizations as well as for the suppliers.

GPP criteria in Lithuania are defined under the Act of Ministry of Environment. As it was mentioned, the way the Green public procurement is defined poses an obstacle for the procuring organizations. Therefore, these criteria need to be updated according the recommendations of the EU and the best practices examples identified during the Circpro project. Definition of Green public procurement needs to be broadened in order to incorporate the principles of the circular procurement and to promote the procurements of the comprehensive solutions.

The first amendment was already conducted in April 2021. The main change achieved was that Green public procurement would be defined not only as a procurement which meets the criteria defined by the minister of Environment but it would also include the products or services which have an international ecolabel. The procuring organization will also be able to set up the criteria themselves which will be aligned with the circular procurement principles such as reducing the use resources for the production, use of the recycled materials, reducing energy consumption, promoting reuse and prolonged lifecycle, promotion of disassembling and recycling after the lifecycle etc.

The action was inspired by the example of Finland, where Government promotes procurement of sustainable solutions (cleantech solutions) in order to reduce energy and material consumption and adverse environmental impacts for the entire lifecycle of the product, service or building. It is recommended to procure solutions which improve material and energy-efficiency and enhance processes, solutions and services which have less impact on the state of the environment, which promote energy and environmental goals and utilises cleantech solutions in the most economically advantageous way. Government procurement units shall take into consideration in all procurements the following principles: energy and environmental perspectives are taken into consideration in all procurements; new alternatives are investigated and attention is given to the use of cleantech solutions, and lifecycle cost accounting and, wherever possible, calculators are used to determine ways of reducing costs and improving energy and material efficiency.

Players involved

Lithuanian innovation center, Ministry of Environment, Public procurement office.

Timeframe

2020.09.01-2023.05.31

Monitoring of the action

Activities during the phase 2 will include the monitoring activities of the policy change achieved. It will be done in cooperation with responsible bodies (Public procurement office). Usually data of the conducted GPP is monitored annually (the scope of GPP, sector of procuring organization, category of the products where the criteria of GPP have been applied etc.). In addition to this activity, attention will be paid to the circularity aspects and it will be analysed, how it was integrated into the tender specifications. Good practice examples of GPP which can be considered as Circular procurements will be selected and information regarding their experience will be shared. It is expected to select 5 Circular procurement projects and disseminate this information among the procuring organizations.

Costs (if relevant)

Staff cost

Funding sources (if relevant)

Own resources.

Action 2

Incorporating circular economy principles into the Lithuanian smart specialization strategy

Background

Projects under this support scheme "Precommercial procurement LT" can be supported only in the thematic fields, which are involved into the Lithuanian smart specialization strategy. Among priorities of smart specialisation circular economy was not mentioned, the Smart specialization strategy 2014-2020 made indirect opportunities to create products, processes or technologies which could contribute towards circular economy. Therefore, it would be important to incorporate more the principles of the circular economy into the Lithuanian smart specialization strategy and in this way to create more opportunities to fund circular procurement projects.

Action

Based on the learnings of the project, Lithuanian innovation center formulated recommendations and presented to the Ministry of Economy and Innovation. The recommendations provided a 10 steps guide how the circular procurement can be supported and promoted in Lithuania.

The main recommendation provided to the Ministry of Economy and Innovation was to support the circular procurements from the innovation perspective while creating more opportunities to fund innovative circular projects. The main way to do so is to include more circular aspects to the Lithuanian smart specialization strategy because all R&D projects funded have to be in line with the strategy.

Lithuanian smart specialization strategy 2014-2020 was based on the 7 priorities:

- Energy and a sustainable environment;
- Health technologies and biotechnologies;
- Agro-innovation and food technologies;
- New production processes, materials and technologies;
- Smart, clean, integrated (linked) transport;
- Information and communication technologies;
- Inclusive and creative society.

The priorities were further specified under the thematic descriptions and, for example, under the priority of “Energy and sustainable environment” only projects aiming to develop solar or bioenergy could have been funded.

Since 2020 the new Lithuanian smart specialization strategy for the period 2021-2027 is under development and there were discussions that the principles of circular economy should be specified more in it.

The representatives of the Ministry of Economy and Innovation participated in the study visits of the Circpro project in Portugal where an example of a Lithuanian pre-commercial procurement conducted in the field of circular economy was presented. In connection to that, it was discussed the challenges which relate to the scope of Lithuanian smart specialization and the limitations it possesses for the further funding of circular procurements.

The idea to broaden the scope of the smart specialization was inspired by the experiences of other partner regions. For example, one of the priorities for smart specialisation priorities for 2021 – 2025 of Kymenlaakso’s region is Renewable materials and energy (bio and circular economy priority).

Therefore, in order to encourage the support for the circular procurement from the innovation perspective, it is aimed to broaden the approach and to create more opportunities to fund the solutions which would contribute to the circular economy and to include all

types of renewable energy for the energy production into the Lithuanian smart specialization strategy for the period 2021-2027.

Experts of Lithuanian innovation center are directly involved into the development of the Smart specialization strategy 2021-2027. The Coordination group is the main platform where the decisions regarding the Smart specialization are taken. Experts of Lithuanian innovation center are members of this group and have proposed that more aspects of circularity need to be included into the Smart specialization strategy. Members of the coordination group approved the involvement of the thematic field "Use of renewable energy sources" under the priority "New production processes, materials and technologies". In addition, circular economy is listed as one of the main challenges which the projects financed under this priority have to solve. It is expected to have a Smart specialization strategy 2021-2027 confirmed by the end of the year 2021.

Players involved

Lithuanian innovation center, Ministry of Economy and Innovation, Ministry of Education, Science and Sports.

Timeframe

2020.09.01-2023.05.31

Monitoring of the action

Activities during the phase 2 will include the monitoring activities of the action. It will be monitored annually how the scope of Innovation procurement related to Circular economy in Lithuania has changed taking into account such aspects as sector of procuring organization, type of the products/services developed during the innovation project etc. After the first year meeting with relevant stakeholders will be organized in order to discuss the results and what measures are needed for the further uptake of circular procurement in Lithuania.

Costs (if relevant)

Staff costs

Funding sources (if relevant)

Own resources.