

Regional guidebook on circular procurement



KYMENLAAKSO, FINLAND

2021

**Kouvola
Innovation**

CircPro
Interreg Europe



European Union
European Regional
Development Fund

This guidebook was prepared by Kouvola Innovation Ltd under the Interreg Europe programme project CircPro - Smart Circular Procurement. CircPro receives financial support from the European Union (Interreg Europe/ERDF). This publication reflects the author's views only and the Interreg Europe programme authorities are not liable for any use that may be made of the information contained therein.

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Annex: Checklists to support the procurement process

Abbreviations

| | |
|-----|--|
| CE | circular economy |
| CP | circular procurement |
| CPP | circular public procurement |
| SPP | sustainable public procurement |
| IP | innovation procurement |
| PPI | public procurement of innovative solutions |
| PCP | pre-commercial procurement |
| GPP | green public procurement |
| LCC | life-cycle costing |
| KPI | key performance indicator |

Introduction

Kouvola Innovation together with international partners of the CircPro project aims at promoting the transition to a more circular economy by increasing the implementation of the **circular public procurement (CPP)**. The international consortium identified that main barriers that hinder the systematic implementation of the circular procurement are

- general lack of knowledge and expertise,
- procedural and legal barriers,
- procurers' preconceptions about applying CP approach in the process, and
- lack on the market of advanced restoring and recycling processes that could prolong the life cycle of products.

This guide provides a general and Finland-specific overview and support material on circular procurement procedures and practices for the decision-makers, procurers and suppliers. The aim is to raise the awareness of the regional stakeholders regarding CPP and provide tools and suggestions to them on how to implement the CPP in an effective and efficient way in the future. One of the main approaches is to boost the involvement and participation of regional companies in the circular procurement process.

In the annex we have developed concrete checklists as a tool for the procurers to consider circularity issues and challenges in different phases of the procurement process.

Chapter 1: What does Circular Procurement mean – definitions and concepts

1.1. Circular procurement and related procurement concepts

During the last decades, various procurement concepts have emerged to promote more sustainable consumption of the public sector. The main concepts that are used now are sustainable procurement, green public procurement, low-carbon procurement, innovation procurement and circular procurement. These are sometimes used simultaneously as synonyms, but even though there are many similarities, there are also some differences. The following chapter explains these concepts and linkages between the terms.

Sustainable public procurement (SPP)

Sustainable public procurement is the broadest concept. It is a procurement “process by which public authorities seek to achieve the appropriate balance between the three pillars of sustainable development - economic, social and environmental - when procuring goods, services or works at all stages of the project”¹. Economic aspect (especially saving financial resources) is an important goal of all public procurement, but sustainable procurement also considers both environmental and social aspects. For example, the procurement of catering services aims to reduce the environmental impact by asking for organic food and requiring waste (both packaging and food waste) prevention measures. In addition, the social criterion requires both fair trade food and the involvement of disabled and /or unemployed people.

SUSTAINABLE PUBLIC PROCUREMENT

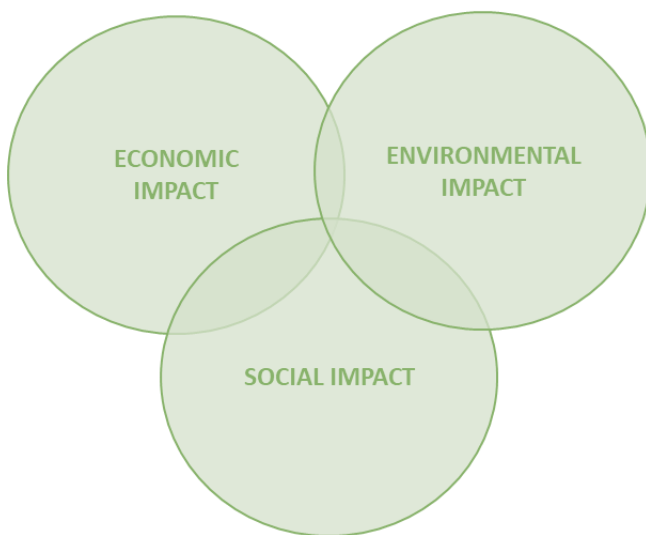


Figure 1: Dimensions/pillars of SPP

Green public procurement (GPP)

Green public procurement means that “public authorities seek to purchase goods, services and works with a reduced environmental impact throughout their life-cycle compared to goods, services and works with the same primary function which would otherwise be procured”². GPP is part of sustainable procurement, and covers usually environmental aspects, but not necessarily social and / or societal aspects and criteria.

¹ DG Environment (2020) Green and Sustainable Public Procurement
https://ec.europa.eu/environment/gpp/versus_en.htm

² https://ec.europa.eu/environment/gpp/what_en.htm

Low-carbon procurement

The concept of low-carbon procurement means that the life cycle greenhouse gas emissions of a product or service are included in requirements and/or the comparison criteria. Low-carbon approach is especially important regarding to the use of energy and materials. Highlighting the energy efficiency, the use of renewable energy and the right material choices can reduce the carbon footprint of procurement.³

Innovation procurement

Innovation procurement allows the purchase of innovative, new, and emerging products (or sometimes services), especially in areas such as information technology, drones, medical products, or military equipment⁴. Shortly, it can involve buying the process of innovation or buying the outcomes of innovation. Innovation procurement thus contributes to the design of new products. Innovation procurement may, but not always, overlap with circular, sustainable, and green procurement. If the innovation achieved in the procurement helps to reduce the environmental impact or is aimed at procuring circular products or services, then it is also a green or circular procurement. If additional social aspects have been considered in the procurement, then the procurement is already sustainable.

Two complementary types of innovation procurement are supported, for example, by the Horizon RDI programme of the EU⁵:

- **Public Procurement of Innovative solutions (PPI)** can be used by procurers when challenges of public interest can be addressed by innovative solutions that are nearly or already in small quantity on the market. PPI can thus be used when there is no need for procurement of new R&D to bring solutions to the market, but a clear signal from a sizeable amount of early adopters/launch customers that they are willing to purchase/deploy the innovative solutions if those can be delivered with the desired quality and price by a specific moment in time. A PPI may still involve conformance testing before deployment.
- **Pre-Commercial Procurement (PCP)** can be used by procurers when there are no near-to-the-market solutions yet that meet all the procurers' requirements and new R&D is needed to get new solutions developed and tested. PCP can then compare the pros and cons of alternative solutions approaches and de-risk the promising innovations step-by-step via solution design, prototyping, development and first product testing. PCP is a public procurement of R&D services that does not include the deployment of commercial volumes of end-products (see PPI for the latter).

³

https://helda.helsinki.fi/bitstream/handle/10138/306901/SYKEra_45_2019.pdf?sequence=1&isAllowed=y

⁴ <https://www.publicspendforum.net/blogs/peter-smith/2018/05/17/procurement-innovation-what-does-it-really-mean>

⁵ https://ec.europa.eu/research/participants/docs/h2020-funding-guide/cross-cutting-issues/innovation-procurement_en.htm

Circular procurement (CP)

Circular procurement can be defined as the process by which public authorities purchase works, goods or services that seek to contribute to closed energy and material loops within supply chains, whilst minimising, and in the best case avoiding, negative environmental impacts and waste creation across their entire life cycle.⁶

Circular public procurement initiatives can be seen as part of the green public procurement and/or sustainable procurement, although having a clear focus on a procurement of goods, services and systems that lead to extended lifespans, value retention and/or remarkably improved and non-risky cycling of biological and technical materials, compared to other solutions for a similar purpose in the market. As circular procurement is aimed at reducing environmental impact, all circular procurement is also green procurement, but not all green procurement is circular procurement. For example, those GPP which criteria are aimed at reducing noise or increasing biodiversity, are not directly circular.

At the same time, it is difficult to draw a specific line, as different environmental criteria are often used in procurement and there is no clear definition of what exactly a circular procurement is - whether one criterion is enough or whether a broader circular approach is needed in the procurement process. However, circular procurement is not only for purchasing just products - it may affect the whole product/service system or supply chain, and can therefore be aimed at procuring innovative solutions, which would make such processes innovation procurements.

As such, circular public procurement can significantly stimulate the demand for products and services that are made according to circular economy principles, and support novel and innovative circular business models and related networks. Therefore, the circular procurement can be seen as a strategic instrument that plays important role in the transition towards circular economy.

Figure 1 below shows the links between sustainable, green, low-carbon, circular, and innovative procurement. Green Procurement sets the core standards and goals, and Innovation Procurement acts as core driver for novel solutions in the actual Circular Procurement. Sustainable procurement is the widest term - a process by which organisations seek to achieve the appropriate balance between financial, environmental and social considerations when procuring goods, services or works at all stages of the value transformation cycle, while considering their costs through the entire life cycle.⁷

⁶ European Commission: Public Procurement for a Circular Economy, October 2017

⁷ Sustainable Procurement. Recommendation No. 43. United Nations 2019.

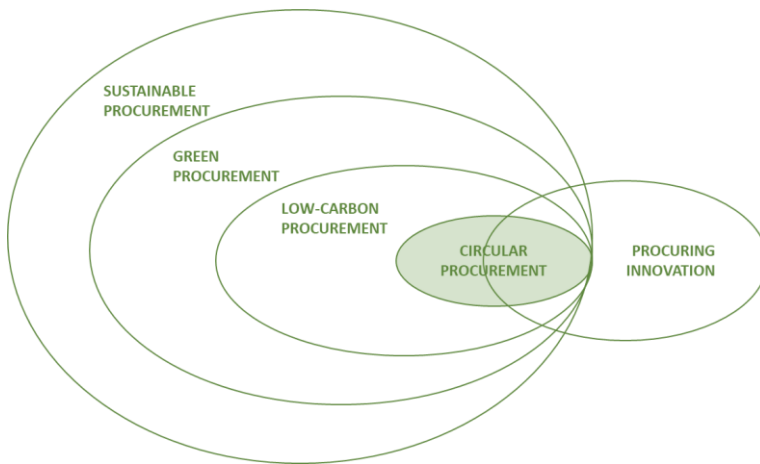


Figure 2: Linkages between different procurement concepts. Circular procurement is sustainable, green and low-carbon – and often also innovative.

It can be argued that green procurement is often also defined as sustainable, but sustainable procurement is a slightly broader concept, including social aspects. However, circular procurement is again a slightly narrower concept than green procurement, focusing mainly on material and energy efficiency and waste prevention and reduction. If the product or service procured is clearly innovative, it is an innovation procurement that may or may not be sustainable, green and/or circular at the same time.

Low-carbon and circular procurement can also facilitate new products and product-service concepts. They may include product intensity enhancement, sharing, and lifecycle services alongside the actual products. At its broadest, low-carbon and circular procurement is the result of a network of many actors capable of taking advantage of material flows between different actors. Utilisation of locally produced biogas in the public transport is an example of procurement that promotes a system-level shift towards low carbon and circular economy.⁸

1.2. Approaches/categories of circular procurement

4 approaches of circularity:

- ✓ Product level – better products
- ✓ Supplier level – new products
- ✓ Service level – new concepts
- ✓ System level – circular ecosystems

Circular public procurement has been applied and realised in different forms and sectors (e.g., construction, waste management, food and catering as well as certain product groups such as furniture textiles). It is possible to define different procurement categories or approaches to circular procurement.

The starting point is that a circular procurement process has a broader scope than just placing the order for a product or a service. The focus of the circular procurement approach can shift from better quality in circular terms to new and innovative products and services, new business models, and finally to the creation of wider circular ecosystems.

The choice of the focus in the circular procurement depends on the procurement strategy, ambitions and priorities of the authority or public organisation. Therefore, it is important that public organisations define their strategic view and ambition concerning the circularity and integrate it into existing procurement practices before they start with circular procurements.

The procurers should also understand the critical points within the procurement process and what kind of influence they would like to have on bidders. This helps to define the scope and choice of the procurement approach to be applied.

The approaches to circular public procurement can be grouped/categorised as follows:⁹

1. Procurement of improved products and services by adding GPP-based “circular criteria” (product level)

Circular procurement can be promoted by adding “circular criteria” (e.g., criteria for recyclability, use of recycled materials, reuse, etc.). This means buying circular products and services, such as paper made from 100% recycled material. Some of these criteria that support circular elements can be found in the GPP criteria palettes or eco-labels. This may be considered the simplest way or the first phase of circular purchase.

2. Procurement of new and innovative products promoting circular economy-based business (supplier level)

Public procurement could provide conditions that stimulate innovative solutions/products and create new business models and markets for new products and services. This ‘supplier level’ approach give the suppliers (producers/service providers) incentive to build circularity into their product development process, in order to ensure the products and services they offer meet circular procurement criteria. Such products are usually remarkably better in terms of recyclability, recycled materials, disassembly, long lifespan, etc. These are products that are commercialised but have not been on the market for a long time, or products that would be developed as a result of the procurement process. This approach highlights the procurer’s ability to conduct an innovative procurement process. Examples of

⁹ CIPRON, 2017, <http://norden.diva-porta.org/smash/get/diva2:1092366/FULLTEXT01.pdf>

such products are textiles with 100% recycled content or building components made of recycled plastic.




3. Procurement of services and new business concepts (service level)

The focus of procurement could be on the process of procuring or on the business concept that responds the procurer's need, rather than on the product itself. These include product-service systems, leasing concept, shared use, buy-per-use and buying and selling back. More traditional examples include furniture leasing and car hiring. New thinking is needed for buying services instead of products, e.g., lighting for the next 30 years instead of lamps.

4. Procurement promoting industrial symbiosis and circular ecosystems (system level)

This approach addresses to large investments and the creation of ecosystems that call for commitment from different stakeholders. Circular ecosystems could be efficient platforms in supporting closed loops, and creating networks in which the waste from one actor would be used as a raw material for another. Examples include buses running by locally produced bioenergy, or construction sites that utilise materials effectively.

The following table visualises the main elements of the above procurement concepts on different levels.

| 4 APPROACHES TO CIRCULAR PUBLIC PROCUREMENT | | | |
|---|---|--|--|
| Procurement including GPP based "circular" criteria | Procurement of new "circular" products and materials | Procurement of services and new business concepts | Procurement promoting industrial symbiosis and circular ecosystems |
| Better products |  New products |  New concepts |  Circular ecosystems |
| Product level | Supplier level | Service level | System level |
| Improved products and services are procured by adding GPP and circular criteria to the tender competition: <ul style="list-style-type: none"> • Prevention of waste • Recyclability • Share of recycled materials • Reusability • Avoidance of certain hazardous chemicals | New products are procured and/ or developed by innovative public procurement: <ul style="list-style-type: none"> • Products that are significantly better in terms of recyclability, share of recycled materials, long lifespan, disassembly, etc. | Product-service systems are procured, new business models and collaborative networks are developed that promote circular aspects: <ul style="list-style-type: none"> • Combined product service business models • Leasing concepts • Renting • Shared use • Buy-per-use | Investments are made that stimulate the development of "circular ecosystems" <ul style="list-style-type: none"> • Develop or support closed loops • Create new networks and alliances • "Waste as material" |
| Examples: | Examples: | Examples: | Examples: |
| <ul style="list-style-type: none"> • Paper products (e.g., copying paper made from 100% recycled paper fibres) | <ul style="list-style-type: none"> • Building components of recycled materials • Textile products made of recycled materials | <ul style="list-style-type: none"> • Leasing furniture instead of buying it | <ul style="list-style-type: none"> • Buses running by locally produced biogas • Construction projects with closed material loops |

- Office IT equipment and other ICT devices (e.g., avoidance of hazardous substances, product life-time extensions)
- Furniture (e.g., providing easy-to-disassemble, repairable and recyclable furniture)
- Cleaning products and services (e.g., avoidance of hazardous substances)
- Packaging (e.g., decrease the quantity of packaging)
- Furniture (e.g., redesigned, reused, refurbished furniture and related services to prolong the lifetime)
- Building and construction (e.g., use of recycled asphalt, circular reconstruction of buildings)
- Leasing football stadiums (artificial turf) instead of building and owning them
- Additional services that enable the prolonged lifetime of used products and services (take-back, maintenance, refurbishing, etc)
- Locally managed and produced biomass based renewable energy production systems

Table 1: Four-dimensional approach to CP¹⁰

Chapter 2: Circular Procurement as an emerging concept in the EU

2.1. The new Circular Economy Action Plan sets the framework

The Circular Economy Action Plan of the EU (2020) announces initiatives along the entire life cycle of products, targeting for example their design, promoting circular economy processes, fostering sustainable consumption, and aiming to ensure that the resources used are kept in the EU economy for as long as possible.¹¹



The new Circular Economy Action Plan for a cleaner and more competitive Europe provides a future-oriented agenda for achieving a cleaner and more competitive Europe in co-creation with economic actors, consumers, citizens

¹⁰ CIPRON, 2017, <http://norden.diva-portal.org/smash/get/diva2:1092366/FULLTEXT01.pdf>; European Commission: Public Procurement for a Circular Economy. Good Practice and Guidance (modifications by Guidebook authors)

¹¹ <https://ec.europa.eu/environment/circular-economy/>

and civil society organisations. It aims at accelerating the transformational change required by the European Green Deal, while building on circular economy actions implemented since 2015¹². This plan will ensure that the regulatory framework is streamlined and made fit for a sustainable future, that the new opportunities from the transition are maximised, while minimising burdens on people and businesses.

The plan presents a set of interrelated initiatives to establish a strong and coherent product policy framework that will make sustainable products, services and business models the norm and transform consumption patterns so that no waste is produced in the first place. This product policy framework will be progressively rolled out, while key product value chains will be addressed as a matter of priority. Further measures will be put in place to reduce waste and ensure that the EU has a well-functioning internal market for high quality secondary raw materials. The capacity of the EU to take responsibility for its waste will be also strengthened.

In order to make products fit for a climate-neutral, resource-efficient and circular economy, reduce waste and ensure that the performance of front-runners in sustainability progressively becomes the norm, the Commission will propose a sustainable product policy legislative initiative. The core of this legislative initiative will be to widen the **Ecodesign Directive** beyond energy-related products so as to make the Ecodesign framework applicable to the broadest possible range of products and make it deliver on circularity.

The new Circular Economy Action Plan presents measures to:

- Make sustainable products the norm in the EU,
- Empower consumers and public buyers,
- Focus on the sectors that use most resources and where the potential for circularity is high such as: electronics and ICT; batteries and vehicles; packaging; plastics; textiles; construction and buildings; food; water and nutrients,
- Ensure less waste,
- Make circularity work for people, regions and cities, and
- Lead global efforts on circular economy.

As part of this legislative initiative, and, where appropriate, through complementary legislative proposals, the Commission will consider establishing **sustainability principles** and other appropriate ways to regulate the following aspects:

- improving product durability, reusability, upgradability and reparability, addressing the presence of hazardous chemicals in products, and increasing their energy and resource efficiency;

¹² COM(2015) 614 final

- increasing recycled content in products, while ensuring their performance and safety;
- enabling remanufacturing and high-quality recycling;
- reducing carbon and environmental footprints;
- restricting single-use and countering premature obsolescence;
- introducing a ban on the destruction of unsold durable goods;
- incentivising product-as-a-service or other models where producers keep the ownership of the product or the responsibility for its performance throughout its lifecycle;
- mobilising the potential of digitalisation of product information, including solutions such as digital passports, tagging and watermarks;
- rewarding products based on their different sustainability performance, including by linking high performance levels to incentives.

To tap into the potential of Circular Procurement, the Commission will propose minimum mandatory green public procurement (GPP) criteria and targets in sectoral legislation and phase in compulsory reporting to monitor the uptake of GPP without creating unjustified administrative burden for public buyers. Furthermore, the Commission will continue to support capacity building with guidance, training and dissemination of good practices and encouraging public buyers to take part in a “**Big Buyers for Climate and Environment**” initiative, which will facilitate exchanges among buyers committed to GPP implementation.¹³

2.2. Role of public procurement in circular economy transition of the EU

Public authorities’ purchasing power represents 14% of EU GDP¹⁴ and can serve as a powerful driver of the demand for sustainable products.

Public authorities at all levels are in a unique position to influence the economic transition to a circular economy. They should invest in capacity building both internally and externally within the areas under their competence to enable and support circular economy projects. Public procurement is a strong tool to accelerate the market for circular economy products and services.¹⁵

¹³ Communication of the Commission on the New Circular Economy Action Plan, 11.3.2020; <https://cor.europa.eu/fi/news/Pages/ECON-big-buyers-climate-environment.aspx>

¹⁴ https://ec.europa.eu/info/sites/info/files/file_import/european-semester_thematic-factsheet_public-procurement_en_0.pdf

¹⁵ Accelerating the transition to a circular economy. Report of Commission of the European Union, 2019

2.3. Legal and regulatory framework for Circular Procurement in the EU

On 26 February 2014, the Council of the European Union and the European Parliament adopted two directives aimed at simplifying public procurement procedures and making them more flexible. The old directives were replaced with the following:

- Directive 2014/24/EU on public procurement¹⁶, and
- Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors¹⁷.

The directives seek to ensure greater inclusion of common societal goals in the procurement process. These goals include environmental protection, social responsibility, innovation, combating climate change, employment, public health and other social and environmental considerations.

In terms of Green Public Procurement (GPP), the following sections of the directives are worth drawing attention to:

- **Defining the requirements of a contract:** Defining technical specifications is guided through Article 42 and Annex VII of Directive 2014/24/EU; and Article 60 and Annex VIII of Directive 2014/25/EU.
- **Use of labels:** Conditions for using labels are laid out in Article 43 of Directive 2014/24/EU; and Article 61 of Directive 2014/25/EU.
- **Lowest price award and life-cycle costing (LCC):** Awarding public contracts based on the most economically advantageous tender is provided as part of Article 67 of Directive 2014/24/EU; and Article 82 of Directive 2014/25/EU.
- **Innovation partnerships:** Where a contracting authority wishes to purchase goods or services, which are not currently available on the market, it may establish 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, by establishing a structured partnership. The procedure for establishing an innovation partnership is set out in Article 31 of Directive 2014/24/EU.
- **Consulting the market:** The procurement directives specifically allow for preliminary market consultation with suppliers to get advice, which may be used in the preparation of the procedure. Article 40 of Directive 2014/24/EU.)¹⁸

The European Commission has developed **GPP criteria** to facilitate the inclusion of green requirements into public procurement tenders for more than 20 product groups. These include 'core criteria' suitable for any contracting

¹⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0024>

¹⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0025>

¹⁸ https://ec.europa.eu/environment/gpp/eu_public_directives_en.htm

authority and focused on key environmental issues, and ‘comprehensive criteria’ with a higher level of ambition aimed at purchasing the best environmentally friendly products available on the market.¹⁹

The EU GPP criteria cover currently the following fields:

- Office Building Design, Construction and Management
- Paints, varnishes and road markings
- Public Space Maintenance
- Road Design, Construction and Maintenance
- Road lighting and traffic signals
- Road Transport
- Sanitary Tapware
- Textiles
- Toilets and Urinals
- Waste Water Infrastructure
- Water-based Heaters
- Cleaning products and services
- Computer and monitors
- Copying and graphic paper
- Data centres, server rooms and cloud services
- Electrical and Electronic Equipment used in the Health Care Sector
- Electricity
- Food Catering services and vending machines
- Furniture
- Imaging Equipment, consumables, and print services

Figure 3: EU GPP criteria

The Commission's Public Procurement Action Plan sets out a series of concrete actions to help Member States to improve the performance of both administrations and beneficiaries in applying public procurement for Cohesion policy investments. The 4th revision of the Action Plan includes a series of new initiatives to help improving public procurement practices, properly using the public procurement framework in an emergency situation, ensuring a level playing field and using a procurement as a strategic tool to pursue key policy objectives. Key actions of the plan include, for example, contribution to the European Green Deal by promoting strategic (circular) procurement in Cohesion policy programmes for 2021-2027; a one stop shop portal called Public procurement competence centre; recommendation on the professionalisation of public procurement; ProcurCompEU - the European competency framework for public procurement professionals, and a guide to support public officials across the EU to avoid the most frequent errors and adopt best practices.²⁰

Chapter 3: Legal and regulatory framework in Finland

In the Finnish legal system, the EU procurement directives have been incorporated into the national legislation. Public procurement in Finland is regulated by the Act on Public Contracts and Concessions (1397/2016, as amended, the Public Procurement Act), implementing the Public Contracts

¹⁹ https://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm

²⁰ https://ec.europa.eu/regional_policy/en/policy/how/improving-investment/public-procurement/

Directive (2014/24/EC) and the Directive on the award of concession contracts (2014/23/EC).

The Public Procurement Act is applicable to all purchases that exceed the so-called national threshold value. The threshold value refers to the estimated value, net of VAT, of the purchase. If the purchase exceeds the so-called EU-threshold, stricter procedure rules are applied to the procurement.

The threshold values in Finland (as of 2017) are the following:

| National threshold values | EU-threshold value: | Thresholds for the special sectors (Procurement Act for Special Sectors 1398/2016) |
|--|--|---|
| <ul style="list-style-type: none"> • Public supply and service contracts, design contests and service concessions - 60 000 € • Public works contracts (constructions) - 150 000 € • Health care and social services - 400 000 € • Other specific services - 300 000 € • Concessions - 500 000 € | <ul style="list-style-type: none"> • Public supply and service contracts, design contests - 207 000 € <p>(purchases made by central government authorities - 134 000 €)</p> <ul style="list-style-type: none"> • Public works contracts (construction) - 5 186 000 € | <ul style="list-style-type: none"> • Public supply and service contracts, design contests - 414 000 € • Health care and social services - 1 000 000 € • Public works, contracts and concessions (construction) - 5 186 000 € |

Table 2: Threshold values of public procurement in Finland²¹

All procurements exceeding the national and the EU thresholds must be advertised publicly. The notices under the EU threshold are published in the HILMA electronic notification system maintained by the Ministry of Employment and the Economy at: www.hankintailmoitukset.fi. The contracting authorities also publish other procurement related notices regarding to prior information and contract award in the HILMA channel.

If the EU threshold value is exceeded, the notice must be published in the Official Journal of the European Union and in the Tenders Electronic Daily (TED) database at: <http://ted.europa.eu/TED/main/HomePage.do>.

National policies and regulation

Competences in terms of public procurement are divided up among two ministries:

- The Ministry of Employment and the Economy handles national policy, making drafting of national procurement legislation and amendments, and takes the lead in advising economic operators and contracting authorities on how the law should be interpreted.

²¹ <https://tem.fi/en/eu-and-national-thresholds>

- The Ministry of Finance is responsible for managing central government procurement, setting purchasing strategy and conducting centralised purchasing.

In addition, the Ministry of Environment is responsible for actions towards sustainable procurement, and the Ministry of Transport and Communications, for example, supports the use of green vehicles and alternative transport methods via public procurement.

Ministries and other public entities collaborate actively in promoting sustainable and innovative procurement. As a result of the cooperation, the **Competence centre on sustainable and innovative procurements KEINO**²² was founded in Finland in 2018. The objectives set for the centre until 2021 are increase of sustainable and innovative procurement, improved identification of public procurement's role as a management tool, as well as increase of communication and cooperation.

One of the governmental organisations participating in the KEINO competence centre's network is the **Finnish Innovation Fund Sitra**²³. Its main role is in activities related to Finland's future and renewal, and these are divided in three parts; the circular economy, renewal ability and new working life, as well as a sustainable economy.

Relevant strategies and programmes

In Finland, the value of public procurement is approximately EUR 47 billion annually, with municipalities and joint municipal authorities accounting for two thirds, and the central government for one third. Purchases from enterprises are EUR 31 billion. It is important to turn this economically significant public sector activity into a driver of social and economic development towards sustainable growth.²⁴

The current Finnish Government program **"Inclusive and competent Finland – a socially, economically and ecologically sustainable society"**²⁵ states that 'we will strengthen Finland's role as a leader in the circular economy'. The programme outlines, for example, the following public procurement measures²⁶:

- Increase of procurement expertise
- Strengthening of the obligations of the Act on Public Contracts and Concessions concerning procurements and quality assessment

²² <https://www.hankintakeino.fi/en>

²³ <https://www.sitra.fi/>

²⁴ <https://tem.fi/en/innovative-public-procurement>

²⁵ <https://julkaisut.valtioneuvosto.fi/handle/10024/161845>

²⁶ <https://valtioneuvosto.fi/en/marin/government-programme/strategic-themes>

- Inclusion of carbon and environmental footprints as criteria for procurements with significant environmental impacts
- Adaptation of a tool for the division of risks of innovative procurements
- Acceleration of wide adoption of good practices for sustainable and innovative procurements

In 2020, The Ministry of Finance presented the **National Public Procurement Strategy**²⁷. It is a common strategy for Finland, drafted by a cooperation forum called “Hankinta-suomi” (Procurement Finland). The strategic goals include sustainable development and climate, environment and employment related topics within it. The strategy states:

“We support Finland's carbon neutrality goal 2035 and the implementation of the circular economy through public procurement. Finland's goal is to be carbon neutral in 2035 and enhance circular economy. Ecologically sustainable procurement supports emergence of low-carbon and circular economy solutions. Thus, the goods, services or works procured have a lower life-cycle environmental impact than conventional alternatives. We need co-operation and good practices to concretely set the national low-carbon targets among the most influential procurement categories.”

Public procurement in Finland has previously been developed through individual short-term development projects. With the novel National Public Procurement Strategy and through broad-based cooperation, public procurement can support the achievement of wider long-term goals in the society. The scale of spending on public procurement is considerable in relation to the national economy, and a more strategic approach will enable the potential impact of public procurement to be utilised for the achievement of goals in society at large.

By means of the minimum requirements and contract terms established in the public procurement process, and through supervision and other procedures, it is possible not only to make financial savings but also, for example, to reduce emissions, promote workers' rights and reduce corruption. To promote these objectives, the strategy includes a set of indicators and a plan for concrete measures.

The **Government Programme for Innovative Public Procurement**²⁸ includes a strategic objective: Finland will be known as a front runner in technological advances, innovative procurement and the culture of experimentation. To fulfil this objective, action will be taken to increase

²⁷ <https://valtioneuvosto.fi/en/-/10623/national-public-procurement-strategy-identifies-concrete-ways-in-which-public-procurement-can-help-achieve-wider-goals-in-society>

²⁸ <https://tem.fi/en/innovative-public-procurement>

innovative procurement and thereby to improve services, generate growth and enable the creation of a reference market. The Government Programme also includes the objective of increasing the share of innovative procurement to 10 percent of all public procurement by the end of the current parliamentary term.

The key challenges identified for the implementation of Innovative public procurement are linked to:

- ✓ procurement competence and management;
- ✓ linking procurement with the implementation of strategy objectives; and
- ✓ cooperation with companies.

The Ministry of Economic Affairs and Employment has led the preparation of a concrete action plan to implement the objectives of the Government Programme and the innovation objectives of the national procurement strategy.

Finland has prepared a strategic **Circular Economy Programme** to promote a circular economy. The aim is to transform the economy into one that is based on the principles of circular economy by 2035. With this programme, the Finnish Government wants to strengthen Finland's role as a leader in the circular economy. The transition into a circular economy is also a step towards achieving the Government's carbon neutrality target by 2035. The Finnish Government adopted the resolution on promoting a circular economy on 7 April 2021.²⁹ One of the priority measures highlighted in the programme is to procure and design low-carbon circular economy solutions for the public sector in construction, mobility, and energy and infrastructure projects³⁰.

In 2013, the Government made a decision in principle about **promoting sustainable environmental and energy solutions (Cleantech) in public procurement**. The aim of the decision is to decrease use of energy and materials as well as negative environmental effects throughout the product lifecycle, and to encourage new innovations.

In 2012, the Finnish Ministry of the Environment published the “**More from Less – Wisely**” programme³¹. The objective of the programme is to decrease greenhouse gas emissions and other environmental damage. The operation of the public sector, and especially its procurement, stand out strongly in this context.

²⁹ <https://ym.fi/en/strategic-programme-to-promote-a-circular-economy>

³⁰ <https://ym.fi/en/-/circular-economy-programme-sets-targets-to-curb-overconsumption-of-natural-resources>

³¹ <https://www.ym.fi/download/noname/%7B11E6CBCF-402F-4338-848A-A6F7676D0ADD%7D/58318>

The report of the Ministry of the Environment from 2017 “**Government Report on Medium-term Climate Change Plan for 2030 – Towards Climate-Smart Day-to-Day Living**”³² sets a greenhouse gas emission decrease objective for 2030, and defines the actions for achieving the goal as well as conformity to the long-term climate objective. The report points out public procurement as a strategic tool in mitigating climate change.

The document ‘**Finnish road map to a circular economy 2016–2025**’ by Sitra describes practical measures that support the change towards the circular economy in Finland. The objective for Finland is to become the world’s leading circular economy country by 2025.³³

The **National Waste Plan until 2023, ‘Recycling to a Circular Economy’**³⁴, includes measures for bringing circular economy actions into the scope of public procurement. The objectives apply to both preventing waste generation and waste management, for example, in the construction business. This also involves the development towards low carbon construction.

3.1. Support structures

An example of putting goals into practice are the guidelines from Green Building Council Finland, a cooperation network for sustainable buildings: ‘**The circular economy in the built environment**’³⁵. The property and construction industries have developed common circular economy criteria for purchasing organisations and procurement in different sectors (infrastructure construction, regional planning, and building construction). Lifecycle thinking guides the overall planning and operation:

- A common, open and up-to-date database and scenarios for realising end-of-life recycling and reuse
- Key opportunities for promoting the circular economy are being identified at each stage of planning.
- Life-cycle costing directs procurement and decision-making, and operators are moving away from partial optimisation.
- Each structural design includes a plan for recovery and recycling

The **Finnish Industrial Symbiosis System (FISS)**³⁶ is a national operating model coordinated by Motiva, the state-owned sustainable development

³²https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/80769/YMre_21en_2017.pdf?sequence=1

³³<https://www.sitra.fi/en/projects/leading-the-cycle-finnish-road-map-to-a-circular-economy-2016-2025/>

³⁴<https://julkaisut.valtioneuvosto.fi/handle/10024/160889>

³⁵<https://media.sitra.fi/2018/10/15103134/circular-economy-in-the-built-environment.pdf>

³⁶<https://www.industrialsymbiosis.fi>

company. FISS is aimed at helping companies and other entities to improve the utilisation of resources among them and create new business.

The **Material Market** (Materiaalitori)³⁷ related to this is a free-of-charge digital service that enables posting and searching for available and needed waste, shunt flows and related services. It's main aim is to promote practical circularity in business and society. The service is provided by the Ministry of the Environment and maintained by Motiva.

The **Finnish Environment Institute**³⁸ is a research institute and a centre of expertise providing knowledge and solutions enabling sustainable development. It is owned by the State of Finland and among the other tasks it coordinates the **Towards Carbon Neutral Municipalities (Hinku) network**³⁹ that brings together municipalities, businesses, citizens and experts to create and carry out solutions to reduce greenhouse gas emissions.

Cooperation and negotiation contacts between different entities are considered important in Finnish decision-making and practical activities. A good example of this is the development of market dialogue practices. These measures have given good results, especially in communication and commitment.

Business Finland, the Finnish government organization for innovation funding and trade, travel and investment promotion, can fund innovative public procurement and projects with the goal of promoting the transition to a low-carbon energy system.⁴⁰

3.2. Regional context: Kymenlaakso Region, Finland

The Smart Specialisation RIS3 strategy of Kymenlaakso Region⁴¹ describes the region's strengths and expertise to distinguish itself from other areas. The update of the strategy⁴² was published in February 2021 with the following smart specialisation priorities for 2021-2025:

- Smart and green logistics (logistical priority)
- Renewable materials and energy (bio and circular economy priority)
- Data economy, cyber security and gamification (digitalisation priority)

Circular and sustainable procurement is prominently emphasised in the updated RIS3 document.

³⁷ <https://www.materiaalitori.fi/> (in Finnish)

³⁸ <https://www.syke.fi/en-US>

³⁹ <https://www.hiilineutraalisuomi.fi/en-US/Hinku>

⁴⁰ <https://www.businessfinland.fi/en/for-finnish-customers/services/public-sector/public-sector>

⁴¹ <https://www.kymenlaakso.fi/in-english/kymenlaakso-s-smart-specialisation-ris3-strategy>

⁴² https://www.kymenlaakso.fi/images/ris3_strategia.pdf (in Finnish)

In the Kymenlaakso Region, the **cities of Kouvola, Kotka and Hamina** have joined the Towards Carbon Neutral Municipalities (HINKU) network, which aims to cut down greenhouse gases by 80 % from the level in 2007 until 2030. The goal of the Kymenlaakso regional programme is to make the entire Kymenlaakso carbon neutral by 2040.

Actions regarding the HINKU participation include the following:

- The municipality takes the reduction of greenhouse gas emissions into account in all its significant decision-making.
- The municipality will establish a HINKU working group, in which the most important administrative sectors are represented. The group seeks actively measures to reduce greenhouse gas emissions in various administrative sectors.
- An annual plan for investments to reduce emissions is prepared for the municipality. The investments will be approved in annual budgets.
- An annual mitigation plan is prepared for the municipality, i.e., an annual clock, which shows what measures and investments are aimed at reducing greenhouse gas emissions in the entire municipality.

The **Carbon Neutral Kymenlaakso 2040 Roadmap**⁴³, approved by the Assembly of the Regional Council of Kymenlaakso in December 2019, is a strategy paper that outlines measures, instruments and practices to be developed and implemented for reaching the above goals. Developing public procurement towards the circular economy is one the measures set by the roadmap. It foresees the necessity to update municipal public procurement guides and sets the percentage of sustainable procurements as one the performance indicators to be monitored.

The **city of Kouvola**, according to its strategy, aims for positive growth that includes, among other things, the promotion of the bioeconomy, circular economy, and carbon neutrality. Kouvola's City Strategy (2019–2030)⁴⁴ emphasises wellbeing, diverse nature and resource efficiency that drive the city economics towards a more sustainable future. In addition, the strategy highlights energy efficiency in construction, as well as a balanced community and urban structure. Kouvola is also participating in the national energy performance contract system for the municipal sector.

The environmental programme of the city of Kouvola, Environment 2030⁴⁵, guides the city's organisation and other parties' activities towards green transition. Kouvola's procurement follows the city's environmental programme. The programme is built on three goals: carbon neutrality, preservation of natural diversity and the circular economy. The circular

⁴³ <https://www.kymenlaakso.fi/in-english/carbon-neutral-kymenlaakso>

⁴⁴ <https://www.kouvola.fi/kouvolankaupunki/strategia/> (in Finnish)

⁴⁵ <https://www.kouvola.fi/asuminen-ja-ymparisto/luonto-ja-ymparisto/ymparistooohjelma/> (in Finnish)

economy is to be supported in such a way that it becomes an integral part of the region's public and business activities.

The guidelines of the environmental programme 2030 that the city's procurement must follow are the following:

- Directing the city's food purchases with consideration of climate criteria, ecology and ethical aspects (food production and consumption)
- Cooperation between local entities (producers, refinement, retail, group meals, restaurants, associations, research etc.) to promote a more sustainable diet and increase of domestic and local consumption
- Updating and utilising the city's procurement criteria to support the circular economy, and organisation of procurement training for the staff with environmental and lifecycle orientation
- Updating the city's planning and budgeting practices with sustainable procurement guidelines aiming to decrease the carbon footprint (consumption and material cycles)
- The energy performance programme of buildings for the entire city (production and consumption of energy)

The achievement of the above goals is supported, among other things, by a pre-evaluation form that the procurement unit fills in during the planning and preparation phase, which helps to identify the critical aspect in terms of low-carbon procurement, such as possibilities to:

- apply low-carbon construction criteria,
- require an environmental label or program,
- apply wood construction or
- support bio- or circular economy related product development.

In addition, the city's procurement will include more market dialogue between customers and suppliers to support circular economy objectives.

The procurement programme of Kouvola City (2021-2025)⁴⁶ highlights the theme of sustainable development and societal responsibility among the three spearheads of the programme. The aim is to enhance ecological sustainability so that public procurement supports the goals of the environmental programme by carbon neutrality, natural diversity and circular economy. The updated procurement instructions outline that circular economy goals should be considered in all procurement cases.

In Kouvola, Hyötyvirta Circular Economy Park - the strategic spearhead of circular economy of the region - is a concrete RDI platform and ecosystem

⁴⁶ <https://www.kouvola.fi/wp-content/uploads/2021/05/Hankintaohjelma-2021-2025.pdf> (in Finnish)

engine that focuses to enhance circular based business potential of enterprises. The aim is to create an operation model to boost the knowledge of circular economy and growth of novel business possibilities. One of the key means is improving the preconditions and capability for local companies (especially SMEs) to participate in public circular procurement processes. This promotes circular entrepreneurship and enables acceleration and emergence of new circular products, services and innovations.

The **city of Kotka**, in its city strategy (2018–2025)⁴⁷, aims for a “great urban environment that supports choices increasing the residents’ well-being, sustainable development and attractiveness”, and the measures to accomplish this goal are development of a clean public transport system and decrease of the region’s greenhouse gas emissions with 65 % by 2025 from the 2007 level by systemising the city’s climate and energy work.

The procurement programme of Kotka (2019–2025) specifies that the applicable environmental requirements or comparison criteria should be identified in the procurement preparation phase. These include recyclability, repairability, re-use possibilities, environmental effects, environment-friendly technology, energy performance, renewable raw materials and/or the procurement carbon footprint (utilising supporting ecological experts in procurement planning).

The climate and energy programme of Kotka⁴⁸ asks to evaluate the following alternatives to purchasing in preliminary procurement planning: renting, borrowing, joint acquisition and planning operations in a way that procurement is not necessary. In addition, the city aims to follow the Ministry of Economic affairs and employment’s guidelines and principal decisions relating to sustainable development in public procurement.

In the **Hamina city** strategy⁴⁹, Ecological Hamina is one of the strategic goals. The city aims to consider ecological matters in all its functions. The Ecological Hamina programme (2019–2022)⁵⁰ focuses on achieving ecological objectives through four main themes: sustainable traffic, energy efficiency of buildings, ecological everyday life, and cleantech business possibilities. The programme lists practical measures to diminish greenhouse gases and increase ecological aspects. The promotion of cleantech is among the thematic priorities in the city’s innovative procurement strategy.

The procurement principle of the city of Hamina is that procurement is handled in an economical way and following sustainable development principles. Services, goods and contracts must be put out to tender in such a

⁴⁷ <https://www.kotka.fi/kotkan-kaupunki/strategia/> (in Finnish)

⁴⁸ <https://www.kotka.fi/asuminen-ja-ymparisto/kaupungin-ilmastotyo/12291-2/> (in Finnish)

⁴⁹ <https://www.hamina.fi/asukkaalle/wp-content/uploads/sites/12/2018/02/Haminankaupunginstrategia.pdf> (in Finnish)

⁵⁰ https://www.hamina.fi/asukkaalle/ekologinen_hamina_ohjelma_2019-2022_hyvaksytty2019-03-13/ (in Finnish)

way that they consider ecological aspects (environmental factors, the entire lifecycle of materials and services, and energy performance).

The other municipalities of Kymenlaakso Region (Miehikkälä, Virolahti, Pyhtää) have their own municipal strategies. Procurement has been outlined in procurement guidelines of Miehikkälä, Virolahti and Pyhtää.

The main common elements highlighted in the strategies of Kymenlaakso cities and municipalities are:

- Support to local viability by considering the tendering possibilities of local suppliers (procurement programmes of Kouvola and Kotka, and procurement principles of Hamina)
- Sustainable development and environmental liability, i.e. considering the applicable environmental requirements or comparison criteria (Kouvola, Kotka, Hamina)
- Use of the employment obligation in procurement when applicable (Kouvola, Kotka and Hamina)
- Decreasing greenhouse gas emissions (Kouvola and Kotka)
- Innovative procurement (Kouvola and Kotka)

Chapter 4: Guidance on systematic and efficient use of Circular Procurement

Chapter 4 goes through the process of public procurement, accompanied by the specific features of circularity. The process starts with the strategies and environmental objectives that set goals to the procurement activity. These general objectives are also the basis for definition of necessary properties, criteria and emphasis points that support application of the circular economy elements in procurement.

The described process also highlights the importance of monitoring the procurement agreement during the contract period and co-operation with the service provider to achieve the circular economy related target objectives. This chapter also introduces opportunities, models, and ways to take circular economy objectives into account within the procurement process.

4.1. Strategic goals outlining the procurement process

Public procurement has a very important role to play in guiding and activating the market of circular economy. The way the public sector promotes low-carbon and circular economy procurement is also of great importance for the achievement of climate and resource efficiency objectives. At its best, sustainable and innovative procurement saves money, puts less strain on the environment and promotes social well-being of the community.



Promoting the circularity in procurement requires a practice-oriented approach, better identification and opening of benefits to decision-makers and other stakeholders, and introduction of new types of partnerships. The best time to make a difference is the early stage of the planning. Sufficient information is needed to support decision making, which means concretisation of objectives - for example, by clarifying what are the means to achieve energy and material efficiency targets.

Finnish municipalities spend almost 20 billion euros per year on public procurement.⁵¹

4.2. Procurement phases by steps

There are different ways to describe the phases of the procurement process. In this guide we have divided the process to four basic phases:

- Preparation
- Tender
- Contract
- Aftercare/Continuing improvement

Each of the four phases includes a set of specific steps starting from definition of the need, ambitions, and relevant strategic outlines.

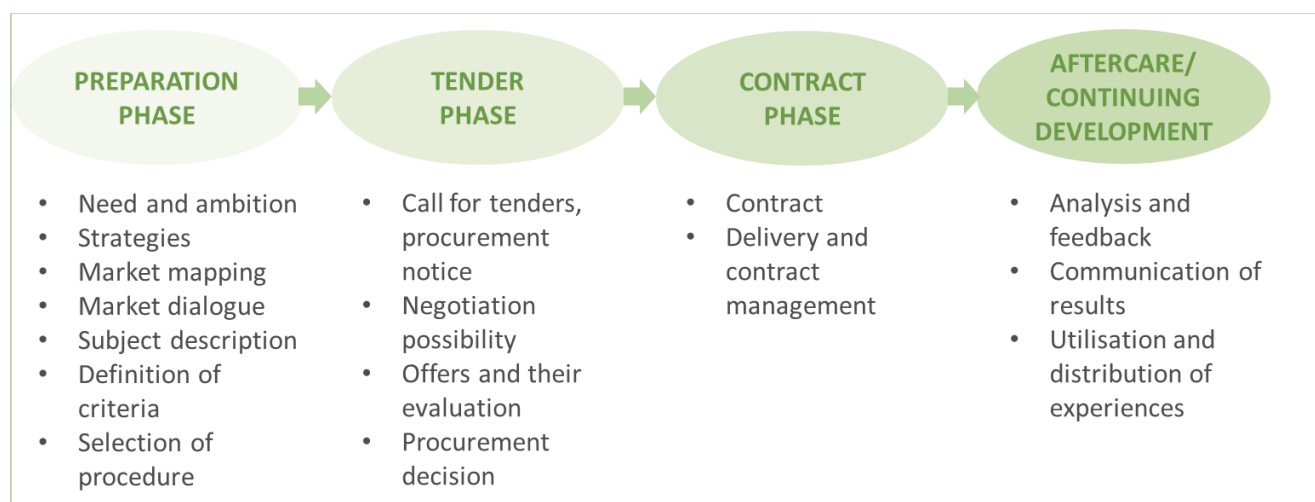


Figure 4: Phases and tasks of the procurement process

⁵¹ <https://tem.fi/en/innovative-public-procurement>

Preparation phase

PREPARATION PHASE

Ambition and need analysis

For a successful circular procurement process, it is important to integrate circular ambitions already in the first steps of the preparation phase and understanding the need.⁵²

Within each planned procurement case, there should always be an open assessment of all CE opportunities and possibilities and the level of ambition of the specific cases. It means defining the general ambition level in terms of e.g., significance, innovativeness, and impact of the procurement.

At this point, it is possible to assess openly whether the procurement in question requires acquisition of a new product or service, or whether the need can be met by reusing and recycling existing resources already acquired. A good example of reuse, for example, is a refurbishment and reuse of office or school furniture.

The actual procurement process is often also mainly guided by the procuring organisation's own procurement instructions or manual. Procurement manual is the organisation's own administrative instruction to procurement and tendering, not a binding legal document. Formulation of the circular ambition level that fits both the product group and the policies of the organisation outlines the next steps in the process.

A logical first step towards becoming more circular is identifying the needs. A need analysis is needed to investigate what alternative options are available to deliver the same outcome more efficiently while ensuring a higher degree of circularity in the long-term. This entails investigating the following⁵³:

- Possibility to eliminate the demand by reviewing the need;
- Decreasing the frequency of use / consumption;
- Identifying alternative methods to satisfy demand, e.g., renting rather than owning (service vs. product) with a take-back system in place where the supplier retains ownership and possible repurposing of products;
- In case of service, what service?
- Aggregating and / or consolidating the demand;
- Sharing use between divisions, departments or organisations;

⁵² Circular Public Procurement Training. Masterclass for Champions:

<http://circularpp.eu/masterclass-for-champions/>

⁵³ Circular PUBLIC Procurement toolbox – RISE

https://www.ri.se/sites/default/files/2020-06/PROCEED_Mgmt%20TOOLBOX-FINAL_EN.pdf

- Considering a circular procurement hierarchy, for example, encouraging repairing, reusing or repurposing of older goods or recycling materials (What products? Recycled? Maybe services? What services?).

Strategies

The needs and opportunities analysis in circular procurement should be based on the contracting authority's own strategy, procurement strategy/program and the objectives defined by the operating environment. It is also important to remember the main outlines of regional, municipal, or business area level strategies and the procurement strategy relating to CE or sustainability and low-carbon goals.

Market mapping

Mapping and analysis of the market ensure the possibility of planned CE objectives to be found in available products and services.

A market survey can be based at least on these two options:

1. Identification and analysis of existing and proven examples of public procurement with circular economy objectives.
2. An open and active dialogue with suppliers of products and services.

It is always worthwhile to think about market mapping (analysis and dialogue) as an ongoing process throughout the procurement process, i.e. starting an active investigation and mapping well in advance before content definition and active dialogue until and after the call for tenders – depending, of course, on the means of chosen procurement procedure.

Through mapping, the procuring entity receives direct information on available products and services that support the planned procurement. Bidders receive direct information on the purchaser's needs, for which bidders would be able to offer the best possible solution.

The following questions can be utilised when analysing the results of market mapping (and market dialogue presented below)⁵⁴:

- Is there sufficient capacity in the market?
- Does the market have solutions to meet the functional requirements as they are formulated in the first phase?
- Are there alternative routes to circular solutions?
- Can the market satisfy the requirements set, and if not, why not?

⁵⁴ MVO 2017; Circular Public Procurement Toolbox
https://www.ri.se/sites/default/files/2020-06/PROCEED_Mgmt%20TOOLBOX-FINAL_EN.pdf

Market dialogue

When implementing circular procurement processes, it is advisable to ensure that tenderers can meet the requirements (including SMEs). The best way to secure market conformity is to implement a market dialogue process with the providers.

Market dialogue carried out in collaboration with bidders and, at its best with involvement of end-users, is a good tool for procurement planning. The more innovative the goal of the procurement is, the more important it is to involve relevant actors in the planning phase. Market mapping, and particularly market dialogue as part of it, is a channel for exchanging information on needs and objectives between different actors.

To apply the circular economy as widely as possible, joint search of deeper perception of circular possibilities is needed both for procurement planners and suppliers. This means, for example, life cycle awareness and understanding of available material alternatives.

The market dialogue helps to understand what kind of circular procurement principles and approaches make most sense in a specific context as well as considering impact, risk and opportunities that may arise at both the organisational and external level (suppliers). For example, the request of certain circular specifications for a product that might require the supplier to reconsider the product design or perhaps hire external specialists.⁵⁵

There can be several different models for an open and active market dialogue between the buyer and potential suppliers:

- General information meetings
- Invitation of potential suppliers and other relevant stakeholders into a joint workshop with those who are involved planning and implementing the procurement
- Separate meetings with companies who have indicated an interest to participate in the upcoming tender
- Asking for comments on, for example, circular economy criteria or objectives

An open discussion of the circular economy criteria and objectives for the forthcoming procurement is crucial for successful implementation of the procurement process. In addition to the suppliers, also other stakeholders of the value chain can be involved, including end-users.

⁵⁵ Circular PUBLIC Procurement toolbox – RISE
https://www.ri.se/sites/default/files/2020-06/PROCEED_Mgmt%20TOOLBOX-FINAL_EN.pdf

Potential suppliers can provide their expertise for the actual content and definition of the procurement (what, when and how - including the possibility of circular economy objectives in the product or service to be procured).

Discussion should start with an open assessment of the different CE possibilities within the respective procurement package. It is important to note that within this planning phase - from spatial planning to structural design – contains the crucial decisions regarding planned CE objectives.

Subject description

In circular procurement, the subject is defined from a circular economy perspective, e.g., textiles made from recycled material. The widest CE planning includes optimisation of material and energy choices, and the use of the right material for the right destination, i.e. the so-called “fit for the purpose” principle. Market dialogue can be utilised for definition of exact needs, which markets can (innovatively) fulfil.



The use of circular approaches in procurement challenges ownership models and related procurement practices. Products and materials are kept more efficiently in cycles when responsibility of the lifecycle remains with one actor. In product-service packages, not only the product is sold to the end-user, but also the service or even only the service. Product-service thinking can be applied to a wide range of cases. For example, instead of lamps, lighting can be purchased as a service.

An important observation concerning the setting of CE targets in public procurement is that elements of CE can be included in almost all procurements. For utilising the circular economy in procurement, the most significant opportunities can be achieved within the following sectors and sectoral examples:

- **Construction (buildings, roads, infrastructure):** modularity, eco-friendly product design, new building materials, wood
- **Transport and logistics:** renewable fuels in energy procurement, energy efficiency and low emissions as criteria, leasing and rental business models, shared cars
- **Furniture:** recycled materials, components and furniture made from renewable materials or wood-based materials
- **Food and groceries:** food loss reduction methods, more efficient food chains that minimize raw material loss in the production chain, new protein sources
- **Local and bio-based / renewable energy:** public transport using biofuels (biogas, etc.)
- **Textiles:** use of recycled and recyclable materials
- **Waste management:** resource efficiency in waste management or rewarding competition models for reducing the amount of waste
- **Handling of used water:** efficient and clean nutrient circulation

The potential of circular economy is often viewed from a too narrow perspective, without considering the broader whole. In procurements dealing with construction projects, it is important, for example, to think also transport solutions and the promotion of low-carbon transport by reducing parking, utilisation of soils on the construction site, efficiency and flexibility of space utilisation, and enabling services that facilitate circularity.

Furthermore, life cycle awareness is at the heart of the circular economy. Life cycle review helps to verify the ecological and economic sustainability of material choices and other implementation solutions. The most effective solution in short-term is not necessarily the best one. An important part of life cycle thinking is the awareness of life cycle costs in various procurement decisions.⁵⁶

The following questions can help the procurer to describe the procurement subject from circular point of view:

- What is the defining characteristic for you? Are there alternatives?
- Do you want to buy or use?
- Do we procure with or without maintenance?
- Can the product have multiple functions?
- Can we reuse the product in the old function?
- Can we repair it? Whether with old or new parts or not.
- Can we reuse products, parts or materials?
- Is it new? If so, is it: Fit for disassembly? Biobased? Manufactured in a sustainable way?⁵⁷

Definition of criteria

It is worth recognising that a procurement process can include both requirements and criteria. A requirement is a lower threshold that parties have to meet ('yes' or 'no'). A criterion allows parties to distinguish themselves (good-better-best).⁵⁸

Starting points for the definition of objectives and criteria can be determined during the market mapping and dialogue with suppliers. Potential criteria that support the circular economy are, for example, long warranty period, availability of spare parts, serviceability, service concepts, use of recycled material, recyclability, material choices, etc.

⁵⁶ Towards Carbon Neutrality with Circular Procurement. Presentation of Marita Melkko, Procurement Agent of the City of Kouvola, 27.11.2020 in a regional stakeholder meeting of CircPro project.

⁵⁷ Roadmap Circular Procurement and Commissioning
https://mk0mratuurzaamnh901f.kinstacdn.com/wp-content/uploads/2020/01/MRA_CirculairInkopen_ENGdef01.pdf

⁵⁸ <https://testwegwijzer.gdci.nl/en/topics/procurement-process/define-criteria-circularity>

The figure 5 outlines six aspects to consider when planning the purchase of a product or service. Starting at the top of the infographic, procurers have to answer some questions for each of the presented six aspects. For example, there are questions about the smartness of a product: *Is it necessary to buy a given product? Can we use product more intensively?* Or questions about the lifetime model: *How much energy and raw materials will a product or service consume? Is there a guarantee on lifetime?*

Another aspect to pay attention to is the service and maintenance guaranteed by the

vendor or manufacturer: *How to deal with small repairs? Can a product be disassembled easily?* The aspect of reuse can be considered by asking for leasing options or using second-hand products. Similarly, the aspects of remanufacturing and recycling involves asking about the possibility of processing materials used in the production of the ordered product.⁵⁹

When setting the criteria, it is important to measure (quantitative) as well as evaluate (qualitative) circularity, e.g., what is the expected technical lifespan and what is the economic life, are the criteria based on substance or ownership/use. According to Phi Factory⁶⁰, the price should have a maximum weighting of 10-30%, and the quality minimum weighting of 70-90% to stimulate circularity. This allows market players to distinguish themselves in terms of quality, which includes circular ambitions.

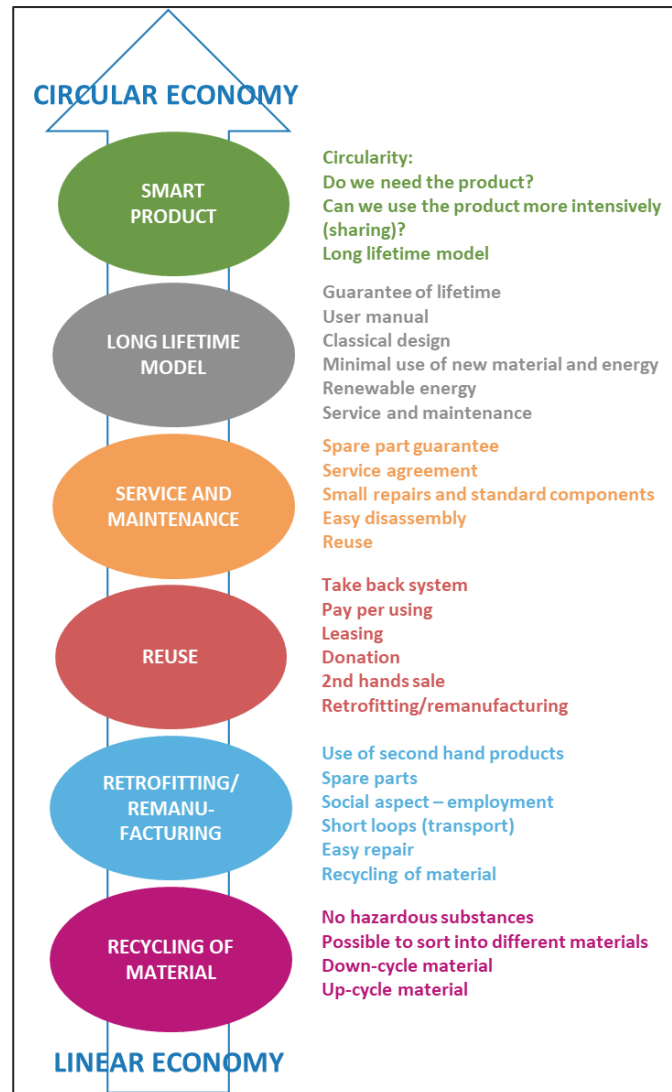


Figure 5: Examples of circular tender criteria (CircularPP)

⁵⁹ CircularPP, <http://circularpp.eu/infographic-3-circular-tenders-criteria/>

⁶⁰ PHI Factory (2017) Preliminary study circular procurement criteria

It should also be considered that the Procurement Act⁶¹ contains restrictions on the setting of sustainability, circular economy and responsibility objectives and their criteria. When defining objectives, rules, indicators and price / quality objectives for the tender, the objectives, criteria and definitions must be relevant to the subject of the procurement. A precise definition of application of the criteria to the subject of the procurement can be found in Section 94 (94§) of the Procurement Act.

Selection of procedure

The choice of procurement procedure affects the means to enable circularity objectives and CE in the respective procurement. The procurement procedure should be selected on a procurement-by-procurement basis and based on the promotion of defined needs and objectives (including the CE), as different procurement procedures may contribute to different procurement objectives.

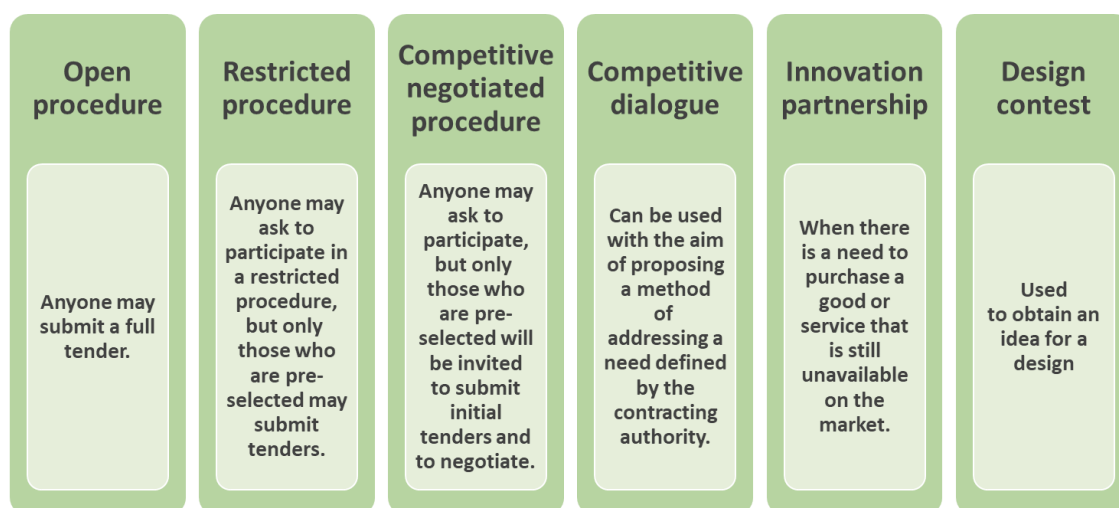


Figure 6: Basic procurement procedures⁶²

It is advisable to choose a procurement procedure with negotiation approach whenever the features of the product/service to be procured cannot be determined with sufficient precision in the call for tenders.

Adaptation of circular approach allows to make room for new solutions that suppliers can innovate. If a certain product or service is not currently available on the market in a way which fulfils desired circular principles, the contracting authority can establish an innovation partnership⁶³ that provides a framework for research and development. Innovation partnership is becoming a very important mean to enhance circularity in procurement. At its best, the circular

⁶¹ <https://tem.fi/en/public-procurement-legislation>

⁶² https://europa.eu/youreurope/business/selling-in-eu/public-contracts/public-tendering-rules/index_en.htm

⁶³ https://ec.europa.eu/growth/content/8699-innovation-partnerships-keep-public-services-date_en

economy is revolutionising the sector with systemic innovations that change the earnings logic of the actors involved in value chains, create space for new actors and force the old ones to change.

However, what is common to all the procurement procedures presented in the figure above is that they all allow, if wanted, to define criteria and characteristics that promote the circular economy.

Tender phase



Call for tenders, procurement notice

After a thorough assessment of the needs and definition of the objectives and features that promote the circular economy, it is vital they are reflected in the tender call as accurately as possible.

In procurements that want to promote the objectives of the CE (defined at the procurement planning stage and ensured by market mapping and dialogue), it is a good idea to define clear comparable criteria and to set weight separately for each criterion. It is important that the criteria with CE aspects are given sufficient weight whenever possible, so that the product / service to be procured as a result of the procurement also corresponds to the goals defined for the circular economy.

Negotiation possibility

The use of negotiated procedures in a competitive bidding process allows for discussion and clarification during the procurement process, and they have been used successfully e.g., in Cleantech procurements. The more challenging it is to define the requirements, the more important it is to include the possibility to negotiate and refine the definitions during the procurement process.

Offers and their evaluation

During the evaluation phase, based on CE and other requirements and criteria set, comes the comparison of what makes of a particular party the best possible supplier and what is the best possible proposal for the organisation's or/and end users' needs.

Procurement decision

The decision can only be based on the selection criteria found in the call for tenders. The procurement decision also provides an opportunity to engage in a dialogue with tenderers. The contracting entity has the opportunity to

communicate with tenderers involved in the procurement process, for example by organising a presentation of the procurement decision (jointly or bilaterally).

This post-procurement dialogue is an excellent way to reduce the risk of complaints, to make procurement decisions and processes more transparent to tenderers, and to provide information and feedback on the quality of procurement to the contracting entity.

For more information on the post-procurement dialogue, see the guide of the Public Procurement Advisory Unit (only in Finnish): <https://www.kuntaliitto.fi/julkaisut/2020/2066-hankintapaatoksen-jalkeinen-dialogi>.

Contract phase



CONTRACT
PHASE

Contract

The contract defines needs and requirements in terms of guaranteeing the functionality of the products or services supplied and to produce the circular achievements.

To ensure circular achievements, it can be useful to link the achievements to key performance indicators (KPI)⁶⁴. Examples of KPIs include the environmental impact of the production of materials, the amount of recycled content or the reduction in the number of products.

A contract can also enhance innovation if there are product or service development and/or incentive conditions, e.g., bonus and sanction schemes, that will enhance the interest of the supplier in elaboration of novel approaches and concepts. Long-term contracts allow the market player to invest in the achievement of even challenging circular ambitions.

End-users can be required or encouraged to take responsibility for keeping a product or material in the supply chain after use.

Circular procurement contracts typically fall into one of three categories⁶⁵:

1. Product service systems - the supplier retains ownership of the product, and the user pays-per-use or according to performance.
2. Purchase and buy back agreement - the supplier buys back a product and ensures optimum value retention via reuse.
3. Purchase and resale agreement - the contract includes an agreement on who (that is, a third party) will recover the item after use, normally for lower-value material reuse or recycling.

⁶⁴ <https://setis.ec.europa.eu/activities/initiatives/key-performance-indicators-kpis>

⁶⁵ https://ec.europa.eu/environment/gpp/pdf/Public_procurement_circular_economy_brochure.pdf

Alternatively, there is the option to introduce separate contracts which specifically deal with reuse. This option may be particularly useful when the purchase of a product has already been made.

Delivery and contract management

Active cooperation and service development during the contract (supplier relationship management) cannot be emphasised enough to concretise the objectives of circular procurement, although post-contractual activities are often not mentioned in the actual procurement procedures. The objectives and effects of various circular economy policies defined at the beginning of the procurement process, can only be monitored in active co-operation with the selected contractor.

The co-operation and co-development during the contract are the responsibility of the unit (business unit, industry, etc.) that uses the service in daily basis, and sees the benefits of circular economy features.

The objectives of co-development and the model of co-operation must also be implemented in the invitation to tender for the procurement and in the contract / contract terms applied.

Aftercare/continuing development

AFTERCARE/
CONTINUING
DEVELOPMENT

Analysis and feedback

Gathering and analysing feedback from stakeholders allows to promote a culture of continuous improvement in the organisation. This phase can also contain actions of market dialogue.

Communication of results

To enhance circular procurement, it is important to communicate results, positive outcomes, and possible challenges to all stakeholders. Results can be distributed also for wider public via different channels.

Utilisation and distribution of experiences

On organisational level, it is outmost important to ensure that lessons learnt during the process and identified good practices will be utilised in future procurement processes.

There are opportunities to incorporate circular principles into the vast majority of procurement operations. However, it may be helpful to introduce them

gradually at first stage. This can provide an opportunity to test approaches and provide an example to other procurers and departments.⁶⁶

4.3. Available help and advisory

In Finland, the contracting entities can utilise the assistance from regional Procurement Adviser in organising or communicating the market dialogue. The tasks of the Regional Procurement Adviser include developing regional procurement co-operation and improving the opportunities for regional SME's to participate in public procurement tenders. Contact information of regional procurement advisers can be found here: www.yrittajat.fi/hankintaneuvonta. This is a service funded by the Ministry of Employment and the Economy, which is also available free of charge to procurement units to promote regional customer-supplier co-operation

Government-owned Motiva⁶⁷ provides up-to-date expert guidance on defining various measurable goals related to the circular economy in procurement. Motiva is a state-owned sustainable development company that encourages the efficient and sustainable use of energy and materials. They offer information, solutions and services to public administrations, companies, municipalities, and consumers that enable them to make resource-efficient, effective and sustainable choices.

Motiva's web sites provide guidance and examples of ways to define circular economy-related objectives for circular procurement entities.

Motiva is also involved in the operations of the KEINO consortium, which is a co-operation network to promote sustainable and innovative procurement. KEINO has published information and advice on how to evaluate impact within public procurement: "A guide to the evaluation and measurement of the effectiveness and impact of public procurement".⁶⁸

The guide describes the process of pre-evaluation of the impact and effectiveness of public procurement, which is divided into four stages:

1. Identify the need for pre-evaluation of impacts and effectiveness
2. Define effectiveness objectives and impacts to be monitored
3. Develop metrics to assess impacts
4. Include the results of the evaluation process in the tender and procurement documents

⁶⁶ Businessinspiredgrowth.com 2019

⁶⁷ https://www.motiva.fi/en/public_sector

⁶⁸ <https://www.hankintakeino.fi/fi/strateginen-juhtaminen/hankinnan-vaikutusten-ja-vaikuttavuuden-arviointi/opas> (only in Finnish)

The purpose of the guide is to strengthen the proactive and holistic consideration of the impact and effectiveness objectives of investments, contracts, and procurement by public organisations.

In addition to this guide, many procurement entities also use more detailed evaluation forms to support their own objectives.

Help from existing examples of CP

Existing examples of procurement with various objectives of the circular economy, which have given good experiences, can be found e.g., from the following sites in Finnish:

www.hankintakeino.fi/keinokkaat-hankintaesimerkit

https://www.syke.fi/fi-FI/Tutkimus_kehittaminen/Kiertotalous

<https://publications.stateeuvosto.fi/handle/10024/161882>

Procurers can also contact the network of experts provided by the KEINO consortium: www.hankintakeino.fi. The best way to contact them and request a procurement-specific information is either through the local KEINO Change Agent in your own region (<https://www.hankintakeino.fi/en/cooperation-and-networking/keino-regional-support-change-agents>) or by sending a request for information to email: service@hankintakeino.fi. This advisory service is available to all contracting entities free of charge.

The CircPro project website provides a collection of international examples and good practices in English: <https://www.interregeurope.eu/circpro/good-practices>.

Chapter 5: Benefits and barriers to Circular Procurement in Kymenlaakso Region

Municipalities and cities can act as accelerators of circular economy by activating the actors in their area, implementing public procurement with CE goals and encouraging the business community and residents of the region to take CE actions.

It is also important to incorporate circular procurement more visibly into strategies that direct regional and local development and distribution of related funding, and thus pave the way for evolution and emergence of CP and overall circular economy in the region.

The key challenges related to development and wide adaptation of CP principles in Kymenlaakso are:

- lack of know-how and knowledge (among municipal procurers and companies)
- lack of time (procurers)
- fear of additional costs from CP
- dialogue with businesses and end-users
- lack of concrete instructions relating to CP

And finally, the terminology and complexity of different criteria may sometimes cause confusion (circular, green, low-carbon, sustainable, energy-efficient, bio-circular, etc.).

Circular economy and circular procurement are still young areas in terms of adaptation, but the transition to circular economy is evolving as an integral part of sustainable development of the society and economics.

Acknowledgements

The report authors would like to thank all involved organisations and individuals for contributions and insights during the work.

Our special thanks go to the CircPro project partners that have provided us common content to the Guide, and especially:

- Chapter 1: Stockholm Environment Institute Tallinn Centre (Estonia)
- Chapter 2: University of Turin and Piemonte Region (Italy)

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Annex: Checklists for Circular Procurement

KYMENLAAKSO, FINLAND

2021

Checklists for Circular Procurement

This document provides practical checklists for adapting circular economy to overall procurement thinking and implementation of procurement processes.

CHALLENGE 1: HOW TO COPE WITH DIFFERENT DEFINITIONS?

| | |
|--|--|
| CIRCULAR ECONOMY (EU definition) | <ul style="list-style-type: none"> A circular economy aims to maintain the value of products, materials and resources for as long as possible by returning them into the product cycle at the end of their use, while minimising the generation of waste. The fewer products we discard, the less materials we extract, the better for our environment. This process starts at the very beginning of a product's life cycle: smart product design and production processes can help save resources, avoid inefficient waste management and create new business opportunities. |
| CIRCULARITY | <ul style="list-style-type: none"> A product or service is circular if it leads to minimal use of new materials (and fossil energy), both in the production process and the application of products and services, and/or puts maximum emphasis on long lifespan followed by high-quality reusability of the products or the materials it is made from. |
| CIRCULAR PROCUREMENT (CP) | <ul style="list-style-type: none"> Circular procurement can be defined as the process by which public authorities purchase works, goods or services that seek to contribute to closed energy and material loops within supply chains, whilst minimising, and in the best case avoiding, negative environmental impacts and waste creation across their entire life cycle. |
| GREEN PUBLIC PROCUREMENT (GPP) | <ul style="list-style-type: none"> Green public procurement means that "public authorities seek to purchase goods, services and works with a reduced environmental impact throughout their life cycle compared to goods, services and works with the same primary function which would otherwise be procured". GPP is part of sustainable procurement, which only covers environmental aspects, but not social and / or societal aspects and criteria. |
| INNOVATION PROCUREMENT | <ul style="list-style-type: none"> Innovation procurement allows the purchase of innovative, new and emerging products (or sometimes services), especially in areas such as information technology, drones, medical products or military equipment. Innovation procurement can involve buying the process of innovation or buying the outcomes of innovation. Innovation procurement thus contributes to the design of new products. Innovation procurement may, but not always, overlap with circular, sustainable and green procurement. If the innovation achieved in the procurement helps to reduce the environmental impact or is aimed at procuring circular products or services, then it is also a (green) circular procurement. If additional social aspects have been considered in the procurement, then the procurement is already sustainable. |
| INNOVATIVE/ SMART PROCUREMENT | <ul style="list-style-type: none"> Innovative procurement means the procurement of a new or clearly improved product or service that is not yet being used widely. Innovative procurement may also involve a new method of implementing procurement or the related project, such as a construction project. A procurement agreement may include the development and piloting of a new solution. Instead of using a predetermined implementation model, procurement may be targeted at its desired outcomes and effects, which allows suppliers more freedom to suggest alternative solutions. <p><u>Alternative option:</u></p> <p>One possibility is to take small steps and avoid too complex approaches to innovativeness. Thus, we are recommending three simple rules for definition of smart procurement model:</p> |

| | |
|--|---|
| | <ul style="list-style-type: none"> • The procurement is implemented in a novel way instead of the traditional “only price matters” option. • The process delivers a good and desired outcome. • All parties involved are satisfied. <p>Novel ways of procurement can mean, for example, the following:</p> <ul style="list-style-type: none"> • More time will be set aside for procurement planning and market dialogue. • The process is open and transparent • Procurement procedures that encourage innovation are applied. <p>A good and desirable outcome can mean, for example:</p> <ul style="list-style-type: none"> • Instead of the implementation method and outputs, the acquisition has focused on desired functionalities, performance, quality, results, and impacts. The needs of local companies and end-users have been taken into account. |
| LOW-CARBON PROCUREMENT | <ul style="list-style-type: none"> • Greenhouse gas emissions during the entire life cycle of a product or service have been taken into account in the procurement, and requirements and / or benchmarks have been set for them. • The use of energy and materials is particularly emphasised. Energy efficiency, the use of renewable energy and the right choice of materials can reduce the carbon footprint of the procured product or service. |
| LOW-CARBON CIRCULAR ECONOMY PROCUREMENT | <ul style="list-style-type: none"> • Low-carbon and circular procurement can also mean new products and product-service concepts. • These may include increasing the intensity of product use, collective use, and life cycle services. At the broadest level, low-carbon and circular economy procurement arises from a network of multiple actors that can utilise and share material flows. • The use of locally produced biogas in public transport is an example of procurement that promotes a system-wide shift towards a low-carbon and circular economy. |
| SUSTAINABLE PUBLIC PROCUREMENT | <ul style="list-style-type: none"> • Sustainable public procurement is the broadest concept. • It is a procurement “process by which public authorities seek to achieve the appropriate balance between the three pillars of sustainable development - economic, social and environmental - when procuring goods, services or works at all stages of the project”. • Economic aspect (especially saving financial resources) is an important goal of all public procurement, but sustainable procurement also considers both environmental and social aspects. • For example, the procurement of catering services aims to reduce the environmental impact by asking for organic food and requiring waste (both packaging and food waste) prevention measures • In addition, the social criterion requires both fair trade food and the involvement of disabled and / or unemployed people. |
| RECOMMENDATIONS <p>Don't get confused in the jungle of definitions. Circular procurement as such contains elements of innovative, sustainable etc. procurement. Low-carbon and sustainability goals are often reflected on strategic level, and circular economy and procurement are among the key tools to address those objectives.</p> <p>Circular procurement is often about innovative products or services – it is difficult to procure an innovative product or service using a traditional procurement process.</p> | |

CHALLENGE 2: HOW TO DEFINE DIFFERENT LEVELS/MODELS OF CIRCULAR ECONOMY IN PROCUREMENT?

| LEVELS | CIRCULAR PROCUREMENT METHOD | GENERAL CRITERIA |
|-----------------------|--|--|
| PRODUCT LEVEL | <p><i>Procurement of improved products and services by adding GPP-based “circular criteria”</i></p> <ul style="list-style-type: none"> • Circular procurement can be promoted by adding “circular criteria” (e.g., criteria for recyclability, use of recycled materials, reuse, etc.). This means buying circular products and services, such as paper made from 100% recycled material. • Some of these criteria that support circular elements can be found in the GPP criteria palettes or eco-labels. • This may be considered the simplest way or the first phase of circular purchase. | <ul style="list-style-type: none"> ➔ Materials in the product can be identified ➔ Products can be disassembled after use ➔ Recyclable materials ➔ Resource efficiency and Total Cost of Ownership ➔ Recycled materials |
| SUPPLIER LEVEL | <p><i>Procurement of new and innovative products promoting circular economy-based business</i></p> <ul style="list-style-type: none"> • Public procurement could provide conditions that stimulate innovative solutions/products and create new business models and markets for new products and services. • This ‘supplier level’ approach give the suppliers (producers/service providers) incentive to build circularity into their product development process, in order to ensure the products and services they offer meet circular procurement criteria. • Such products are usually remarkably better in terms of recyclability, recycled materials, disassembly, long lifespan, etc. • These are products that are commercialised but have not been on the market for a long time, or products that would be developed as a result of the procurement process. • This approach highlights the procurer’s ability to conduct an innovative procurement process. • Examples of such products are textiles with 100% recycled content or building components made of recycled plastic. | <ul style="list-style-type: none"> ➔ Supplier take-back system ➔ Design to disassembly ➔ Reparability of standard products ➔ External reuse/sale of products ➔ Internal reuse of products |
| SYSTEM LEVEL | <p><i>Procurement of services, new business concepts and circular ecosystems</i></p> <ul style="list-style-type: none"> • This approach contributes to a more systemic change in order to obtain circular solutions and business models that replace existing ones or offer new market opportunities. • It usually involves more performance-based procurement and procurement of services instead of products. • Such procurements give the producers/service providers the possibility to retain greater control over the items they produce/offer and the embodied energy and materials, thus enabling maintenance, reconditioning and recovery. • The procurers usually benefit from this type of procurements, as they only pay for the service they require and use, and often receive a better service as the producer/service provider has a greater interest in providing a product that lasts. • Examples of such new business models are product-service systems, leasing concept, shared use, buy-per-use and buying and selling back. More traditional examples include furniture leasing and car hiring. New thinking is needed for buying services instead of products, e.g. lighting for the next 30 years instead of lamps. | <ul style="list-style-type: none"> ➔ Product service system ➔ Public Private Partnership ➔ Co-operation with other organisations on sharing and reuse ➔ Rent/lease ➔ Supplier take-back systems (reuse, recycling, refurbishment and remanufacturing) |

RECOMMENDATIONS

The general criteria listed in the table could be a concrete start to think what circular procurement can mean in practice.

CHALLENGE 3: WHY BOTHER AND PUT EXTRA EFFORT ON INNOVATIVE/CIRCULAR PROCUREMENT?

A good starting point is to assess the project significance and impact by answering the following questions (step 1):

| STEP 1 - Assessment of strategic importance, the level of challenge and project size | |
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| <ul style="list-style-type: none"> Is the project important and/or necessary from the point of view of the municipal/regional strategies or programs? Is the market lacking solutions to fit your needs and to be easily adapted? Does the project have goals with challenges above standard implementations? Is the acquisition significant in euros? | |
| STEP 2 - If getting one or more yes answers in Step 1, think about answers to the following questions: | |
| INNOVATIVENESS FOR THE CITY/ MUNICIPALITY | <ul style="list-style-type: none"> Possibility to develop or renew existing infrastructure, operating model or service Possibility to create new infrastructure, operating model or service Creates new know-how Novel solution could produce better quality with less cost |
| INNOVATIVENESS FOR THE SUPPLIER OR SERVICE PROVIDER | <ul style="list-style-type: none"> Opportunities to promote or develop the company's own operations by the acquisition Potential for development of existing products or services, provided by the acquisition Potential for development of completely new products or services, provided by the acquisition Accelerates innovations Creates new know-how |
| BUSINESS IMPACT | <ul style="list-style-type: none"> Availability of local providers of the desired product/service Operational or economic significance for local suppliers Possibility for local businesses to form a consortium with each other Possibility for local businesses to form a consortium with non-local, innovative companies Local growth and innovation potential (growth via reference via the project) |
| IMPACT ON REGIONAL ECONOMY AND VITALITY | <ul style="list-style-type: none"> Significance of the procurement volume on regional level Significance of the size of the acquisition for the city/region Significance of the size of the acquisition for local businesses Significance of the size of the acquisition for a local business sector Impact of the procurement method on the achievement of the Most Economically Advantageous Tender (MEAT) Attracts new businesses and operators to the region Creates new vitality and attractiveness and enhances imago of the municipality |
| ENVIRONMENTAL AND SOCIAL IMPACTS | <ul style="list-style-type: none"> Positive impacts on environment (e.g. energy efficiency, circumstances for flora and fauna, circular use of resources) Broad social effects (e.g. employment, safety, accessibility and equal rights) Enhances wellbeing |
| RECOMMENDATIONS <p>The questions above help planners and designers to identify if extra effort for the procurement adequate and reasonable. They also provide a tool for highlighting for decision-makers a non-numeric justification of the extra resources needed. Smart and sustainable procurement benefits not only the purchasing municipality itself, but also wider society and economy of the city. It can bring direct and indirect benefits, minimise environmental damage and even enhance the quality of the physical and social environment.</p> | |

CHALLENGE 4: HOW TO START ADAPTING CIRCULAR ECONOMY IN OVERALL PROCUREMENT ACTIVITY?

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| UNDERSTANDING OF CIRCULAR ECONOMY | Elaborate a joint, clear perception of the circular economy and its potential, which serves as the starting point for your organisation. |
| STRATEGIES DEFINE DIRECTION | Link the definition for your organisation to the local context and internal priorities. |
| CONTEXTS VARY CASE-BY-CASE | For each procurement project, determine a definition that matches the context of the project. |
| RECOMMENDATIONS Start from gradual learning and increase of knowledge. Each organisation must select its own starting point and approach to build towards circularity step by step. Joint understanding of strategic goals, as well as dialogue and communication are essential here. | |

CHALLENGE 5: HOW CAN YOU MEASURE CIRCULARITY LEVEL IN PROCUREMENT?

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| TECHNICAL INDICATORS | For example, the toxicity of raw materials and the level of reusable, or reused materials in a certain product. |
| PROCESS INDICATORS | For example, circular maintenance contracts with suppliers, or agreements that safeguard reverse logistics. |
| BUSINESS MODEL INDICATORS | For example, products introduced on the market with lease or repurchase constructions to support reverse logistics. |
| RECOMMENDATIONS The more these three groups converge in a product, service, or process, the better it is for the circular economy point of view. There are different indicators, but the essential issue is to know the goal and define what you really need and want. | |

CHALLENGE 6: HOW TO TAKE CIRCULAR ECONOMY INTO ACCOUNT IN DIFFERENT PHASES OF THE PROCUREMENT PROCESS?

| | STEPS | SMART PROCEDURES AND CIRCULAR VIEWPOINTS |
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| PREPARATION PHASE | Ambition and need analysis | <ul style="list-style-type: none"> Define what is your general ambition level (check Challenge 3 above to support this) Formulate a circular ambition level that fits both the product group and the policies of your organisation. Analyse and define the real need of your organisation, for example, with the help of the following questions: <ul style="list-style-type: none"> Can you eliminate the demand by reviewing the need? Can you decrease the frequency of use / consumption? Are there alternative methods to satisfy demand, e.g. renting rather than owning (service vs. product) with a take-back system in place where the supplier retains ownership of products, offers accessibility and related services and ensures to take the products back and to repurpose them? In case of service, what service? Is it possible to aggregate and/or consolidate the demand? Can you share the use between divisions, departments or organisations? Do you want to buy chairs or seating comfort? Does the purchased material always need to be new, or can it be reused? <p>Think also about the hierarchy, e.g., encouraging repairing, reusing or repurposing of older goods or recycling materials (e.g. What products? Recycled? Maybe services? What services?).</p> |
| | Strategies | <ul style="list-style-type: none"> Check outlines of regional, municipal, or business area level strategies and the procurement strategy relating to CE or sustainability and low-carbon goals |
| | Market mapping | <ul style="list-style-type: none"> Map the supply of new products, technologies, and solutions Mapping of CE solutions on the market. Through market mapping, the procuring entity receives direct information on available products and services that support the planned procurement. Bidders receive direct information on the real needs, for which they would be able to offer the best solution on the market. |
| | Market dialogue | <ul style="list-style-type: none"> Engage in market dialogue with companies and preferably also end customers Discussions in advance, regarding what market parties need to answer a call for tenders with an appropriate circular economy bid will increase the likelihood of appropriate solutions. Examine how the product or service can be made (more) circular, if there are any relevant developments or if the market is already taking steps? |

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| | Subject description | <ul style="list-style-type: none"> • What is the defining characteristic for you? Are there alternatives? • Do you want to buy or use? • Make room for new solutions that suppliers can innovate. • The procurement is defined from a circular economy perspective, e.g. textiles made from recycled material. • Define together exact needs, which markets can (innovatively) fulfil. • Do we procure with or without maintenance? • Can the product have multiple functions? • Can we reuse the product in the old function? • Can we repair it? (Whether with old or new parts or not) • Can we reuse products, parts, or materials? • Is it new? If so, is it: Fit for disassembly? Biobased? Manufactured in a sustainable way? |
| | Definition of criteria | <ul style="list-style-type: none"> • Inclusion of criteria that support the circular economy, e.g., long warranty period, availability of spare parts, serviceability, service concepts, use of recycled material, recyclability, material choices, etc. • Use the outcomes to define your requirements and criteria for the selection and award stage. • Try to measure (quantitative) as well as evaluate (qualitative) circularity. • What is the expected technical lifespan and what is the economic life? • Criteria based on substance or ownership/use? • Don't put too much emphasis on previous references, and the door will also be open to new, innovative companies. • To stimulate circularity: the price should have a maximum weighting of 10-30%, and the quality minimum weighting of 70-90% (PHI Factory, 2017) • <i>Check also Challenge 2 above</i> |
| | Selection of procedure | <ul style="list-style-type: none"> • The choice of procurement procedure also affects the means to enabling CE objectives in the respective procurement. • The procurement procedure should be selected on a procurement-by-procurement basis and based on the promotion of defined needs and objectives (including the CE), as different procurement procedures may contribute to different procurement objectives • Enable new types of solutions by selecting the appropriate procurement procedure, requirements specification and benchmarks. |
| TENDER PHASE | Call for tenders, procurement notice | <ul style="list-style-type: none"> • Explore - through requirements, wishes and/or conditions - on the transition to a circular economy |
| | Negotiation possibility | <ul style="list-style-type: none"> • It is advisable to choose a procurement procedure with a negotiated procedure whenever the assets of the product / service to be procured cannot be determined with sufficient precision in the call for tenders • The more challenging it is to define the requirements, the more important it is to include the possibility to negotiate and refine the definitions during the procurement process. |
| | Offers and their evaluation | <ul style="list-style-type: none"> • Based on requirements and criteria set, compare what makes of a particular party the best possible supplier for you and what is the best possible proposal for you. |

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| | Procurement decision | <ul style="list-style-type: none"> • You can choose a new or significantly improved product or service that increases productivity, quality, sustainability and / or effectiveness • The procurement decision also provides an opportunity to engage in a dialogue with tenderers. The contracting entity has the opportunity to communicate with tenderers involved in the procurement process, for example by organising a presentation of the procurement decision (jointly or bilaterally). • This post-procurement dialogue is an excellent way to reduce the risk of complaints, to make procurement decisions and processes more transparent to tenderers, and to provide information and feedback on the quality of procurement to the contracting entity. • Does the product, service, or solution lead to the preservation of materials, improved recyclability, and harmless recycling? • Does it support adaptation of business to circular economy? • Does it improve the cost-effectiveness and quality of the produced product or service? |
| CONTRACT PHASE | Contract | <ul style="list-style-type: none"> • Define what you need to agree on to guarantee the functionality of the products supplied and to produce the circular achievements • Formulate the contract in functional terms as much as possible and use mutual confidence as your starting point. • Conclude a long-term contract, allowing market players to invest in the achievement of circular ambitions • A contract can encourage innovation when you include product or service development and / or incentive conditions, e.g. bonus and sanction schemes • To ensure circular achievements, it can be useful to link the achievements to key performance indicators (KPI). • You may also want to include a growth model that will give the supplier an incentive to improve performance during the contract period. • Examples of KPIs include the environmental impact of the production of materials, the amount of recycled content or the reduction in the number of products. • You can define, for example, does the contract specify high quality reuse of materials and products and what happens with the material flow after first use • Suppliers can be required or encouraged to take responsibility for keeping a product or material in the supply chain after use. • Circular procurement contracts typically fall into one of three categories <ol style="list-style-type: none"> 1. Product service systems - the supplier retains ownership of the product, and the user pays-per-use or according to performance. 2. Purchase and buy back agreement - the supplier buys back a product and ensures optimum value retention via reuse. 3. Purchase and resale agreement - the contract includes an agreement on who (that is, a third party) will recover the item after use, normally for lower-value material reuse or recycling. • Alternatively, there is the option to introduce separate contracts which specifically deal with reuse. This option may be particularly useful when the purchase of a product has already been made. |
| | Delivery and contract management | <ul style="list-style-type: none"> • Take care of an active monitoring of achieved target results during the contract period • It is important that contract management is also implemented according to circularity and quality. • The reward and assessment structure must also be adapted for this because buyers, as well as others in the organisation, are often still paid solely according to cost reduction. |
| AFTER-CARE/ | Analysis and feedback | <ul style="list-style-type: none"> • Gather feedback from stakeholders and promote a culture of continuous improvement. |

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| CONTINUOUS DEVELOPMENT | Communication of results | <ul style="list-style-type: none"> Communicate results, positive outcomes, and possible challenges to all stakeholders Distribute results also for wider public via different channels |
| | Utilisation and distribution of experiences | <ul style="list-style-type: none"> Make sure that lessons learnt and identified good practices will be utilised in future processes of your organisation |
| RECOMMENDATIONS <p>Start small and gradually learn what works. A good start, at least, is to remember possible circular economy aspects when planning the procurement.</p> <p>An active market dialogue with service providers and end users helps in identifying appropriate objectives, requirements, and criteria for the procurement.</p> <p>You are not alone – instructions and hands-on support are available for the process (in Finnish): https://www.kouvola.fi/kouvolankaupunki/talous/hankinnat/</p> | | |

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