

## Case studies on the impact of COVID-19 on public procurement practices in Europe (focus on social, environmental, and economic impacts)

### Urban Agenda for the EU Partnership on Public Procurement

Tea Paulović, Ecorys

With contributions from Brigit Zomer, Ecorys

8 July 2021



1	Introduction	3
2	Social and health considerations in public procurement practices	5
	Shift in consideration of the type of suppliers used in public procurement	5
	Clear prioritisation of staff health in public procurement	5
3	Environmental effects of changes in public procurement policies	7
	Continuous digitalisation of services - Going digital and e-procurement	7
	Greater focus on local supply chains	8
	Economic changes	9
4	Procedural changes in public procurement policies	10
	Procedural changes in tendering requirements and tender award	10
	Procedural changes in deadlines	11
5	Next steps and recommendations	12

### Disclaimer

This report has been delivered under the Framework Contract "Support to the implementation of the Urban Agenda for the EU through the provision of management, expertise, and administrative support to the Partnerships", signed between the European Commission (Directorate General for Regional and Urban Policy) and Ecorys.

The information and views set out in this report are those of the authors and do not necessarily reflect the official opinion of the Commission. The Commission does not guarantee the accuracy of the data included in this report. Neither the Commission nor any person acting on the Commission's behalf may be held responsible for the use which may be made of the information contained therein.

# 1 Introduction

The case studies on the impact of COVID-19 on public procurement practices were commissioned by the Urban Agenda for EU Partnership on Public Procurement<sup>1</sup>. The aim of this research is to examine to what extent (if at all) European cities changed their public procurement approach as a result of the COVID-19 pandemic. In light of this, we also examined whether cities are linking the process to wider social, health, and environmental challenges as part of an approach to economic recovery.

The case studies outline trends in public procurement that emerged during the COVID-19 pandemic and reflect upon possible implications for post-COVID-19 times. They offer insight on how cities can capitalise on the new trends to make public procurement greener, more sustainable, and serving to the wider community.

In this manner, the case studies can provide a basis for work within the Urban Agenda related to supporting research activities across the EU Member States as to how cities are responding to COVID-19 from a procurement perspective. In addition, the case studies show how cities are linking this to the creation of a new type of economy, which is socially responsible and low carbon.

In the preliminary desk research, various changes were identified that occurred as a result of COVID-19. This research shows that challenges range from social and environmental to economic ones (for instance, related to tendering procedures or changes in supplier bases). A total of 14 European cities contributed to the research by providing input on occurring changes and challenges they faced in public procurement since the start of the pandemic. Cities that contributed to this research include partners from "Making Spend Matter" (an URBACT Transfer Network) and the Urban Agenda for EU Partnership on Public Procurement:

- Bistrița (Romania)
- Kavala (Greece)
- Koszalin (Poland)
- Pamplona (Spain)
- Schaerbeek (Belgium)
- Vila Nova de Famalicão (Portugal)
- Haarlem (Netherlands)
- Vantaa (Finland)
- Gabrovo (Bulgaria)
- Munich (Germany)
- Turin (Italy)
- Larvik (Norway)
- Tallin (Estonia)
- Palermo (Italy)

---

<sup>1</sup> More on the Urban Agenda for the EU Partnership on Public Procurement can be found at <https://futurium.ec.europa.eu/en/urban-agenda/public-procurement>

A number of partners from the Urban Agenda for EU Partnership on Public Procurement have been involved in the research led by Ecorys and under the supervision of the Action Leader (Matthew Baqueriza Jackson – representing the URBACT Programme).

## 2 Social and health considerations in public procurement practices

The first case study presents shifts and changes that relate to social value and health considerations in public procurement practices. Some of the changes have started prior to the pandemic but were speeded up by the pandemic. Others have occurred specifically because of the pandemic.

### Shift in consideration of the type of suppliers used in public procurement

The city of [Haarlem \(NL\)](#) has seen that with the pandemic, **politicians are placing emphasis on the local economy**, trying to find what Haarlem can do for its own population. The precarious aspect of such a crisis has allowed for the political discourse to focus more on the social considerations in public procurement. The importance of providing opportunities for the socially marginalised has become more central in discussions on unemployment. The city of [Larvik \(NO\)](#) is another example where there is more political pressure to focus more on local suppliers. Thus, cities can use this momentum to push for including social value considerations as part of the standard future tendering process.

Even prior to the pandemic, some cities were opting for integrated services through processes such as co-design and results-oriented contracting or other considerations as well as considerations about shifts to new markets. The city of [Kavala \(EL\)](#) has **engaged in co-designing of the tendering procedure in a cleaning material tender along with the local SME's and municipal institutions involved, specifically targeting COVID-19 needs**. The city started an open conversation with five suppliers regarding changes they wanted to apply to the tendering process. These included designing together the technical specifications, including the social and environmental criteria that the city wanted to integrate with respect to the legislation. The experience was perceived as a positive one and will be implemented in future tendering processes.

While suppliers were initially skeptical, after a clear dialogue and realising the commitment of Kavala in working jointly towards a common goal, acknowledging the opinion and technical knowledge, they became engaged. Such a procedure might be more time-consuming, but it created an environment of trust that helped Kavala advance in the creation of a reliable network. **Such a dialogue also ensures that the products that the municipalities need are not based on the lower price criterion but on the quality and social value of the products.** [Kavala](#) has been developing a database with the data of local enterprises and engages with suppliers via events organised by the local enterprises. [Larvik](#) also engages in market dialogue, as talking to the potential suppliers allows them to get an understanding of what can be supplied, the business and price structure of suppliers, their motivation, and so on.

### Clear prioritisation of staff health in public procurement

Most cities have prioritised keeping their staff safe by purchasing additional goods and services (linked to COVID-19), which was reflected in an increase in purchase of protective equipment. The city of [Kavala](#) **procured additional supplies in sanitation material, hygienic services, and**

**disinfection services** in all municipal working and serving spaces. The city of [Vantaa \(FI\)](#) has been giving face masks free of charge to the service providers to be used in the client contacts in health care/social work. The city of [Koszalin \(PL\)](#) saw the **COVID-19 pandemic changing the structure of planned procurement**: urgent personal protective equipment purchases emerged with resignation from unnecessary procurement such as mass events organisation, promotional materials, travel, training. The government adopted a special Act facilitating procurement needed for fighting the epidemic. While most health-related measures were taken at a local level, it is questionable to what extent these measures will continue to apply after the pandemic (e.g., the municipality of [Bistrita \(RO\)](#)).

The urgent need for more medical and protective equipment has highlighted the need for strategic planning. [Larvik](#) has turned the dialogue with suppliers towards considerations as to how the local, regional, national stocks can be increased and how payment can be optimised. In the case of Norway, this favours bigger suppliers as they have stock for a whole region.

### Challenges

Unfortunately, the pandemic has reflected negatively on some existing practices. The city of Munich *faced challenges with ongoing initiatives such as one trying to make procurement procedures more innovation friendly*. Starting with some pilot initiatives in 2018/2019, the city of Munich wanted to initiate a public discussion on implementing new elements in order to support innovative start-ups. With the pandemic, the public discussion has come to a halt, and the city hopes to launch a new approach in 2021 stimulated by a Start up-in-Residence EU funded project (COSME)<sup>2</sup> headed by the City of Amsterdam.

---

<sup>2</sup> More information on COSME can be found here [https://ec.europa.eu/growth/smes/cosme\\_en](https://ec.europa.eu/growth/smes/cosme_en)

### 3 Environmental and economic effects of changes in public procurement policies

The second case study presents environmental and economic effects that relate to changes in public procurement policies. Some of the effects and changes had started prior to the pandemic, but were speeded up by the pandemic, while others occurred due to the pandemic.

#### Continuous digitalisation of services - Going digital and e-procurement

**While most cities were in the process of digitalising their public procurement services, the COVID-19 pandemic has speeded this process up in cities where services were not fully digitalised.** This included changes in procedures to undertake procurement, i.e., a shift from a mix of digital and paper means of submitting documentation to fully digital. The city of [Vila Nova de Famalicão Municipality \(PT\)](#), taking advantage of the digital transition process, sped up the public procurement digitalisation process so that right now, there are no paper procurement processes. The entire procurement process - from the initial internal ones through the procurement process with third parties via public purchases until signing the contract is conducted digitally.

But **digitalisation of public procurement extended beyond pure digital tender submission**, as can be seen in the example of the city of [Palermo \(IT\)](#), which created the Innovation Service of the municipality of Palermo. In collaboration with other offices, the municipality created a 'digital toolbox' at the beginning of March 2020. This toolbox is an **online space that provides the tools, procedures, and information necessary for the new style of working online**<sup>3</sup>.

The process of digitalisation in Bulgaria has been boosted in the past year by **switching to entirely online tenders (public procurement), while the connectivity administrators have been dramatically improved through electronic exchange of document turnover**. At the municipality of [Gabrovo \(BG\)](#), a platform was developed, allowing citizens to communicate fully online with the administration by presenting their ideas, initiatives, and public discussions<sup>4</sup>. The platform has been operational since April 1<sup>st</sup>, 2021.

[Kavala](#) has introduced **a totally digital process in assessing the bids/offers, and all call announcements are uploaded to the city's main portal**. Moreover, the assessment of offers and final decision allocations are facilitated with online meetings of the assessment committees. When the pandemic started, the procedures were loosened to allow for the fast-track appointment of contracts. Besides going fully digital, Kavala simplified bidding procedures & paced up the checking procedure, which was a big digital transformation, which would not have happened otherwise. According to the municipality, the difference was immense.

However, **the digitalisation of the tendering process created some obstacles**: as all calls were now announced digitally, companies from other parts of Greece which would have otherwise not bid for local contracts were now given the opportunity to also bid for smaller contracts. This jeopardises

<sup>3</sup> Available at <https://sites.google.com/comune.palermo.it/lavoroagile>

<sup>4</sup> Available at <https://gabrovo.komitet.bg/>

the local, mostly smaller, suppliers (contract less than 5 000 EUR). It furthermore creates a big challenge for the municipality of Kavala to safeguard that the local economy and suppliers ensuring these are supported.

#### Developments

In Poland, the New Public Procurement Act in force as of 1<sup>st</sup> January 2021 introduced the obligation of full digitalisation of national procedures above the national threshold of 130 000 PLN (30 000 EUR) net and below EU thresholds. Public procurers can decide internally on procedures below 30 000 EUR net threshold, and in Koszalin those are in the mixed paper – digital form.

### Greater focus on local supply chains

The city of [Haarlem](#) is working towards shortening supply chains, which can have a positive effect on lowering the environmental footprint. Additionally, there is the economic aspect of contributing to local employment. **The city of Haarlem has built a digital platform on Innovation Broker for impact to local entrepreneurs<sup>5</sup>.** This platform has enabled companies to become aware of each other's offers and created grounds for more collaboration. A similar initiative began in [Vila Nova de Famalicão](#), albeit on a smaller scale. They started to use a new programme (commerciële de ville; website) to interact with only local suppliers. All local suppliers can register in this marketplace and present their products. This creates a direct connection, and products go directly from the producers to the consumers.

[Kavala](#) has been **working closely with the local trade association and local suppliers, training them in public tendering procedures and supporting them in bidding.** The training that Kavala provides entails helping the suppliers understand the bidding procedure fully. It offers technical help but was stopped due to the pandemic. After COVID-19, Kavala will organise a training seminar about the stages of the tendering process. Mainly through a training course, trying to get the local supplies ready & to bid in time. They pre-discuss and notify them about the possibility before officially announcing a tender.

The training helps enable local suppliers to participate in local tenders and prioritise them on **the criterion of close proximity and therefore minimising the transfer costs for goods and, therefore, the carbon footprint of the end products.** [Kavala](#) included the proximity criterion in tenders, which has to be justified under the carbon footprint section. This benefitted the local suppliers, as they are closer to the municipalities than big companies in Athens/Thessaloniki (500KM away). The proximity criterion was not a complete novelty as it was used for the bigger tenders on the national platforms. The pandemic pushed for the mainstreaming of this practice for the small tenders (3 000 – 5 000 EUR).

The city of [Vantaa](#) has also turned to local suppliers as the pandemic started. Due to the pandemic, they needed quick answers from suppliers, so they needed to find suppliers in the city and region. Even during the COVID-19 period, the city of Haarlem is using environmental sustainability criteria by doing procurement. Even when it comes to procurement of the protecting screens between working places (where usually plastic screens are used), the city of Haarlem procured circular protecting screens made from wool.

<sup>5</sup> Available at <https://kennemerinkoopplatform.nl/>



## Economic changes

With the pandemic bringing the need for swift procurements, the **launching of joint procurement actions** (for instance, more municipalities getting together as was the case for the procurement of various medical supplies) has become more appealing. Some municipalities have engaged in this practice well before the pandemic. The city of [Haarlem](#) is part of the Metropolis Region Amsterdam network, and in the new Procurement Strategy, more joint public procurement practices and collaboration with Province North-Holland will be included. The new Procurement Strategy does not produce joint tenders per se but is rather based on an agreement of the criteria by various councils/governments as to what will be requested through tenders. This gives more clarity to suppliers and ensures that the government presents clear demands to the market.

[Larvik](#) is part of a Procurement Partnership with six other municipalities that have engaged in 40 **joint procurements**, from which one tender was for health protection gear. The municipalities approached the supplier together to discuss finding new suppliers in China to ensure that the regional stock of protective gear can be increased. While this partnership was established before the start of the pandemic, its importance grew during the pandemic because as without this cooperation, it would have been difficult for Larvik to meet its needs. The point of such partnerships and joint tenders is about effectiveness rather than about the efficiency of resources.

Another phenomenon that was observed with the start of the COVID-19 pandemic was the **shift in company production lines towards producing protective equipment** (e.g., a company producing plastic products shifting to producing protective equipment when the pandemic hit). The municipality of [Gabrovo](#) and [Vila Nova de Famalicão](#) are home to many tailoring companies. Both municipalities saw a shift towards the production of protective equipment. In the first weeks of the pandemic, local companies in Gabrovo restructured their production from clothing to protective equipment and, at the end of March 2020, these companies were producing local protective clothing for multiple uses. Some local companies in [Koszalin](#) shifted production and started sewing masks, and 3D printed face shields in the first wave of the pandemic to account for the deficit of personal protective equipment products on the market.

The city of [Kavala](#) saw many of the **local companies adding NACE codes to their financial profile to facilitate COVID-19 prevention services and supply hygienic material**. The sample of companies that did this was not sector-related but rather cross-cutting. An illustrative example includes construction companies that started providing disinfectant services. Regardless of the sector, companies had the opportunity, thanks to the flexible law, to include NACE codes that could be significant for COVID-19 prevention.

### Pricing changes

Larvik faced challenges with some procurements where suppliers have wanted to increase their prices, claiming 'force majeure'. Most of the time, these claims were rejected. However, under certain circumstances, the municipality agreed to the higher prices, keeping in mind the specific supplier and their circumstances.

## 4 Procedural changes in public procurement policies

The third case study presents procedural changes related to public procurement. These changes can take several forms: changes in tendering requirements and award of the tender, and changes in tendering deadlines.

### Procedural changes in tendering requirements and tender award

When considering procedural changes in tendering requirements, we mean using different procedures for different spend thresholds (e.g., the requirement for three SMEs to bid for opportunities below 20K EUR), opting for aggregation of contracts, or looking at alternative solutions when engaging with the market (e.g., work more closely with innovation ecosystems or entrepreneurs' network).

The Greek national legislative framework allowed the city of [Kavala](#) during the COVID era to procure with **direct appointment and fast track procedures**, especially tenders on hygienic material and disinfecting of public halls services. The threshold for direct appointments went from 20 000 EUR to 30 000 EUR. The tendering procedures were immediate, and the contract appointment was based on the three offers process. The change in the legislation was related to the assignment of suppliers via the procedure of negotiation. The municipality called three suppliers and asked for their offers on the product it wanted to buy. Then the municipality chose based on quality & price (for smaller contracts, i.e., below 20 000 EUR). The reforms during COVID-19 and applied to public procurement are still in power and partly included in the new national public procurement law.

The city of [Larvik](#) uses a possibility within the national procurement law **to only invite local businesses to the procedure**. In some procurement tenders, Larvik sees the need to have a local outlet, and then the city only invites local businesses. Larvik follows the rule of the best value in public procurement, but for those procurements that we need to have a public tender and there is a need for a local outlet, they only invite local suppliers. This is done for some specific tenders, for example, if the administrative staff would have to drive 100 km to test out working boots. Then Larvik imposes the requirement that the supplier is within a 40 km radius; otherwise, it is too costly for Larvik to procure.

COVID-19 initiated a legislation change in Portugal. Since June 2021, a new public procurement code allows for the possibility of having a **tender reservation** (region-specific reserve tendering to focus on SMEs) to promote local companies. This legislative change is temporary (still ongoing but is expected to end in 2022). The legislative change further shifted the limit for direct tendering, with the limit being pushed from 20 000 EUR to 75 000 EUR. For [Vila Nova de Famalicão](#), this meant that it was possible to procure not by tendering but by using the direct award, which contributed to improving the relationship with customers in the region.

Other countries saw similar changes. In Romania, the change in legislation offered the municipality of [Bistrita](#) the possibility to reduce deadlines and to award tenders directly for supplies used for the

safety of the citizens. Norway introduced a provisional law that allowed for direct procurement of healthcare services and products, which [Larvik](#) has applied in a few situations.

### Procedural changes in deadlines

The city of [Tallin \(EE\)](#) **reduced its own payment deadline** from 21-30 calendar days to just 10 calendar days to improve the cash flow of companies. The city will also waive contractual sanctions in the event of difficulties that occur due to the ongoing emergency situation when fulfilling an order or delivery. [Bistríta](#) has reduced the evaluation period of a tender in the public procurement process.

The aforementioned legislative change in Portugal contributed to a **faster procurement process**. As mentioned by [Vila Nova de Famalicão](#), contracts would usually begin only when officially signed, but with the new law, the contract starts when the city council approves a supplier for a contract. This pushes the formalities to a later stage and allows for a faster tendering process. The city of [Larvik](#) also managed to shorten the procurement timeline when products and services were needed within two weeks. This is possible within existing law (not provisional or emergency), however, you have to explain the reasoning for this.

## 5 Next steps and recommendations

While most cities and municipalities are still finding ways to tackle the effects of the COVID-19 pandemic, some recommendations can emerge based on their initial reactions. Here are the three key things that cities should consider about their procurement procedures moving forwards and in their response to COVID-19:

- **Talk to your suppliers.** The open dialogue technique helps governments consider their needs in a strategic way before approaching suppliers, and they can communicate these in a clear way to suppliers. A dialog also ensures that the products that the municipalities need are not based on the lower price criterion but on the quality and social value of the products. It helps create trust and a good rapport between the two parties, which shows to be important in difficult situations.
- **Consider keeping flexibility in procurement procedures** to be better able to respond to crisis situations – Including proximity criteria or tender reservation for local SMEs can help contribute to the thriving of the local economy.
- **Ride the digital wave.** For those not yet fully there, consider extending the digitalisation of public procurement beyond pure digital tender submission. Bringing all tenders to a digital platform opens the process up to a wider audience. This comes at a greater risk of bigger companies monopolising opportunities, but municipalities can consider different methods of safeguarding SMEs. Digitalisation allows municipalities to seize the opportunity of working remotely - online spaces provide the tools, procedures, and information necessary for the new style of working online.

Finally, the accompanying spreadsheet to this report is just a starting point in collecting city responses to Covid-19 through procurement. It is recommended that the UAEU Partnership on Public Procurement continues to populate the spreadsheet on an ongoing basis as new examples of change emerge.