

ARE WE PREPARED TO CONDUCT GREEN PROCUREMENT 100%?

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SUMMARY

The Relevance of the Assessment

Climate change and environmental degradation pose a threat to Europe and the world¹. The World Economic Forum has identified climate change as one of the biggest threats that humanity will face in the next decade and inaction on this issue could lead to a 4–18 % decline in global GDP.² The importance of the Green Deal and the countries' targets for a clean energy transition in the medium and longer term can also be accelerated by the war in Ukraine, as the war of important players in the global commodity market have negative consequences worldwide³.

The EC and the OECD point out that green procurement is an important tool for achieving environmental policy targets related to tackling climate change, more efficient and efficient use of resources, sustainable consumption and production, especially given the significant public sector spending on goods and services⁴. Public procurement forms trends in production and consumption and a strong demand for green goods creates or expands markets for environmentally friendly products and services and encourages the development of environmental technologies⁵.

¹ Internet access: https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_lt, accessed on 06/06/2022.

² Internet access: [Visualized: A Global Risk Assessment of 2022 and Beyond \(visualcapitalist.com\)](#), accessed on 25/07/2022.

³ Internet access: [How Ukraine is triggering re-evaluation of global systemic risk | World Economic Forum \(weforum.org\)](#), accessed on 25/07/2022.

⁴ OECD, Green Public Procurement, accessed on 30 May 2022, Internet access: [Žalieji viešieji pirkimai - EBPO \(oecd.org\)](#); Circular Economy Action Plan, Internet access: [Žiedinės ekonomikos veiksmų planas - Publications Office of the EU \(europa.eu\)](#), accessed on 06/06/2022; A handbook on green public procurement *Buying Green!*, Internet access: [„Pirmenybė žaliajam pirkimui!“ - 3-iasis leidimas](#), p.p. 5–8, accessed on 06/06/2022.

⁵ EC 16/07/2008 Communication *Public Procurement for a Better Environment*, Internet access: https://vpt.lrv.lt/uploads/vpt/documents/files/mp/kiti_leidiniai/COM_400.pdf, p. 3, accessed on 20/06/2022.

The Eighteenth Government Programme, approved by the Seimas⁶, stipulates that the EU's leadership in combating climate change also provides opportunities for Lithuania. The commitment is to be at the forefront of the European Green Deal and support the EU's most ambitious climate change targets, to significantly expand the scope of green procurement to make it the dominant form of public procurement as of 2023, and to use only green electricity and heat, only clean transport, goods, works and services by public bodies 100% through green procurement.

Recognising the importance of green procurement in contributing to environmental protection and tackling climate change, the National Audit Office carried out an assessment to encourage targeted decisions.

Objective and Scope of the Assessment

The objective of the assessment is to assess whether there are preconditions for procuring entities to move 100 % to green procurement in 2023.

Key areas of the assessment:

- strategic directions of green procurement development;
- green procurement legal regulation and its application;
- monitoring of green procurement performance indicators.

Audited entities – Ministry of Environment, Ministry of Economy and Innovation, and Public Procurement Office.

We assessed not only the information provided by the audited entities but also interviewed all ministries, municipalities and 249 other procuring entities. We used data from a public consultation conducted by the Ministry of Environment in April 2022, during which 342 procuring entities and 138 suppliers were interviewed; as well as information provided by the Central Procurement Organisation; we talked with representatives of the Lithuanian Confederation of Industrialists and analysed OECD, EC materials related to the conduct of green procurement and international practice (Annex 2).

The audited period is 2019–2021. To assess the changes, we have used 2022 data.

Key Assessment Results

Progress has been made in increasing the volume of green procurement, however, the conditions for 100% performing green procurement are still insufficient, as the legal regulation fails in practical implementation, the monitoring of green procurement has shortcomings, and the impact on national finances in the short term has not been assessed. In view of the emerging difficulties in the conduct of green procurement, and changes in the geopolitical situation, it is appropriate to review the established target (its term, volume, and scope) in order to conduct green procurement in the areas with the

⁶ By 11/12/2020 Resolution No XIV-72.

highest pollution, without increasing the administrative burden by 'greening' products only formally.

Green procurement development targets are ambitious but their implementation lacks preparedness

The Government's target of 100 % green procurement for 2023 is one of the most ambitious in Europe (e.g.: The Netherlands has set the target to achieve 100 % for 5 years (2010–2015), France foresees applying at least one environmental criterion in all procurement from 2022, Estonia has a 30 % target for 2023, Latvia, Germany, Austria do not have a quantified target). Due to the short transition period, rising inflation, continuing uncertainty about the future course of the Russian war in Ukraine, the risk of higher prices, longer supply chains and procurement disruptions, and negative impacts on the construction, manufacturing and transport service sectors remains⁷, therefore, a smooth transition to green procurement as early as 2023 raises doubts (Section 1.1, p. 12).

Procuring entities suggest reviewing this target. According to the representatives of the Lithuanian Confederation of Industrialists, this target may limit the competitiveness of businesses in the EU market. In addition, the target is not aligned with the deadlines set out in other national planning documents for the execution of these procurements⁸ (e.g.: 100% of green procurements in 2025 or 2030); as well as the target is not in line with the goal⁹ to limit these procurements to the purchase of products with a high environmental impact. Ministries that conduct green procurement do not include targets for the volume of green procurement in their strategic plans: 9 ministries have not set such targets in their plans for 2021–2023 and 10 for 2022–2024. Green procurement targets and commitments have been set by 48% (164 out of 342) of procuring entities in their internal documents (Section 1.1, p. 12).

The 100% green procurement target does not take into account the impact on the environment and the country's finances in the short term and does not foresee the need for additional funds in the 2022 budget planning. 30% (94 out of 321) of the procuring entities surveyed say that green products are more expensive. During the assessment, we have found that green products (especially goods) are more expensive than ordinary products: food is more expensive by 19–246% (according to a survey), electricity is more expensive by 3.5–39.7% (according to the public enterprise *CPO LT*), cars (hybrid and electric) are more expensive by 19–110% (according to publicly available data). 61% (208 out of 342) of the procuring entities would be most motivated to make these procurements by cheaper products, with limited financial resources being one of the main reasons for failing to achieve the targets. According to the auditors' assessment, the objectives of the country's green procurement should be determined by assessing the real need for financial resources in the short term and the limited capacity of the State budget (Section 1.2, p.15).

The plans of green procurement implementation measures foresee and implement the improvement of the competencies of procuring entities in the field of green procurement,

⁷ 11/07/2022 Opinion on the Endorsement of the Economic Development Scenario No BPE-6, p.p. 1–3.

⁸ National Progress Plan 2021–2030, Environmental Protection and Climate Change Management Development Programme 2022–2030, National Energy and Climate Action Plan 2021–2030.

⁹ National Environmental Protection Strategy.

however, the overall need for all their training is not assessed and more than half of the procuring entities report a lack of knowledge for setting environmental criteria (55%), as well as methodological tools, instruments, good examples (53%), while the organisation of training (54%) and practical advice on the application of criteria (61%) would encourage to perform more of these procurements. In order to achieve a coherent development, green procurement implementation plans should include measures targeting all procuring entities in terms of upskilling, wider dissemination of good practices, incentives for suppliers to actively engage in the supply and manufacturing of green products, the reorientation of which takes time (Section 1.3, p. 17).

Failure to implement the regulations causes problems to achieve the performance of 100% green procurements

In carrying out green procurements, procuring entities must comply with the requirements of rational use of funds, procurements from social enterprises, and innovative procurement requirements, however, 51% (163 out of 321) of the respondents indicated that they would not be able to comply with at least one of these principles from 2023 onwards in performing only green procurement (Section 2.1, p. 20).

The environmental criteria adopted for green procurement cover 32 groups of goods/services, however, 52% (179 out of 342) of the procuring entities and 9% (12 out of 138) of suppliers do not understand the criteria, while 66% (227 out of 342) of the procuring entities lack information on how to check the conformity of the products procured with the criteria. During the assessment, procuring entities, representatives of the Ministry of Economics and Innovation, the Public Procurement Office and the Lithuanian Confederation of Industrialists stated that environmental protection criteria are complex, unclear, too detailed, difficult to apply in practice, as well as restrict competition between suppliers, updated in small volumes (Section 2.2, p. 21).

Procuring entities will have to set the environmental criteria independently for ~67% of all procurements (in terms of the number of procurements)¹⁰. 37% (126 out of 342) of procuring entities consider that the criteria are set for a small number of products. 44% (94 out of 228) of responded procuring entities have problems in setting criteria independently (usually when buying products and expert services related to specific activities), 22% (49 out of 227) consider that there are some products for which it is not appropriate to apply the criteria, as their purposes are already environmental, whereas services without a physical form are subject only to formal criteria (Section 2.2, p. 21).

Green procurement leads to a narrower choice of products: 38% (87 out of 232) of responded procuring entities indicated that there was an insufficient supply of green products in the period 2021–2022; 12% of the procuring entities in 2021 had cases when having applied the environmental criteria they did not receive any bids or where the bids did not comply with the established criteria; 22% (31 out of 138) of suppliers did not participate in the procurement due to environmental requirements (Section 2.3, p. 25).

Every year about a third of green public procurements are carried out through the public enterprise *CPO LT*, however, procuring entities are unable to procure all green products, as part of the goods and services offered in the catalogue still do not meet environmental

¹⁰ Conditional calculations have been made on the basis of the data provided for the value and number of public procurements in 2020, as the Public Procurement Office could not provide more up-to-date data according to the CPV code classification.

criteria, and the supply of existing goods is insufficient, e.g.: existing hybrid or electric cars are not able to meet the needs of all procuring entities (particularly when cars with higher performance are needed). According to the survey, it is difficult for procuring entities to procure cars used for specialised activities (e.g.: passenger cars, school buses, snow removal transport). Based on the questions and issues raised by the procuring entities on the Public Procurement Office klausk@vpt.lt platform, companies cannot offer or increase the cost of zero-emission vehicle services (passenger transport, postal services, waste collection). Almost 61% (208 out of 342) of the procuring entities state¹¹ that green procurement would be most encouraged by the increased availability of green products on the market. In order to encourage the performance of green procurement and increase the impact of green procurement on reducing environmental pollution, the importance of harmonised legislative requirements, clear and easily adaptable environmental criteria, focusing on products with the highest environmental impact, and the elimination of formal green procurement criteria to achieve the 100% target must be considered (Section 2.3, p. 25).

In the first half of 2019–2022, the number and value of green procurements increased, however, not all procuring entities show progress in their green procurement indicators. According to the survey and scoreboards carried out at the time of the assessment, the value of the green procurements carried out by interviewed procuring entities in 2021 was below the 10% target set by the Government. 37% (92 out of 249) of surveyed procuring entities did not carry any of them during Q1 2019–2022. Due to the lack of competence of professionals in green procurement, as well as complicated application of environmental criteria, and limited financial resources, 66% (212 out of 321) of surveyed procuring entities report that they may not reach 100% of green procurement in 2023 and are therefore not well prepared to conduct only green procurement (Section 2.4, p. 27).

Changing monitoring data complicates the assessment of green procurement progress

For the monitoring of green procurement, the Public Procurement Office has developed a scoreboard where data on green procurement can be monitored in real time and the results achieved can be compared to each procuring entity. However, final data on green procurement volumes are only available after the end of the calendar year when low value green procurements are included; as under the legal regulations procuring entities submit low value procurement data within 30 days after the end of the reporting year. The constant adjustments made by procuring entities and the inclusion of data on low value procurements lead to changes even in the data already summarised for the previous calendar year and recorded in the CPV reports, e.g.: having compared the figures published on 18 March 2022 and 9 May 2022 scoreboards, the total number of green procurements decreased from 7.3% to 2.8% in 2021 and the value from 17.9% to 16.3%. The Public Procurement Office, as part of its monitoring of compliance with public procurement requirements, started verifying and reporting on green procurement in early 2022, as green procurement assessment issues were only recommended. The changing monitoring data for the previous calendar year, the inclusion of low value green procurement data only after the end of the year, and the lack of consistent monitoring of green procurement does not allow an objective assessment of the achievement of the green procurement objectives and the proper identification of systemic problems in the implementation of procurement (Section 3, p. 29).

¹¹ Internet access: [2022 Viešujy konsultacijų rezultatai \(lrv.lt\)](https://www.viešujy.konsultaciju.rezultatai.lrv.lt), p. 17, accessed on 02/05/2022.

Changes During the Assessment

- A draft amendment to the Order¹² is being prepared to reduce the list of products and the scope of the environmental criteria applicable to them; to establish detailed and relevant criteria in priority product groups; to propose more universal criteria; to introduce exceptions in order to be able to set criteria independently when it becomes apparent that there are no products meeting the minimum criteria on the market or not to set the criteria where the purpose of the procurement is already environmental, and to delete the excess references to the legal acts.
- The Public Procurement Office has developed a Green Procurement Dissemination and Communication Strategy (2022–2025)¹³ which aims to promote the development of the green procurement system, to improve the qualification of procurement participants in relation to green procurement and to ensure that all participants of the procurement system have an interest in green procurement and that suppliers offer and supply more sustainable products in their procurements.

¹² 28/06/2011 Order No D1-508 of the Minister of Environment approved the description of the procedure for the application of environmental criteria to be applied by procuring authorities and procuring entities when procuring goods, services or works.

¹³ Internet access: [ŽVP_sklaidos_ir_komunikācijas_strategija\(1\).pdf\(lv.lt\)](#), accessed on 24/05/2022.