



# Initial Analysis of the barriers to investments in **innovative Renewable Energy Sources**



This booklet presents a summary of the findings from all case studies presented in D3.1 “Initial Analysis of the barriers to investments in innovative RES”.

All findings are clustered to answer the following four research questions:

How municipalities/regions are applying innovative green public procurement to achieve RES related objectives?

01

To what extent SMEs are engaged in green public procurement?

02

What are the drivers and barriers to green public procurement as perceived by both suppliers and purchasers?

03

What are the critical success factors and barriers perceived by local authorities and SMEs on involving SME in public procurement?

04





## How municipalities/regions are applying innovative green public procurement to achieve RES related objectives?

The findings show that **most municipalities are planning to achieve RES related objectives** and some of them have performed green public procurement. However, many SMEs believe that they have not been well-informed and they are not aware of the possible support provided by the municipalities. In most cases, this support is not easily accessible and is not adequate. There is a clear mismatch between the objectives of the municipalities and the perception of the SMEs.

For most PAs, **minimising the price of the contracts resulting from GPP is still the key criterion**, or in some cases the only criterion. In some municipalities, such as in the interviewed municipalities in Norway and Sweden, performing green purchases with an emphasis on environmental criteria in their procurements is already common practice. In terms of the pretender dialogue with the potential suppliers, some municipalities have already included this aspect in their procurement (Denmark, Norway, Slovakia), some other municipalities are aware of the benefits of pre-tender dialogue and have plan to practice it, but some municipalities are not planning to conduct any dialogue because of the legal barriers.



To what extent SMEs are engaged in green public procurement in the cases?

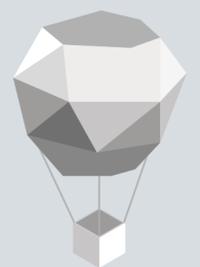
SMEs bring both economic and social benefits to society, and they play an important role in stimulating the development and introduction of RES. They can deliver a wide range of innovative products and service to the procuring organizations. However, sometimes these benefits are not well translated into the authorities' policy incentives.



Based on our interviews, **we find that a large number of PAs have SMEs as their suppliers, regardless of any specific strategy for SME involvement.** The PAs do not favor either SMEs or larger firms but they conduct their procurements on the basis of their evaluation criteria.



Therefore, SMEs could win public tenders if they can provide better offers than larger firms. In some case, SMEs have more opportunities if the PAs favor the local suppliers. This is for example the case for Denmark where municipalities have been organised into procurement districts, and SMEs can only bid in one district to ensure that more companies have the opportunity to work for the municipalities. A similar approach can be found in Slovakia. However, we also find that PAs often require a minimum volume of income that is very high for SMEs. In these cases, only larger companies are able to apply for the tender.



What are the drivers and barriers to green public procurement as perceived by both suppliers and purchasers?



Many factors are identified as drivers and barriers to green public procurement.

01

Basing on literature review, **political will at both the national and local level can be a critical driver for GPP**. Case studies in Denmark, Germany, Portugal, Slovakia, Spain, Sweden and UK show that public support, ambition to achieve sustainability, political support, and intention to apply green criteria in public procurement are drivers for GPP. GPP requires commitment, expertise, and political and financial support. However, the lack of a specific strategy or policy for the procurement of RES is a major barrier for GPP. As mentioned by one of the respondents, when there is no awareness that procurement could be an instrument to promote sustainable development.



02

The interaction among different actors can facilitate the cooperation between the procurers and suppliers. **The pre-tender dialogue among PAs and suppliers is an effective platform for them to exchange information and knowledge.** PAs learn about possible innovative solutions offered by suppliers and the suppliers can access information about upcoming tenders. However, in some cases, the level of supplier engagement is very low because of the legal restrictions in place.



04

Some small municipalities have limited purchase power and capacity, and they rely on the central purchasing contract organized by the central procurement department. Therefore, they are less motivated to implement GPP.



03

Only some PAs know that GPP could be an effective instrument to promote sustainable development.



05

To conclude, there are also many other barriers identified in the case studies. For example, any PAs are sensitive to price and the financial constraints for many municipalities can be a major barrier to GPP because many of the green solutions are expensive. From the supply side, the limited number of suppliers of green solutions make it difficult for PAs to choose green solutions. From a legal perspective, public procurement is limited by the procedures established by law and the main GPP criterion is often based on lowest price of the winning bid.



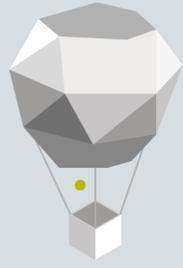
What are the the critical success factors and barriers perceived by local authorities and SMEs on involving SME in public procurement?



Based on the case studies, we find many critical success factors and barriers perceived by local authorities and SMEs on involving SME in public procurement.

01

**Public procurement process can be frustrating for SMEs.** Confusing and complicated requirement, restrictive financial criteria, tenders published with short notice, and outdated requirement make SMEs reluctant to participate in public tenders. Because of the complexity of the procurement, some SMEs perceive PP as a black box. Therefore, it is key simplifying the PP process and providing clear written information.



02

**SME-friendly public procurement policies and strategies are critical for SMEs participation in public procurement.** Many PAs are unaware of the benefits of SME engagement in PP, and there is a lack of public support for SMEs. Public policies and strategies that are short-term oriented and lack of long-term consistency are a major barrier for the SMEs as they do not have enough resources and time to keep track of procurement policies. For example, some municipalities require that participants to public tenders have a certain amount of equity: this is a barrier against SME participation. Furthermore, requirements such as environmental certification from a third party can be a barrier for SMEs. However, as some PAs focus on local suppliers, this creates more opportunities for local SMEs.



04

**Some other barriers are digitalization** (some SMEs do not have enough ICT knowledge to participate to online bids), lack of knowledge and expertise on PP, and their own management problems in a cooperatively owned company.

03

**The visibility of SMEs and communication between SMEs and PAs are critical factors for SME engagement in PP.** Market dialogue between SMEs and PAs can increase the visibility of SMEs, and increase their interest to participate. For SMEs, participating in teams and join a network or a cooperative to share information can be very beneficial.



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