

# MAKING SPEND MATTER

Environmental Criteria Case Study

Kavala

# Kavala



# INTRODUCTION

## About Making Spend Matter

The **Making Spend Matter Transfer Network**<sup>1</sup> is one of 23 transfer networks funded through the **URBACT Programme**<sup>2</sup>. Generally, the transfer networks are seeking to transfer an **URBACT identified piece of Good Practice**<sup>3</sup> associated with integrated urban development to other cities across Europe.

In the case of Making Spend Matter, the identified good practice is around the process of public procurement and particularly a methodology called spend analysis which enables cities to measure where their procurement spend goes and subsequently work in cooperation with other partners and the market to progress the way in which they undertake procurement policy and practice.

The spend analysis good practice has been developed by the City of Preston in the United Kingdom over the course of the last seven years. Over the course of the last two and a half years as part of the transfer network, Preston has sought to transfer the principles and practice of the methodology to six other cities: Pamplona (Spain), Vila Nova De Famalicão (Portugal), Schaerbeek (Belgium), Kavala (Greece), Bistrița (Romania), and Koszalin (Poland).

## About the Making Spend Matter Toolkit

The Making Spend Matter Toolkit ([www.preston.gov.uk/makingspendmattertoolkit](http://www.preston.gov.uk/makingspendmattertoolkit)) brings together guidance and learning from the network to enable other public organisations and cities to start / continue their own strategic procurement journey.

The Toolkit comprises four parts:

- The first part explains how public organisations can take a more strategic approach to public procurement to help them deliver positive impact on their communities, economy and environment.
- The second part provides a spend analysis tool (produced by CLES, the Centre for Local Economic Strategies in the UK) and guide (produced by Making Spend Matter partners) to help cities analyse their procurement spend in terms of geography, sector and with different types of suppliers, and interpret their findings to help inform where changes can be made to procurement processes.

<sup>1</sup> [www.urbact.eu/making-spend-matter](http://www.urbact.eu/making-spend-matter)

<sup>2</sup> [www.urbact.eu/](http://www.urbact.eu/)

<sup>3</sup> [www.urbact.eu/good-practices/home](http://www.urbact.eu/good-practices/home)

- The third part provides tips and guidance through a series of Frequently Asked Questions (FAQs) and infographics on a range of topics from how to develop a strategic approach to public procurement, increase your engagement with SMEs, embed social and environmental criteria and measure the wider impact of your procurement activities.
- The fourth part provides practical examples on the topics highlighted in parts two and three and other activities which partners engaged in during the lifetime of the Transfer Network.

## About these Case Studies

Each partner city has had the opportunity to participate in optional transfer activities in relation to the topics of advanced spend analysis, developing strategic procurement plans, business database development and SME engagement, and social and environmental criteria. These activities were either delivered through bilateral meetings between smaller groups of partners with the support of a Lead or Ad Hoc Expert, or bespoke one-to-one individual partner meetings with the support of the Lead Partner, Preston, and the Lead Expert. After these meetings each of the partners undertook further activities to implement what they had learned.

Each case study which follows here, covers one of the elements of the optional transfer which partners participated in according to their own contexts and needs. Engaging with Anchor Institutions<sup>4</sup>, the topic of one of the case studies, was not a separate activity in its own right, rather it was a golden thread running through the Transfer Network around the importance of engaging more widely with other institutions in order to maximise the impact of public procurement on place.

The case studies are designed to be practical in nature for cities who are undertaking their own procurement journey, whether they are just starting out or have already embarked on it. The case studies follow the same format, outlining the context of each city, why the activity is important to them, the barriers they faced, the activities they undertook, what worked well, what did not work so well, and lessons learned.

<sup>4</sup> These are large, often public sector institutions, that are important because they spend a great deal of money buying goods and services, they employ lots of people, they own lots of land and assets, they often have democratic mandate, and they are unlikely to go anywhere.

## Kavala Context:

The City of Kavala is based in Eastern Greece and forms part of the Eastern Macedonia and Thrace region. The population of the municipality area is around 70,000, with 54,000 living within the city itself. The region is the most under-developed in Greece, which assists Kavala when it comes to bidding for national and European infrastructure and social funds. Kavala is well located geographically and is well linked in infrastructure terms through both road and the sea. This makes Kavala attractive for inward investment.

In economic terms, the core and dominant industry of Kavala is tourism, with around 77% of jobs being in the service sector. There are however challenges with the seasonality of this sector and the associated employment. The breakdown of employment in other industries is 10.5% in primary and 12.5% in secondary. Kavala is seeking to diversify its economy through continued focus on tourism, but also the sectors of agri-food and blue growth.

The Municipality of Kavala is also in a strong position economically. It is a net benefactor when it comes to the raising of revenue when compared to its spend on employee wages and services – it raises around 49 million Euros a year in revenue; compared to a spend of around 39 million Euros. This is enabled by strong fiscal independence, with around 71% of revenue raised through local taxation.

The key anchor institutions in Kavala are the Municipality of Kavala itself, the regional government of Eastern Macedonia and Thrace, the General Hospital of Kavala, and the Eastern Macedonia and Thrace Institute of Technology. The Municipality has also engaged with other organisations during the course of the Network. These include Dimofelia (a Public Benefit Organisation), Pre-School Education Institutions, the Municipal Theatre, the Trade Association of Kavala, and individual major suppliers.

The process of procurement is increasingly been seen in Kavala as a means of addressing the social challenges facing the city and in diversifying the economy. The function of procurement for goods and services sits within the Economic (Finance) Department of the municipality, alongside revenue collection, accounting, and accounts payable. This means that the process at the moment is largely transactional and focused upon cost. The procurement of works and construction activities sits elsewhere in the Municipality.

The Municipality of Kavala spends around 4 million Euros each year buying goods and services, with a much larger spend on works and construction, at around 15 million Euros. The core types of goods and services purchased relate to environmental services, agricultural services, technical services, and operational services.

## Why focus on social and environmental criteria:

Considerations of social and environmental criteria is an important goal of the European Commission, as part of its refresh of the 2014 Directives. The inclusion of such criteria are not, as yet, common in Greece. As part of progressing its procurement practices, the Municipality of Kavala wanted to explore how it could incorporate environmental criteria into its procurement opportunities and contracts and how it could help its supplier base to understand more about it and include relevant information in their tenders.

## Barriers / Challenges:

The Municipality, however, has faced a number of barriers and challenges in realising their goals:

The first barrier is that very few, if any, Greek cities have applied environmental criteria in their procurements, primarily due to the constraints of current Greek law and concerns that they would be open to challenge once the tenders had been evaluated and the contract had been awarded. Therefore, there were no examples for Kavala to draw on.

The second barrier, directly related to the first, is that Greek suppliers, particularly Small and Medium-sized Enterprises (SMEs), equally have either little or no experience of including information about social and environmental activities in their tender bids.

The third barrier relates to issues faced by SME suppliers everywhere: a lack of awareness of procurement opportunities; a lack of the required certification to participate in procurement exercises, most notably around VAT registration; the complexity (perceived or real) around bidding for opportunities, particularly in relation to the scale of documentation, and emphasis on price in the decision-making process; and long payment terms, resulting in business cash-flow issues.

The fourth barrier is unique to the current economic situation and concerns the increased competition from larger companies bidding for contracts, particularly those of low value, which normally they would not consider and which has the potential to adversely affect the market and discourage smaller suppliers from bidding for and winning contracts. This is a direct result of the impact of COVID-19 on the economy and individual businesses need to find new markets for their goods and services.

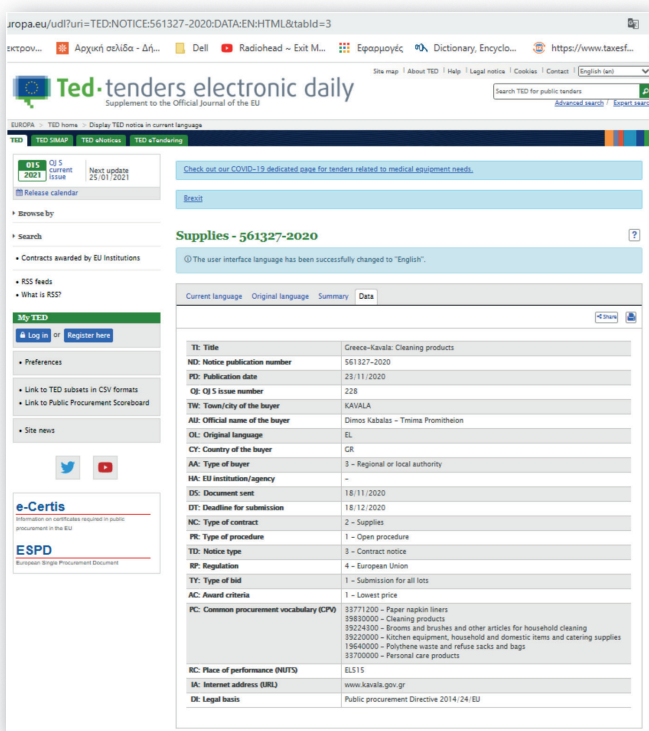
## Actions taken / changes made:

- The Municipality of Kavala decided that it wanted to test the market and introduce some environmental criteria into one of its cleaning materials supplies procurements.
- Between April and May, the City of Kavala organized a number of meetings both internally and externally.
- Internally, the discussions focused upon the types of criteria to be considered, e.g. that the offered materials should be bio-based, carry ISO certificates, respect safe storage conditions, carbon footprints etc and any obstacles that the inclusion of such criteria might bring, e.g. an increase of the procurement budget (in terms of staff time preparing the tender and the cost of the materials proposed), difficulties faced by suppliers in providing the required specifications. The final format and legal framework of the proposed tender were then agreed, and presented to the Municipal bodies and companies under the Municipal's authority for them to adopt and respect as a common procurement strategy.
- Externally, the Municipality met with the market to discuss the tender conditions to make sure that the market could meet them.



- Suppliers, to the surprise of the Municipality, welcomed the ideas of including such criteria in tenders. During the course of the discussions, they suggested that the criteria focus on recyclable materials and the introduction of quality certificates for the products.

- The criteria which were identified and preferred the most were:
  - Carbon Footprint;
  - The suppliers' obligation to collect recyclable materials at their own expense and deliver them to a recycling company (presenting the respective recycling certificate);
  - Discount vouchers to vulnerable population groups; as social collateral that the Municipality advantages with extra grading when evaluating the offers;
  - Social initiatives/ activities that the suppliers are willing to organize and provide;
  - Mandatory products' quality controls.
- Following this feedback, the Municipality reviewed the final tender and opened the call on 19th November 2020.



- The criteria included in the Tender include:
  - 0% of plastics in the material supplied. Recyclable material preferred
  - 1% of the value of the procurement to be contributed to social initiatives / activities
- The call will close on 18th December 2020. Only electronic offers will be considered.

## What worked well:

There were a number of things which contributed to the successful publication of the tender. These included:

- The Ministry's change in the law on green procurement under consultation to which Kavala contributed its knowledge and experience gained both through the Making Spend Network and its preparation of the cleaning materials' tender;
- Meetings with key stakeholder (trade association, suppliers and municipal institutions) to raise awareness of the opportunity;
- The responsiveness of the market;
- Staff experience in public procurements;
- Emerging interest locally and regionally enabled the sharing of what Kavala was doing and kept the delivery of the tender on time on track;
- Support of the Making Matter Transfer Network which demonstrated what was possible in relation to social and environmental criteria.

## What worked less well:

- The lack of a legislative framework to support change;
- COVID 19 restricting our working patterns to solely digital ones, working from home and allowing only digital meetings which caused some delays in proceeding with the tender;
- Varying degrees of knowledge, skills and experience of other staff members meant there was a greater need for training to support the development of the tender.

## Lessons learned:

- Where there is a will, there's a way: Kavala took the opportunity to put what they had learned about the use of social and environmental criteria into practice by testing the market with a different type of tender for the supply of cleaning materials;
- Engaging with suppliers is beneficial: By undertaking pre-market engagement the Municipality of Kavala understood what suppliers were able to deliver and adapted the tender accordingly;
- If at first you do not succeed, try, try again: This was the first time the Municipality had attempted such a tender. The Municipality understands the importance of this type of tender in supporting the delivery of their procurement and wider strategic city priorities and will use the new legislative framework to develop further tenders which include social and environmental criteria in the future.



Making Spend Matter is a network of 7 European cities, funded through the URBACT III Programme and the European Regional Development Fund, exploring how spend analysis can be used as an evidence base to improve public procurement and deliver wider benefits to communities and places.