



Public procurements and circular economy

Recommendations for decision-makers and procurement managers

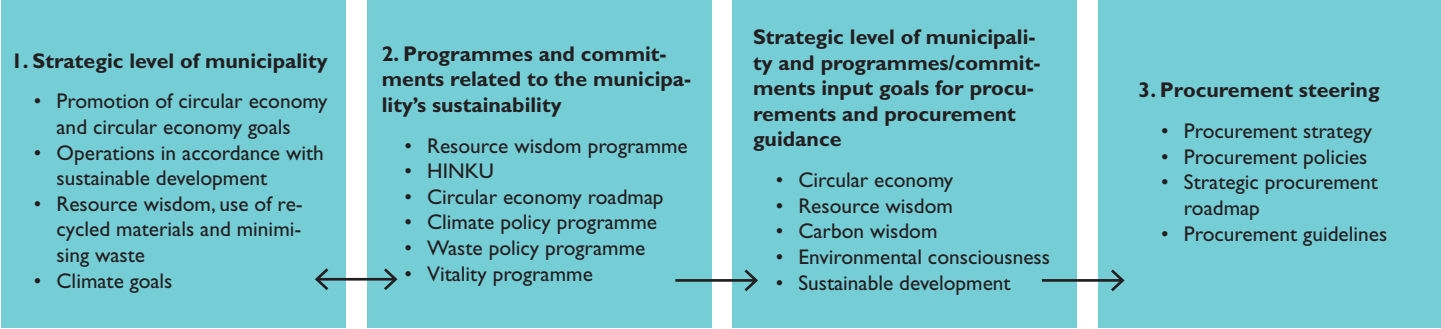
- In Finland, about 35–47 billion euros is used on public procurements every year. Public procurement has been identified as an important accelerator of circular economy. The national public procurement strategy drawn up by the Ministry of Finance's 'Impactful Public Procurement' action program (Vaikuttavat julkiset hankinnat, Hankinta-Suomi) highlights circular economy procurement as one of the ways to transition to a circular economy and achieve Finland's carbon neutrality goal of 2035.
- Circular economy creates new business models. Services are increased, enabling efficient and rational use of resources. Circular economy procurement refers to the potential of public procurement to promote the sustainable use of natural resources¹.
- The municipalities have ambitious circular economy goals. However, circular economy is not yet fully implemented in public procurement – instead, procurement practices still predominantly follow the traditional linear economic model².
- A study carried out in the Circwaste project revealed that **the organisation must commit to: the promotion of circular economy at a strategic level, and the role of procurement in achieving an organisation's circular economy goals must be identified. The organization must also ensure that the circular economy is directed into practical procurement activities.** The study identified four critical factors that support circular economy procurement in practice:
 - **Strategic leadership.** Procurements must be managed strategically and systemically, focusing on the most effective procurement categories.
 - **Communication.** Procurements must be communicated both externally and internally, so that the new methods and benefits are widely spread.
 - **Increasing competence.** Those carrying out procurements must know the principles of circular economy procurement. Circular economy changes the traditional procurement approach and the importance of needs assessment is highlighted.
 - **Monitoring and impact.** Circular economy procurements must be able to be monitored and impact assessed.



Organisations must commit to a circular economy transition and making circular economy procurements

Circular economy procurement requires an organisation’s strategic commitment to transition to a circular economy. The study carried out in the Circwaste – Towards a Circular Economy project highlighted examples of how municipalities have taken their circular economy objectives from the strategic level as part of practical procurement activities.

Require political and communal commitment by the municipality:



Require interpretation by organisations and individuals (what is circular economy?) and competence:



Municipalities’ circular economy goals shift from the municipalities’ strategic level to the operational level of procurement. Circwaste interview study 2021.

The organisation must ensure that circular economy is implemented into practical procurement activities

Many of the municipalities interviewed in the Circwaste study are committed to voluntary programs and commitments. The programs can be drawn up by the municipality itself or they can be drawn up by e.g. networks and associations of several organisations in such a way that they have a common environmental goal (e.g. the HINKU network). Programs and commitments are often related to a specific topic, such as a strict climate goal or minimising waste.

In the interviewed municipalities, procurement is managed with procurement strategies, procurement guidelines and procurement policies, where circular economy is understood as part of broader sustainability goals, such as resource efficiency. At the operational level, procurement is guided in the interviewed municipalities, for example, by means of procurement guidelines. The municipalities have also compiled procurement criteria and prioritised product categories where sustainability aspects should be taken into account. Procurement and the inclusion of sustainability aspects in procurement are supported by various means, such as pre-assessment of procurement, checklists, and market dialogue practices.

Procurement management (procurement strategy, procurement guidelines) and implementation (operational level) are developed in the interviewed municipalities, for example, in various development projects, which often have a certain theme, such as the circular economy, reducing the carbon footprint, etc. The academy development programs organised by the KEINO competence centre were also mentioned in the interviews of the Circwaste interview study as one of the development tools.

Based on the results of the Circwaste interview study, it can be concluded that when circular economy is in the organisation’s strategy, and procurement has been identified as a tool to move the municipality towards circular economy goals, it is important from the perspective of success that the organisation also invests in the operational level, and especially in the four critical factors presented on the following page.

Invest in critical factors so that the potential of circular economy can also be utilised through public procurement.

<p>1. Strategic and systematic activities in procurement</p>	<p>Bottlenecks</p>	<p>When time and resources are invested in systematisation</p>
<ul style="list-style-type: none"> Investing in overall procurement coordination. Identify which procurements have circular economy potential. It is understood that procurement according to the circular economy changes traditional procurement. Methodical and predictable procurement (e.g. tender calendar). Market monitoring. Monitoring of savings and impacts. Motivating and training staff. Monitoring legislation (Waste Act, recycled materials). 	<ul style="list-style-type: none"> Resources Time shortage Process ambiguity (implementation of strategy into practical activities is missing). 	<p>Motivated and trained experts know the objectives and operating models of their organisation. They know how to act and where to get help and understand the market. They know how to prioritise the use of time to what is essential for circular economy.</p>
<p>2. Systematic internal and external communication</p>	<p>Bottlenecks</p>	<p>When time and resources are invested in communications, and it is systematized</p>
<ul style="list-style-type: none"> Internal communications within the organisation (procurers act in time and they recognise when circular economy should be considered and why). Communicating the municipality's strategic goals to suppliers and consulting them (market dialogue). Co-operation and exchange of experiences with procurement units and expert and development organisations (organisation's internal experts, Hankinta-Suomi and R&D projects). 	<ul style="list-style-type: none"> Resources Time shortage Communication is not systematic internally and/or externally. Communication is seen as an 'extra' assignment, not a necessity. Lack of communication competence or support. 	<p>Communication is a natural aspect of work for those working in procurement. Systemic change to the circular economy is supported in the organisation, when procurers understand the possibilities and obligations of circular economy in terms of procurement. The organisation knows the market conditions and the market is aware of the municipality's short- and long-term requirements. Common Understanding reduces uncertainty, supplier complaints and encourages operators to try new things.</p>
<p>3. Circular economy competence, circular economy procurement competence</p>	<p>Bottlenecks</p>	<p>When time and resources are invested in circular economy competence and it is systematized</p>
<ul style="list-style-type: none"> The circular economy is perceived as a difficult term and its meaning is unclear. Circular economy is only seen as a 'mandatory requirement' for goals proposed for procurement and its benefits are not recognised. There isn't enough competence for prioritising work in terms of impact to those with the largest circular economy potential for procurement. Circular economy procurements are only seen as factors that raise the price. 	<ul style="list-style-type: none"> Resources Time shortage Training opportunities are not utilised (internal experts, external expert organisations). Training is not systematic and management does not support training. 	<p>Competent and motivated experts are able to allocate time and resources on procurements with the most effective circular economy potential. Experts recognise the need opportunities for innovative procurements and know how to communicate the organisation's needs to suppliers. Time and resources are saved when trained staff knows where to seek help, because training has expanded their own networks.</p>
<p>4. Monitoring circular economy procurements and impact evaluation</p>	<p>Bottlenecks</p>	<p>When the monitoring and impact evaluation of circular economy procurements is developed</p>
<p>Without monitoring of procurements, it is impossible to know:</p> <ul style="list-style-type: none"> that you get what you have ordered. if the procurements are taking the organisations towards circular economy goals. what should be developed and done differently (which requirements should be stricter, which more flexible). <p>Without procurement impact evaluation, it is impossible to:</p> <ul style="list-style-type: none"> obtain information about total savings learn about how procurement affects the overall picture and whether the organisation will get closer to its goals. 	<ul style="list-style-type: none"> Absence of metrics and processes for procurement monitoring and impact evaluation at national and organisation level. 	<p>The results of the monitoring and impact evaluation motivate and encourage circular economy procurements. They are given time and resources when the positive impacts can be brought back to the budget decision-makers. The markets are also able to offer better solutions when the change impact of the new products and services is known.</p>

Read more about the results of the interview survey conducted in the Circwaste – Towards a circular economy project:

¹The Circwaste project has compiled the lessons learned, interpretations and examples of circular economy procurements in the Circular Economy Procurement Handbook. The handbook explains what circular economy procurements are and how it is possible to promote circular economy through public procurement and what impacts the procurements have. The publication highlights realised examples related to, for example, infrastructure construction and the procurement of furniture, textiles, vehicles and electronics. The handbook is intended for all those working with public procurement: persons making procurements, procurement specialists and experts in different fields. It can be used in strategic and operational procurement planning. It also provides basic information on circular economy procurements to companies interested in tenders. [Learn more from Circular Economy Procurement Handbook \(in Finnish\).](#)

²The Public Circular Economy Procurements - Experiences and Perspectives of Circwaste Pioneer Municipalities publication highlights pioneer municipalities and their procurement and circular economy experts and their perspectives on circular economy procurements and their promotion. The publication presents the types of circular economy procurements carried out in municipalities. The experts share the success factors that have concretely accelerated municipalities' circular economy procurement. They also point out stumbling blocks that have been identified and that municipalities should take into account, for example, in procurement management and decision-making. At the end of the publication, you can find materials to support circular economy procurement. The publication is based on the Circwaste project's Circular Economy in Municipalities' Public Procurements interview study for Circwaste pioneer municipalities conducted in public procurement support services in 2021. The participants were Jyväskylä, Kuopio, Lahti, Lappeenranta, Porvoo, Riihimäki, Rovaniemi, Ii, Turku, Vantaa and Pori. [Learn more from The Public Circular Economy Procurements publication \(in Finnish\).](#)

CircBrief – Best practices in circular economy:

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Sources:

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