

Municipality Intervention by Public Procurement in Economic Recovery of COVID-19

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ABSTRACT

COVID-19 is the third global pandemic and resulted in a crisis as a consequence of anti-pandemic measures, such as lockdowns. This research offers a set of intervention methods a municipality can implement in economic recovery. These intervention methods are constructed through a literature review and interviews. First, COVID-19 is compared with previous crises. Second, the literature review examines interventions used in previous crises. Then, interviews have been conducted to attain practical insights of public procurement in economic recovery, in the region of Twente and to test if municipalities did implement these interventions. The results indicate that COVID-19 is a unique crisis and is difficult to compare. However literature from various researchers show multiple intervention methods in economic recovery. Interventions much implemented in Twente are private tendering, multi-sourcing and incorporating social and environmental goals.

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Keywords

COVID-19, crisis, municipalities, public procurement, intervention, tender

1. INTRODUCTION

In 1347 the bubonic plague arrived in Europe through merchants who travelled from China to Europe, via the Silk Road. Three years in, the city of Dubrovnik implemented the first Quarantena, a period of 40 days of isolation (Zweifel, 2020). Or in more recent times, a century ago, the Spanish flu killed many adolescents and had therefore great impact on the economy (Elbourne et al, 2020). COVID-19 is the third major global pandemic, through anti-pandemic strategies, such as lockdowns and travel-bans the Dutch government tried to minimize a healthcare crisis of the pandemic. However, these measures harmed sectors that saw a decrease in demand, such as service-oriented sectors. Presently, there is a new obstacle for the Dutch government in minimizing economic damage caused by the COVID-19 pandemic and to prevent a new economic crisis. In previous crises, public procurement has had a positive effect in minimising the damage of those crises, through increased spending and other interventions. Furthermore public procurement can stimulate the local demand (Crisan, 2020) and it can be used as a broader lever of governmental policy, such as industry strengthening and retention of employment (Telgen et al, 2007). Because the impact of COVID-19 varied between regions, municipalities are important to create a custom-made approach (Edo, 2021). Within the region of Twente, there are sectors heavily affected by COVID-19, such as hospitality and tourism (Valke, 2020). These affected regional businesses need support to overcome this economic crisis (Rijksbegroting, 2021). Through interventions municipalities could help these firms through their public procurement (Murray, 2009).

The objective of this research is to provide an overview of the possible intervention methods a municipality can implement, to stimulate economic recovery in the region of Twente. At first, this paper will compare COVID-19 to other economic crises. Second, this paper will examine if interventions that are implemented in previous crises, could be duplicated to counter COVID-19. At last, interviews will be conducted to form an explicit approach for municipalities in the region of Twente to support Small-Medium-Enterprises (SMEs) in their struggle with COVID-19. The **research question** is the following:

How can municipalities stimulate economic recovery of the COVID-19 crisis through public procurement, in the region of Twente?

Sub questions:

- *How does COVID-19 relate to other economical crises?*
- *Could previous public procurement intervention be duplicated to stimulate economic recovery in Twente?*
- *Which post COVID-19 interventions are implemented by municipality procurement divisions in Twente?*

2. LITERATURE REVIEW

This paper examines how municipalities can help with the economic recovery of heavily affected companies by the COVID-19 pandemic crisis. There have been some economic crises in human history, therefore it is essential to illuminate theoretical work done by researchers on economic recovery like Telgen (2007), Murray (2009), Tshwete (2020) and many others on which this paper is grounded. The function of the literature review is to construct the connection between COVID-19 and some of the worst crises since 1900, the Spanish flu, the Great Depression (Moreira, 2020), and the Global Financial Crisis, as they all had a global impact and huge economic losses (Elbourne et al, 2020). In the first section, the literature review will indicate comparisons and differences between the crises. Subsequently in the second section, this literature review will provide the possible intervention methods a municipality could have implemented in

other crises. These methods will be verified on their application for minimizing a COVID-19 economic crisis, through interviews with public procurement managers of municipalities in the region of Twente.

2.1 Crises overview

COVID-19 is a macroeconomic disaster, which is defined as an event that causes a decrease in consumption or substantial fall in GDP of a country, e.g., ten per cent. Such a disaster can have multiple causes for example a financial cause, a natural disaster, or a pandemic (Elbourne et al, 2020). A financial crisis is defined as an event where financial instruments and assets decrease significantly in value (Kenton, 2019). A natural disaster is a sudden event in nature, e.g., a hurricane or earthquake (Merriam-Webster, 2019). And a pandemic is defined as an epidemic occurring worldwide, or over a very wide area (Kelly, 2011).

The economic effects of a disaster or financial crises are different from a pandemic. In the act of a natural disaster, all production factors are destroyed. With financial crises such as the Global Financial Crisis (GFC) of 2008, the financial intermediation process is disturbed that leads to lower investments and increased capital cost. A pandemic consists of elements of both types of crises (Elbourne et al, 2020).

2.1.1 Spanish flu

Because COVID-19 is a health crisis it is quickly compared with the Spanish flu of 1918 as it was the last big pandemic (Valke, 2020). The Spanish flu spread quickly and made many casualties, especially among young people (Elbourne et al, 2020). The average decrease of consumption among 43 countries was six per cent and the average permanent damage was three per cent (Elbourne et al, 2020). Although both crises had a health-related cause and affected many people, from an economic perspective they can not be compared, because countries were at war in 1918. Furthermore, the Spanish flu was more deadly and mostly struck young adults (Valke, 2020; Elbourne et al, 2020).

2.1.2 Great Depression

Second is the great depression of the twentieth century. In 1929 the stock market in New York collapsed. The first global economic crisis resulted. In that crisis, governments implemented a new approach: anti-cyclical measures in the form of a Keynesian macroeconomic policy (Rijksbegroting, 2021). Increased governmental spending and fiscal policy to stimulate the economy (Irawan & Alamsyah, 2021). Just like the great depression, governments all around the world increased their public spending, to minimize the economic effects of COVID-19. Besides the global effect of both crises and the increased governmental spending, there are no similarities. The great depression of the '30 had a financial cause that resulted in a long crisis, whereas COVID-19 is health-related and will most likely be of a short period. (Deal et al, 2020)

2.1.3 Global Financial Crisis

The Global Financial Crisis (GFC) of 2008 is the last financial crisis that occurred in the world. The cause of this crisis was financial, in which the bank sector was the main contributor to the crisis. Cheap credit and bad lending standards led to the GFC (Singh, 2020). Ultimately households and companies got into trouble and did not invest due to low trust in the financial sector (Rijksbegroting, 2010).

“In contrast to the Great Financial Crisis (GFC) of 2008–2011, COVID-19 has three key features. It is truly exogenous, not the result of the unravelling of previous financial imbalances, the typical recession trigger since the mid-1980s. It is truly uncertain, in the specific sense that the wide range of possibilities depends on unpredictable non-economic factors. And it is truly global:

despite how the GFC is generally portrayed, many countries did not experience it, not least in Asia” (Borio, 2020).

2.1.4 COVID-19

Economic experts view the COVID-19 as a black swan; (Rijksbegroting, 2021) an external shock that was not predicted by anyone, with huge potential effects on the prosperity of the economy. The COVID-19 crisis influences the supply as well as demand. The supply side got affected due to sickness. Demand got affected because of prohibitions and closures, therefore the capacity of certain sectors, which were closed due to lockdown measures was not maximized. Governments all around the globe implemented social distancing measures at the start of the pandemic that led to the closure of shops, cinemas, and entire sectors such as hospitality and tourism (Adams-Prassl et al, 2020; Romagosa, 2020).

“A supply shock of this size leads to a decrease in demand, consumption and investment due to a decrease in income and trust” (Rijksbegroting, 2021). These are standard indications of a crisis. The damage of the crisis will rely on its duration (Elbourne et al, 2020). Therefore, governments have reacted quickly, with substantial amounts of capital to support business and citizens. In the Netherlands the amount of money that is lend or spend by the (local) government is more than four times compared with the GFC of 2008 (Rijksbegroting, 2021).

The COVID-19 crisis is difficult to compare with previous crises, this can be seen in figure 1. As it is a pandemic, it is quickly compared with the Spanish flu. However, the Spanish flu did not had any economic intervention by governments. As it was non-financial, this is unique as most crises in the past century were of a financial cause. Furthermore COVID-19 is truly global, with serious economic effects. Like an historical shrinkage of five percent GDP in 2020 and an expected GDP growth of three percent in 2021 for the Netherlands (Rijksbegroting, 2021). Although the situation is unique and requires a custom-made approach, lessons from the past could help in its recovery. Especially by (local) governments, which could stimulate demand (Murray, 2009; Rijksbegroting, 2010; Jackson, 2016; Crisan, 2020).

Figure 1: Comparison of crises

Crisis	Cause	Impact	Intervention
Spanish flu (1918-1919)	Pandemic	Global	Lockdown measures.
Great Depression (1929-1939)	Financial	Global (not USSR)	Anti-cyclical measures and fiscal policy.
GFC (2008-2011)	Financial	Global (but not Asia)	Capital injections in financial sector.
COVID-19 (2020-Now)	Pandemic	Global	Lockdown measures and capital support.

2.2 Public procurement

There have been many economic crises in human history. Anti-cyclical policy and fiscal policy have been highlighted in research, as they were used in previous crises (Rijksbegroting, 2021), on how they could minimize economic damage. Likewise public procurement can also have an impact on the economic recovery. Public procurement is defined as “the purchase of goods, services and works by government institutions and state-owned enterprises” (Crisan 2020). Examples include infrastructure, street lightning and health services. In stable

times, public procurement can have a stimulating effect on the local demand, lower the production cost by achieving the critical mass for manufacturers and stimulate companies to innovate (Crisan, 2020). In the public sector, procurement can be used as a lever of broader governmental policy (Telgen et al, 2007). In which the primary objective is acquiring materials and services whereas secondary objectives go beyond the contract and include social, economic and environmental goals (OECD, 2017). Most important secondary objectives are: employment, industry-strengthening, SME/regional involvement, diversity, innovation, sustainability and development aid (Telgen et al, 2007; OECD, 2017). Public procurement is an important interplay between public organizations and the market. Through utilizing their market power by purchasing through a Triple bottom line framework, local governments can pursue sustainable local growth. This framework incorporates the three E’s (Niyaki & Worrel, 2012). This is in line with best value practices, in which local governments are responsible for not only economic, but also social and environmental impacts (Murray, 2000). The first E incorporates economic development through local sourcing. Equity in social stand through incorporating social clauses or economic opportunities for disadvantaged groups. Lastly environmental improvement, by purchasing products or services that have less negative effect on environment and human health, by this municipalities can stimulate companies to act in the best environmental-friendly behavior (Niyaki & Worrel, 2012)

To highlight the impact of public procurement “Public expenditure by the local sector represents, on average, 13.7 percent of the European Union’s (EU) GDP” (Marques & Pinto, 2018). Which includes in total €1850 billion in 2018 (Statista, 2018). A substantial percentage is spend by municipalities which are obligated to follow the EU directive on public procurement. When a certain threshold value is exceeded, there are differences for services compared to public works (de Boer & Telgen, 1998). In their survey they discovered that 57 percent of the municipalities preferred local companies over non-local companies (de Boer & Telgen, 1998). Municipalities that include local buying or local-SME purchasing, do this to support their local economy, increase demand and include social clauses (Ten Hagen & Nieland, 2018). Public procurement strategy in supporting SMEs is increasingly used to foster the growth of SMEs. Particularly through the approach of the division of contracts in lots (OECD, 2017). Public procurement has two main interests: first process interest, keeping the cost low and second, competition interest, make sure competition is fair. Fairness is related to transparency and non-discrimination. This is enforced by many regulations such as the European tender rules (Telgen et al, 2007).

2.2.1 Public procurement in Twente

Crucial in understanding the effect of municipalities in stimulating economic recovery in Twente, is the conception of the tender process of municipalities in Twente. Therefore this section will clarify how municipalities put out the tender for works and services. All municipalities use the same format in the tender process: “Procurement and tender policy, 2018”. It is an agreement that is updated from the VNG model, the Dutch union of municipalities. This union has made a policy on tendering based on European rules. Within the document, there are sections on transparency, non-discrimination, integrity and non-independence. Furthermore the document addresses topics such as innovation, sustainability and social procurement.

The most important section in the agreement is the part in which it explains how a work/service should be tendered. The types can be chosen by a municipality, on the condition of the total value of the work/service.

Single private tender: A municipality will tender a work/service, by approaching a company. Besides the municipality and the company, there are no other parties involved in the tender.

Plural private tender: A municipality will tender a work/service by approaching multiple companies to make a proposition. The number of companies involved can vary but should be at least two. Selection is internal, through a pool of candidates. Optional is an external method in which some companies can make a proposition even though the municipality did not choose them, e.g., through tendering on the website.

National public tender: A municipality will tender a work/service by publishing it on TenderNed. It is a website on which all companies based in the Netherlands can participate in the tender.

European public tender: A municipality will tender a work/service by publishing it on TED (Tenders Electronic Daily). It is a website on which all companies based in Europe can participate in the tender.

Within “Procurement and tender policy, 2018” there is the section on tendering and its threshold values. These are tuned to European Union rules and they are an obligation to the municipalities procurement department. There are three parts, classified in three colours: green, orange and red. These indicate how a municipality should put out the tender. The green section is most desirable. Orange is a transition zone, in which a municipality can differ from the proposed rules, but it requires an explanation. And lastly, the red zone, in which the municipality can not make use of that type of tender. These threshold values are demonstrated in figure 2 for services, e.g. catering or health-services. In figure 3 the threshold values for works are presented, e.g. infrastructure or maintenance.

Figure 2: Threshold value service

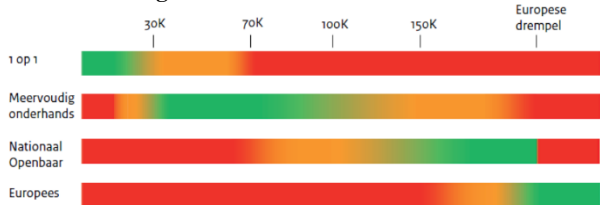


Figure 3: Threshold value works



Figures 2 and 3: “Inkoop en aanbestedingsbeleid, 2018”

2.3 Procurement intervention strategies

2.3.1 Previous procurement interventions

This section will discuss which public procurement interventions were used in previous crises. An intervention is defined “as any action carried out by the government or public entity that affects the market economy with the direct objective of having an impact in the economy, beyond the mere regulation of contracts and provision of public goods” (Gallego, 2016). Interventions discussed in this paper are of an economic nature. The first crisis discussed is the Spanish flu as it was one of the last big pandemics it is easily compared with COVID-19. However, it does not provide potential interventions that a municipality could implement, apart from the lockdown measures. The Great Depression saw the implementation of Keynesian economics, in

which government spending and fiscal policy were important in economic recovery. Although it is relevant as it was the first-time governments intervened and it had an impact on its recovery, it does not completely conform to this research as the focus is on local government interventions and not on the governmental level. Lastly, the GFC impacted the global world. This crisis is most relevant as local governments and municipalities had an impact on recovery. This crisis provides interventions that could help in recovery, as it was the last crisis. Proposed interventions will be most likely up-to-date and well established. Therefore, these interventions are discussed.

In 2009, the Dutch government presented the ‘*Complementing policy concord*’ (ABK), this deal consisted of a short-term stimulus of the economy, mid-term stabilization of government finances and long-term maintenance of collective facilities, (Rijksbegroting, 2010) such as social insurance and other financial obligations. Main topics in the policy agreement included: recovery financial sector, support companies with liquidity, retention of employment, responsible salary development, investing in a sustainable and innovative economy (Rijksbegroting, 2010). This policy is aimed at keeping demand high and unemployment rates low. To minimize the damage that occurred through the GFC the Dutch government wanted to keep the economy running.

Local governments such as municipalities had their strategy in economic stimulus. Through investing in new projects such as energy, innovation courses and investments in infrastructure and sustainability. These investments would have been made in the future, however they were pulled forwards to stimulate the local economy (Rijksbegroting, 2010).

Murray (2009) provides a strategy for the local governments how they can have a positive impact on the local economy. He argues that the municipality should include many contracts instead of one big contract with an added social clause. Because the size of the contract is more manageable for a smaller firm it provides more SMEs the opportunity to sign a contract. Furthermore the division of a contract into lots positively influences the market mechanisms (Pianoo, n.d.). Essential in the success of this policy is an easy to access tendering process (Murray, 2000). The invoice payment should be decreased to help SMEs with their cash flow, e.g., from 30 days to 10. Standing orders could help companies with security towards potential creditors. All orders should be elected democratically and should be in line with the local economic development strategy.

2.3.2 Present procurement interventions

The Dutch government has taken some considerable measures to support households and companies during the COVID-19 pandemic. These measures were necessary to save jobs and support companies and personnel. Future governmental actions will provide the necessary space for the adjustment of the economy through re-education (Rijksbegroting, 2021). It is expected that a “scissors effect” will occur in which local governments will experience a decrease in revenue and rising expenditures (OECD, 2020; Deloitte, 2020), which will harm the budget of the municipality. Therefore, the Dutch government has provided local governments with additional resources of € 750 million. Municipalities receive additional compensation for their income acquisition, local cultural facilities, voluntary organisations, community homes, social-work companies and enforcers, the total amount of support to municipalities in 2020 is €1.5 billion added to the standard budget (Rijksbegroting, 2021), in percentage 0,2 percent GDP (Rijksoverheid, 2020).

These measures are focused on the short-term duration of the COVID-19 pandemic as policymakers expected the pandemic to be short-lived (Borio, 2020). In other countries, governments and

central banks have also implemented emergency measures to inject capital into the corporate sector. (Allul et al; 2020).

Municipalities play an important role, as they could offer utility account and property tax relief to residents and business (Edo, 2021). Especially the business sectors that got impacted by the COVID-19 pandemic such as the automobile sector, electronic goods and tourism (Kanupriya, 2020). The impact of the COVID-19 crisis can vary significantly between regions, mostly due to the type of employment (OECD, 2020). This requires a custom-made approach in which the economy should be build back better (Edo, 2021). Municipalities could re-envision the regional economy. It should reflect on how the regional economy could be improved. Opportunities could be: adapted supply chains, inclusive and representative employment initiatives, upgrades to critical infrastructure, service agreements and strategies for economic diversification. This could easily become a conflict of priority, a quick recovery of the economy or long-term economic growth (Edo, 2021).

Tshwete (2020) concurs that municipalities should support business and promote job retention, advance socio-economic change e.g., sustainable business transition and promote the local economy. The public procurement department has a special role in supporting the business through; local sourcing, decreased invoice-payment period and supporting SMEs (Tshwete, 2020). SMEs are particularly vulnerable during crises, therefore municipalities should support them (OECD, 2020).

Important during the COVID-19 crisis is to only execute the investments that do not hinder the necessary restructuring of the economy and support the transition of sectors that are relatively harmed by COVID-19. Investment in sectors that are likely to change can be brought forward to accelerate the transition and demand of the local economy (Veldhuizen & Smid, 2020).

Public procurement can therefore contribute towards more outcomes, social, economic and environmental goals. Public procurement can support the local economy both directly and through sub-contracting, furthermore through promoting start-ups, creating new jobs and upskilling of citizens municipalities can have a positive impact. Besides public procurement can have a positive effect on social innovation and local sourcing, which has a positive effect on environmental goals. "It is important to note that each of the above outcomes can be achieved and that the new regulations from Europe support municipalities to achieve wider societal goals through public procurement" (Jackson, 2016). COVID-19 also accentuates the need for a post-COVID-19 plan, in which regions and municipalities are more resilient in future crises (OECD, 2020). Therefore, short term policy decision in face of COVID-19 recovery, should not disadvantage the long-term development goals of a municipality (Yaker & Ahn, 2020).

3. THEORETICAL FRAMEWORK

As discussed in the literature review, COVID-19 is a unique crisis. It has an exogenous cause, it is non-financial and is liable on non-economic factors, such as fatality rates and social distancing measures. Although COVID-19 does not look like past crises, previous procurement interventions could be duplicated with the purpose to minimize economic damage caused by the COVID-19 economic crisis.

This paper focuses on the impact municipalities can have on economic recovery through their public procurement department. Previous work done by Gordon Murray, provides this paper with a strategy for economic recovery through public procurement. In his paper "Public procurement strategy for accelerating the economic recovery" (2009) he provides a strategy in which six aspects are crucial for economic recovery. In this paper, this strategy is extended with other interventions proposed by Telgen

et al. (2007), Tshwete (2020), Veldhuizen & Smid (2020) and others. The re-structured model for a public procurement economic recovery strategy of a municipality consist of eight components found in the existing literature, all interventions have been summed up in figure 4, with included reference. This section will clarify each aspect. At first, the municipality should have a short-term strategy, in which it tries to minimize economic damage that occurred by the crisis. This short-term focus should not hinder the long-term economic development goals, such as promoting local companies. Furthermore, the use of social clauses should be promoted, to include people who would otherwise be excluded from employment during crises. Furthermore, a municipality should use multi-sourcing contracts and provide many companies with the opportunity of winning a contract. In terms of liquidity, municipalities could decrease the invoice payment period. Through this method companies will have a better cash flow and municipalities would be viewed as attractive and committed customers (Murray, 2009). Another method of supporting SMEs is the commitment of a long-term period through contracts, it will boost the security of work and innovation. The final methods are bringing investment forward, to stimulate demand, which is especially useful in sectors that are in the process of transition (Veldhuizen & Smid, 2020). Finally, is the concept of Sustainable Public Procurement, it is the involvement of social and ecological goals in procurement. It promotes the transition to a sustainable and low-carbon economy (OECD, 2020), or Sustainable Development Goals, which municipalities could pursue.

Figure 4: Overview municipality interventions

Democratically chosen short-term strategy.	Murray (2009) Yaker & Ahn (2020) Edo (2021)
Linked with local economic development strategy.	Telgen et al. (2007) Murray (2009) Tshwete (2020) Edo (2021)
Using social clauses	Murray (2000) Telgen et al. (2007) Murray (2009) Tshwete (2020)
Short-term multi-sourcing contracts.	Telgen et al. (2007) Murray (2009)
Decreased invoice payment periods. (liquidity)	Murray (2009) Rijksbegroting (2010) Tshwete (2020) Edo (2021)
Long-term commitment to SMEs.	Telgen et al. (2007) Murray (2009) Tshwete (2020)
Pull forward investments	Rijksbegroting (2010) Veldhuizen & Smid (2020)
Sustainable public procurement (SPP)	Telgen et al. (2007) Rijksbegroting (2010) Niyaki & Worrel (2012) Jackson (2016) Tshwete (2020)

4. METHODS

For this paper qualitative research was conducted in the form of interviews with public procurement managers. Qualitative research acquires stronger information instead of quantitative data because it is easier to get into the details (Gill et al., 2008). To validate the theoretical framework in section three, this paper uses expert interviews as the method of validating and verifying the model. Experts have knowledge on specific operations, laws, routines and have subjective interpretations on relevance and beliefs (van den Audenhove, 2007). The interviews add value because through the interviews it is possible to link theoretical research with the practical implementation of the municipalities, the function of the interviews is to verify if municipalities intervene in economic recovery through the proposed intervention methods.

This study is executed in the region of Twente, as the researcher is from this region and studies at the University of Twente. Through the narrow focus, it is possible to get a deep insight into the effect of public procurement on local economic recovery in Twente. The findings of this research are therefore of greater strength due to the detailed interviews. Therefore, the interviews are crucial as the purpose of this research is to provide an overview of the possible intervention methods, a municipality in the region of Twente can implement to stimulate economic recovery. The interviews were carried out among six interviewees from six different municipalities based in the region of Twente. The region of Twente consists of fourteen municipalities, within a total of 352 municipalities in the Netherlands. The selection criteria for the respondents were that their function includes public procurement manager of their municipality. All respondents were familiar with “Procurement and tender policy, 2018” and knew therefore enough about this research topic. Hence their input adds value to this research, practical as well as theoretical. Adversely the different municipalities can behave differently according to the agreement, this deviating strategy can be explained through the interviews, which will add practical insights to this research.

The respondents were contacted through mail on a voluntarily basis. The structure of the interviews is semi-structured in which the interventions will be discussed, in figure 5 the interview questions are presented. These have been derived from the intervention methods found in existing literature. The duration of the online Dutch interviews will be 45 minutes. Own contribution of the interviewee's point of view on procurement will be encouraged and processed in this research, as well as discussion between interviewee and interviewer, in which certain topics will be discussed more detailed if relevant. This type of interview is chosen to make them less time consuming and more structured (Gill et al, 2008). All interviews have been recorded and transcribed with the approval of the interviewees, as agreed upon in the consent form, afterwards they have been made anonymous and send to interviewees for inspection. For coding and processing the interviews, this research uses the approach developed by Braun and Clarke (2006).

- **Familiarization:** getting familiar with the data which is worked with.
- **Coding:** highlighting sections of the text on their content.
- **Themes:** selecting different codes to a theme to identify patterns.
- **Reviewing themes:** checking if everything is accurate themed.
- **Define themes:** give each theme a name/colour.
- **Writing:** write the report.

Figure 5: Interview questions
What is the procurement strategy of the municipality in the development of the local economy?
How does the municipality support SMEs?
How does the municipality help local companies during the COVID-19 crisis through their public procurement department?
In what way does COVID-19 provide new possibilities in supporting the local economic development strategy through procurement (SPP)?
How do you use social clauses?
Do you use multiple sourcing in tendering?
Have you considered to decrease the payment terms?
Does the municipality help with the liquidity of companies?
Are there projects/investments which are being pulled forward to stimulate demand?
Do you make long-term commitments with SMEs?

5. FINDINGS

This paper requires a distinct definition of the local and regional economy to prevent misunderstanding. With the local economy, this paper means the economy within the municipality. For regional, it is defined as the economy within the region of Twente (Procurement and tender policy, 2018).

This paper uses anonymous data. Therefore the municipalities have been renamed.

Municipality A: Is a relative small municipality, most tenders are privately put out. Although its small budget it tries to stimulate the local economy through various methods such as private tendering and multi-sourcing.

Municipality B: Is a relative big municipality, in which public procurement has not only a functional role, but also a strategic one. It tenders various works/services privately as well as publicly.

Municipality C: Is a an average sized municipality and the public procurement function has some strategic elements. These are focused on promoting the local economy as well as including social and environmental goals.

Municipality D: Is a relative small municipality. However, within the municipality there are many companies based. This municipality is flexible in its tendering, with the purpose of stimulating the local/regional economy.

Municipality E: Is a relative small municipality. However, within the municipality there is much industriousness.

Municipality F: Is a relative small municipality, with not much industry. This municipality tries to stimulate the local economy by providing SMEs the opportunity of winning a tender.

5.1.1 Short term strategy

The municipality should have a short-term strategy, in which it tries to minimize economic damage that is occurred by the crisis. According to the interviewees, most municipalities try to support the local economy through their tendering. If a work/service remains below the threshold values the municipality will try to put out the tender in a private style. The effect of that strategy is an opportunity to approach local/regional companies, by this municipalities offer local companies an opportunity to participate in a tender. Through the interviews, it was observed that some municipalities deviate from “Procurement and tender policy,

2018". Many have been flexible in using the orange zone in supporting the regional economy in difficult times, see figure 2 and 3. On the condition of fair dealing and with a provided explanation. On certain occasions COVID-19 is used as motivation, to use the orange zone and provide local companies with work. Municipality D even set an upper standard of €50.000 for its private tender on services, with the purpose to stimulate local companies even more. Furthermore, municipality E did mention that they chose between light and more heavy procedures, one-on-one tendering, or plural tendering when applicable. One-on-one tendering is a lighter procedure compared to plural tendering, as it requires less parties to participate in the tender.

This form of stimulation is implemented more because of COVID-19. Municipalities argue that COVID-19 was a sufficient motivation to exercise the transition zone. Municipalities underline the effectiveness of this intervention in allowing a municipality to pursue a private tender or source locally.

5.1.2 Economic development strategy

This paper defines the economic development strategy, as a strategy to stimulate the regional economy and companies within Twente. All municipalities have agreed upon a "Procurement and tender policy, 2018" in which promoting the regional economy is central, "as the local economy does not end at the municipality border". All municipalities follow the guidelines of the agreement but slightly differ with their interpretation of the document, some are more strict with the guidelines than other municipalities. This is due to their size, location, industry and their budget. This difference in interpretation is also visible for the definition of a region because some municipalities would like to contact companies outside of Twente, such as from Salland, Achterhoek or Germany and this could create a conflict with the agreement, because the agreement views the regional economy as the one within the region of Twente.

One of the methods of stimulating the local economy and its companies is through the tender process. According to the interviews four out of six municipalities use a "Groslijst-systematiek" which is a list of candidates that can make an offer on a tender. Within that process of selecting candidates, local and/or regional companies have an advantage over (inter)national companies of being selected to make an offer. Most municipalities have a pool of potential candidates that they approach. In one-on-one tendering, the municipality can steer which company will perform the work, but as there is no market mechanism on price or quality, it can be liable to market failure. In a plural tender, a municipality will select some companies via its internal method of selection, a pool of candidates, most often ranging from two to five parties. Furthermore it could announce its tender on its website to attract a company outside of its well-known database, this positively enhances the market mechanism and therefore has often a positive result on the price-quality ratio.

This method of stimulation depends on the value of the tender, if the total value of the work/service exceeds €100.000 then the tender will be open for all national parties on TenderNed. Although a European tender does not allow a municipality to choose its candidates, there is a method to include local companies in the tender process. According to the interview with municipality F, it can subtract ten percent of the value of the work/service and provide local companies with the ability to participate in that tender. This method is used by municipality F which will use it in the tender process of a new school. The benefits of local companies over companies outside of the region is a quicker response in times of calamity and "in case of maintenance it is easier to hire the same person who installed it".

These forms of intervention are partly result of COVID-19. However, the use of a Groslijst-systematiek was already installed before COVID-19. Many municipalities prefer this method of intervention, as it provides the municipality the option of selecting local companies to participate in a tender.

5.1.3 Social clauses

Agreed upon the agreement "Procurement and tender policy, 2018", is the inclusion of social clauses in the procurement of services and works with a value of more than €100.000, -. All municipalities have agreed to use a Social Return on Investment (SROI) of two percent or five percent on a tender and it can be observed as a standard in the process. An SROI is a regulation that requires a company to use a percentage of the tender, to provide people with a distance of the labour market a chance to participate in employment.

Other forms of social clauses used in procurement are requesting certifications of suppliers. For example ISO certifications or international social conditions on employment. These forms of social clauses are well integrated with the procurement process and can be seen as a standard requirement in the tender process of municipalities in the region of Twente. However, procurement departments should decide if an (ISO) certification is necessary for a work/service, "as such a hallmark can be a heavy burden for a small company". Requesting a certification in an unnecessary situation has negative effects for a small company as it will discourage its participation in the tender.

Two municipalities, B and C, had created an authentication on social entrepreneurship. This hallmark is given to companies that fulfil requirements on social business. A company with such a hallmark will receive an advantage in the tender process and will therefore be more likely to get the job.

The use of social clauses in the tender, can be seen as a standard and was already part of the tender process before COVID-19. Based on the interviews, it does not appear that its implementation is increased/decreased.

5.1.4 Multi-sourcing

All interviewed municipalities use multi-sourcing. The Dutch term used is "Percelen" and it means that a procurement department tries to divide a tender into multiple smaller portions. If the work or service can be practically divided and is economically social sound then most municipalities follow the same strategy in multi-sourcing. Within the process of the tender, the public procurement manager examines if the tender can be divided in a practical style. He/she will motivate why the tender should be divided into multiple contracts. Simultaneously if multiple contracts could be combined to be more economically social sound, then the procurement manager should announce one combined tender.

Although these procedures existed before COVID-19. The effect of dividing a tender is an enhanced possibility for a local SME to participate in the tender and this results in a positive side-effect of supporting the local economy. "Important in providing SMEs the possibility to win a contract is requesting minimal claims", by this the tender process remains accommodative and does not discourage local companies. On the contrary, the benefits of a combined tender are that it is sometimes cheaper, and it is more practical in managing the contract e.g., accountability is distinct. Ultimately costs of works/services are important as it is welfare money that is spent.

Examples of this strategy are maintenance on the city hall or schools. In which water, gas and electricity maintenance is divided into three different tenders. By dividing the jobs, local entrepreneurs could participate. Another major expense of

municipalities that are multi-sourced are contracts with (youth)-welfare organisations.

The use of multi-sourcing in the tender was already part of the tender process before COVID-19. Based on the interviews, it does not appear that its implementation is increased/decreased.

5.1.5 Invoice payment period

Although many respondents stated that their daily activities were business as usual, many municipalities have made special agreements with companies because of COVID-19. One of them is a decreased invoice payment period, but there are more that could help companies with their liquidity. Agreed upon the agreement "Procurement and tender policy, 2018" is an invoice payment period of 30 days. Some municipalities differ from this arrangement and pay their suppliers faster, on the condition that everything is in order. This is not standard for all municipalities, but four out of six interviewed municipalities have this objective.

Furthermore, some have arranged specific agreements with companies to support them with their liquidity. Some municipalities paid contracts even though suppliers did not deliver any goods/services due to the force majeure. For instance contracts with catering or cleaning services of the city hall. A great example is municipality F that agreed to pay the contract even though the cleaning service did not fulfil all contract hours, these have been saved as a credit, which the municipality can use for other activities when needed. Likewise, all municipalities of Twente have agreed upon a regional agreement with youth-care and welfare support (Law Social Support, WMO). Important in the financial support to companies from municipalities is that they do not receive support from the national government, otherwise tax money would be spent double.

Other forms of helping companies with their liquidity are scrapping of municipality taxes such as tourist tax and commuter tax on terraces. By this municipality A have tried to support the affected hospitality sector. Furthermore, municipality D created an emergency fund for local companies which would otherwise fall between two stools, these companies would not receive financial support from the national government, because they were recently established. Local companies could contact the municipality and if the companies met the conditions, then they would receive a loan or gift. On the contrary, some municipalities have stated that not all companies, that contribute to the revenue streams of municipalities will be relieved as it is also entrepreneurial.

The decreased invoice payment period and other methods of supporting liquidity of companies is a result of COVID-19. Through these methods municipalities try to support local companies. Although not all municipalities implement specific initiatives in supporting local companies, all had the aim of paying the tender as fast as possible.

5.1.6 Long-term commitment

Many municipalities prefer long-term commitments for some work or services with companies, however the tender law sometimes prevents this. Then again, if a tender is recurring, the municipality should tender it for four years, this is obligatory. Deviating from this law is a no-go and results in legal consequences. The municipalities appreciate long-term commitments because of the stability of such contracts and the enhanced possibility for local companies to innovate and grow. On the contrary interviewees argue that those contracts are more intensive in monitoring and managing.

Examples of such long contracts are maintenance on parks and other ecological works. But also contracts with companies that provide the municipality with the waste transport trucks.

Although long-term commitments are necessary for certain works/services, they can be conflicting with other objectives of a municipality. On the one hand, municipalities want to provide multiple companies with the chance to deliver work/service, on the other hand, municipalities are obligated to the tender law. Those rules can result in a conflict of interest and it requires a continuous consideration of choice and possibilities.

The use of long-term contracts is not a result of COVID-19 and was already part of the tender process. Based on the interviews, it does not appear that its implementation is increased/decreased.

5.1.7 Forward investment

Another form of strategy, that was advocated by the Dutch government in 2010 (Rijksbegroting), was bringing forward future investments to stimulate economic recovery. Emergent from the interviews was that some municipalities invested in public works that were scheduled in the future. Municipality C pulled forward investments such as maintenance on schools, gyms and athletic fields. In municipality E they fast-forwarded an infrastructure project in the city centre, "the timing was perfect because many cafés and shops were closed due to COVID-19 lockdown measures". Municipality B invested in maintenance and reparation of infrastructure, the respondent stated that it was a strategy of his/her municipality in stimulating the economic recovery. Lastly municipalities F invested in computers, to fulfil the requirement of working from home.

The policy of forward investment was a result of COVID-19. Through this method municipalities try to support local companies with additional work, as well as exploiting this unique situation. This method of stimulation is dependent on various aspects and therefore not all municipalities implement this intervention method.

5.1.8 Sustainable Public Procurement

Municipalities try to incorporate themes such as innovation, sustainability, circularity and preventing brain drain. Each municipality has its tactic in implementing some of these subjects, although it appears based on the interviews that municipalities that have more budget and personnel can think and implement these contributions easier. The process of thinking about sustainability and circularity occurs in the pre-tender phase, in which the procurement department will examine if a work/service can be performed more environmentally friendly and will make requirements on these topics. Adversely if a municipality decides to use the market mechanism, then it will provide companies flexibility in this process "Through providing companies options to decide how they will fill in the work/service, companies innovate easier, and are often more efficient and cheaper, but it requires trust of the municipality". An example of this approach is from a waste-management contract, that was designed to provide the company with the same amount of money, no matter how many tons the city hall produced. The reason of choice for this contract is to minimize waste and change the revenue model of a recycling company. Through such a contract municipality B tried to stimulate innovation. Municipality C is an SDG municipality. "Procurement is an excellent instrument to align goals of companies and public organisations", such initiatives are in line with sustainable public procurement practices. A commonly used source of information on sustainability and circularity is Pianoo. It is a site from the ministry of economics of the Dutch government and provides certain criteria which municipalities implement in the tender.

The use of sustainable public procurement is not a result of COVID-19 and its use was already part of the tender process before COVID-19. Based on the interviews, it does not appear that its implementation is increased/decreased.

Figure 6: Interventions with examples

Intervention	Examples of implementation
Democratically chosen short-term strategy	Increased threshold value. Exercising orange transition zone, extra motivation because of COVID-19 (Result of COVID-19)
Linked with local economic development strategy.	Private tendering, to provide local companies the option to participate in a tender. Local sourcing through one-on-one tendering and use of Groslijst-systematiek. (Partly result of COVID-19)
Using social clauses	(ISO) certifications. SROI of two percent or five percent in tender work/service more then €100.000. (Not a result of COVID-19)
Short-term multi-sourcing contracts.	Division of contract "Percelen". (Not a result of COVID-19)
Decreased invoice payment periods. (liquidity)	Decreased payment period. Pay as fast as possible. Pay even though not fulfilling the contract. Not collecting specific taxes. Emergency Fund (Result of COVID-19)
Long-term commitment to SMEs.	Long-term commitments can be conflicting with tender rules and objectives. Used in maintenance contracts, social welfare and others. (Not a result of COVID-19)
Pull forward investments	Investments pulled forward such as: infrastructure, maintenance on schools, gyms and playing fields. (Result of COVID-19)
Sustainable public procurement (SPP)	Sustainability/circularity. Providing freedom to companies with the objective to innovate. Inclusion of SDG's (Not a result of COVID-19)

6. DISCUSSION & CONCLUSION

The purpose of this research was to find an answer to the research question: "How can municipalities stimulate economic recovery of the COVID-19 crisis through public procurement, in the region of Twente?" This question is answered by reviewing previous global crises and their local governmental interventions. At last, interviews were conducted to test if municipalities in the region of Twente, did implement these anti-crisis interventions.

The COVID-19 crisis is special in several perspectives. Its cause is non-economic, it relies on non-economic factors and it is truly global. Due to the lockdown measures a supply shock arose that led to a decrease in demand, consumption and investment therefore, COVID-19 resulted in an economic crisis. Although COVID-19 is difficult to compare, history could teach us some lessons on economic recovery and municipality intervention.

Public procurement by municipalities could help in economic recovery by increasing demand and implementing broader governmental policy. As public expenditure represents a value of 13.7 percent GDP, municipalities can intervene in the market economy through their purchase of public goods and works. Previous public intervention strategy in economic recovery consisted of: a short-term strategy, long-term local economic development strategy, social clauses, multi-sourcing, decreased invoice payment, long-term commitment to SMEs, forward investment and Sustainable Public Procurement. All have been extracted from existing literature and all have been part of an economic recovery strategy in the past.

The interviews verified which intervention methods municipalities implemented, figure 6 provides an overview. Interviewees indicate that all municipalities use the agreement "Procurement and tender policy, 2018", in which social clauses, promoting local SMEs, innovation and sustainability are included. Furthermore all interviewed municipalities use multi-sourcing if practical and make long-term commitments with SMEs when needed. Within the tender process, many municipalities were flexible with the threshold values and used them to tender a work/service privately. Some municipalities had a policy on COVID-19 and tried to limit damage to companies by decreasing the invoice payment, others pulled investments forward and some had specific initiatives to support local companies, such as the emergency fund.

This research provides theoretical and practical implications that are useful in understanding the strategy of municipalities in the region of Twente in economic recovery. It is useful for public procurement managers and academics. This paper wants to highlight how municipalities can intervene, through procurement in a difficult financial situation. Therefore, the most relevant intervention methods were collected from existing literature and discussed on their implementation in the COVID-19 economic crisis. The knowledge gained by the literature review was the basis for this research and its theoretical framework. Interviews were conducted and practical insights were gained, especially about the differentiation of methods within municipalities. This paper combines theory and practice, by viewing existing literature from two decades and linking different crises with the present COVID-19 crisis. The interviews add practical insights and examples of anti-crisis policy by municipalities, compared to most papers which address the COVID-19 crisis from a government perspective. Therefore, this paper adds practical and theoretical relevance as it is one of the few that highlight municipality intervention in economic recovery in the COVID-19 crisis. Public procurement managers might learn from this paper, through the list of potential interventions and clarifying examples. Public procurement managers need to consider various aspects, as each municipality is different in terms of industry, population, size and budget. Strategy implementation in economic recovery is liable to all aspects and should be seen as a complex task.

The practical insights gained in this paper are based on the statements of the respondents of the interviews. Unfortunately, this paper only consists of six interviews and consequently practices of six municipalities. Although the respondents are from six different municipalities, and all worked with the same procurement agreement, the number makes it difficult to generalize one economic recovery strategy for the region of Twente. Further research may include more municipalities in the region of Twente or expand the geographical scope to all municipalities in the Netherlands or a different country. This qualitative research would be more intensive and could help to validate and expand the findings.

Concluding, COVID-19 can be seen as a unique situation. Although its uniqueness, intervention methods can help in economic recovery. All interviewed municipalities in the region of Twente stimulate economic recovery through the tender process, by means of multi-sourcing and aiming for a private tender, in which they can select local companies to make an offer. Within the tender they try to incorporate social and environmental goals. Furthermore, some municipalities had special initiatives to support local companies, such as forward investments, decreasing the payment period and acting flexible with threshold values and the linked tender rules. This strategy and the specific initiatives were implemented by municipalities, with the objective to build back better.

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