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**Sustainable Economic Recovery through Public Procurement -  
Municipality Interventions in Times of Crisis**

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## **Abstract**

Europe has significantly been affected by the COVID-19 pandemic and the Russia-Ukraine war, especially in reviving its economy, tackling social and health concerns, as well as, ensuring environmental sustainability. Fortunately, public procurement authorities such as municipalities, can utilise their spending power as a strategic tool to stimulate sustainable economic recovery (SER) in response to crises. To effectively do so, municipalities can implement various procurement interventions and likely in combination with one another. In addition to the (combination and impact of) interventions, it is theorised that various factors based on the municipality's context, procurement maturity, and objectives may also affect SER outcomes. Since in this situation, multiple input variables influence an output variable of interest in complex ways, a configurational approach as opposed to a correlational one is considered. The focus of this research is to examine attributes – this includes factors and interventions – expected to jointly influence SER as the basis for designing a configurational model. Accordingly, configurational thinking is applied throughout the research and semi-structured interviews with public procurement professionals are conducted. Results indicated that indeed factors and interventions in combination influence SER. The research yields a configurational model comprising various attributes expected to jointly influence SER. This model establishes a basis for follow-up study to determine recipes of attributes that can result in desired SER outcomes using Qualitative Comparative Analysis or configurational analysis as part of the configurational theory. However, as various attributes play a role, municipalities would ultimately need to develop a tailored strategy detailing intentions, goals, and outcomes related to SER.

**Keywords:** public procurement; strategic procurement; sustainable economic recovery; crisis; municipality procurement intervention activities; Qualitative methodology; Configurational thinking; Configurational model; Configurational approach; Configurational theory

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## Index of abbreviations

<i>Acronym</i>	<i>Description</i>
<i>BE</i>	Belgium
<i>COVID-19</i>	Coronavirus Disease 2019
<i>CPP</i>	Circular Public Procurement
<i>CSR</i>	Corporate Social Responsibility
<i>EC</i>	European Commission
<i>ECB</i>	European Central Bank
<i>EU</i>	European Union
<i>FI</i>	Finland
<i>FR</i>	France
<i>GDP</i>	Gross Domestic Product
<i>GPP</i>	Green Public Procurement
<i>MPIAs</i>	Municipality Procurement Intervention Activities
<i>NL</i>	The Netherlands
<i>NO</i>	Norway
<i>OECD</i>	Organisation for Economic Co-operation and Development
<i>PP</i>	Public Procurement
<i>PPI</i>	Public Procurement of Innovative solutions
<i>QCA</i>	Qualitative Comparative Analysis
<i>QRD</i>	Qualitative Research Design
<i>RQ</i>	Research Question
<i>SDGs</i>	Sustainable Development Goals
<i>SER</i>	Sustainable Economic Recovery
<i>SMEs</i>	Small and Medium-sized Enterprises
<i>SPP</i>	Sustainable Public Procurement
<i>UK</i>	United Kingdom
<i>UN</i>	United Nations
<i>UNEP</i>	United Nations Environment Programme
<i>WHO</i>	World Health Organisation

# 1. Introduction

## 1.1 Strategic procurement and crises: Utilising public procurement spend to support sustainable economic recovery

The climate crisis is omnipresent and poses various detrimental consequences such as environmental degradation, natural disasters, extreme weather, food and water insecurity, economic disruption, conflict, and terrorism - which are all worsened by rising global temperatures<sup>1</sup>. As a superior initiative to combat climate change, the United Nations (UN) concurred in the 2015 Paris Agreement to keep the long-term temperature increase below 2°C<sup>2</sup>. Climate action is also one of 17 interconnected Sustainable Development Goals (SDGs) of the Agenda 2030, formulated by the UN in 2015.

The Coronavirus Disease 2019 (COVID-19) was officially declared a pandemic by the World Health Organisation (WHO) on March 11, 2020<sup>3</sup>, given its severe global impact on the economy, society, and environment (Yu et al., 2021, p. 1; Mofijur et al., 2021, p. 343). Many governments worldwide imposed stringent health and global trading measures to minimise the spread of the virus such as social restrictions, lockdowns, and border closures (Ibn-Mohammed et al., 2021, pp. 1-2; Zhu et al., 2020, p. 1). However, these measures have arguably “shattered the core sustaining pillars of modern world economies” (Ibn-Mohammed et al., 2021, p. 2). The European Central Bank (ECB) added “The decline and subsequent recovery in economic activity during the COVID-19 pandemic have been unprecedented”<sup>4</sup>. Europe, much like the rest of the world, has been significantly affected by the COVID-19 crisis, especially in terms of reviving its economy, tackling social and health concerns, as well as, ensuring environmental sustainability (Urban Agenda, 2022, p. 25). Some of the challenges relate to public health, morbidity, and well-being; unemployment rates and business sustainability; employee retraining and requalification requirements; access to required goods and services; city economies' competitiveness; and ongoing environmental challenges (Urban Agenda, 2022, pp. 24-25).

Nations worldwide are still struggling to recover from the economic effects of the COVID-19 pandemic, and the more recent Russian invasion on Ukraine in 2022 might exacerbate the situation by causing yet another surge in commodity prices and “supply chain chokeholds” (Mbah & Wasum, 2022, p. 147). Russian forces entered eastern Ukraine on February 24, 2022, after weeks of heightened tensions and escalating conflict (WHO, 2022, p. 1). Food price shocks, particularly wheat, oil and gas price spikes, as well as, global risk aversion/ flight to safety, remittances, and tourism are all impacted by the war in Ukraine, which affects cities and nations not only in Europe but all around the world. Furthermore, cities and nations must cope with challenges such as ensuring that refugees from Ukraine have access to housing and work (Urban Agenda, 2022, p. 5).

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<sup>1</sup> <https://www.un.org/en/un75/climate-crisis-race-we-can-win#:~:text=Rising%20temperatures%20are%20fueling%20environmental,acidifying%2C%20and%20forests%20are%20burning>

<sup>2</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement>

<sup>3</sup> <https://www.who.int/europe/emergencies/situations/covid-19>

<sup>4</sup> [https://www.ecb.europa.eu/pub/economic-bulletin/focus/2022/html/ecb.ebbox202108\\_01~e8ceebe51f.en.html](https://www.ecb.europa.eu/pub/economic-bulletin/focus/2022/html/ecb.ebbox202108_01~e8ceebe51f.en.html)



To address these challenges and crises, Public Procurement will need to react (Urban Agenda, 2022, p.5). The looming recession brought on by the COVID-19 pandemic, and other crises, and emergency situations, add more pressure on PP authorities to scale up and accelerate strategic procurement for local Sustainable Economic Recovery (SER). In this research, SER refers not only to cities enabling companies to resume their development and monetary growth, but also to addressing the broader local economic, social, health, and environmental challenges arising from current and future crises (Urban Agenda, 2022, p. 25). The most effective public procurement authorities utilise their procurement spend as a strategic tool to deliver value in various ways. This includes, for example, incentivising better social and environmental outcomes, facilitating innovation, and supporting local sustainable economic development, through circular economy initiatives involving municipalities and local SMEs (Morgan et al., 2017; Nijaki & Worrel, 2012; Patrucco et al., 2017; Telgen et al., 2007; Wontner et al., 2020).

## **1.2 A configurational approach to support sustainable economic recovery in response to crises through public procurement**

As mentioned before, public procurement authorities, such as municipalities, can utilise their spending power as a strategic lever to stimulate SER in response to crises through procurement. To effectively do so, municipalities can implement various procurement-related intervention activities and likely in combination with one another. An intervention in this research refers to “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”<sup>5</sup>. This research was inspired by the European Union (EU) Urban Agenda Partnership on Innovative and Responsible Public Procurement<sup>6</sup> which developed the 2022 Action Plan, emphasising three actions. This research revolves around the third action: enabling SER through public procurement. Their report provides ten ‘crucial’ interventions in the form of procurement-related activities with nine accompanying case examples, which have been compiled by practitioners and experts in the policy field through mostly practical observations of what cities across Europe are doing that seem to be working related to SER. Hence, in this research, the following municipality procurement intervention activities (MPIAs) in particular are emphasised:

- 1) Pay suppliers promptly and early;
- 2) Use social criteria to create jobs;
- 3) Use circular procurement to create new products;
- 4) Re-shape the activities and offer of existing suppliers;
- 5) Localise procurement and reduce the distance travelled by goods;
- 6) Have effective dialogue with SMEs;
- 7) Engage with end-users and employees and co-produce tenders;
- 8) Develop a coherent procurement strategy detailing economic outcomes;
- 9) Innovate and create new entrepreneurs and goods and services;
- 10) Promote consortia working

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<sup>5</sup> <https://policonomics.com/government-intervention/>

<sup>6</sup> Background on the Urban Agenda and its partnerships is provided in Chapter 1.3

In addition to the (combinations and impact of) used MPIAs, it is theorised based on, for example, Patrucco et al. (2017) that various factors based on a municipality's context (e.g. wealth, size), procurement maturity (e.g. procurement leader's expertise and experience, procurement strategy and advancement level), and objectives (e.g. high-level priorities), may also affect SER outcomes (e.g. a circular economy, increased social value).

Since in this case, multiple input variables influence an output variable in complex patterns, a configurational approach as opposed to a correlational one is considered. More specifically, it would be interesting to examine the configuration of attributes - this includes MPIAs and factors – theorised to jointly influence SER. In this context, a configuration is described as a specific combination of elements that produces a given outcome of interest (Saridakis et al., 2022, p. 92).

The focus of this research is to examine attributes expected to jointly influence SER, as the basis for designing a configurational model. Hence, the established research question (RQ):

**Which attributes are expected to jointly influence sustainable economic recovery in response to crises by means of public procurement?**

Based on Furnari et al. (2021), configurational thinking is applied throughout this research to achieve insight into:

- The key MPIAs and factors affecting SER;
- How these MPIAs and factors interact with each other;
- Understanding the reasons why certain (combinations of) MPIAs and factors are successful

In the context of this research, the reasons for applying configurational thinking based on Saridakis et al. (2022); Arellano et al. (2020); Fiss (2011); Ragin (1987) are as follows:

- Certain combinations of MPIAs and factors are likely to outperform others, e.g. specific MPIAs for a certain type of municipality are successful – i.e. *conjunction*;
- It may be that two or three very different sets of MPIAs and factors may lead to success, e.g. in a small rural municipality procurement strategy 1 that is quite different from procurement strategy 2 in the context of a large urban municipality – i.e. *equifinality*;
- It may be that pursuing a specific strategy leads to high SER but not pursuing this specific strategy does not lead to poor SER – i.e. *asymmetry*.

Configurational thinking is applied to establish a proposed or an 'initial' configurational model, i.e. a theoretical framework, featuring potential attributes influencing SER. Taking into account the insights achieved through semi-structured interviews with PP professionals, the updated or 'final' configurational model will be presented.

### **1.3 Background on the EU Urban Agenda Partnership on Innovative and Responsible Public Procurement**

A new working approach of thematic Partnerships aimed at optimising the use of cities' growth potential and addressing social concerns was formed in May 2016 by the 'Pact of Amsterdam, collectively named the Urban Agenda for the EU (Urban Agenda, 2022, p. 4). During the course of its work, each Partnership develops an Action Plan, which is a concrete non-binding proposal that outlines its priorities, objectives, and steps to achieve them<sup>7</sup>. Through improved collaboration between cities, regions, Member States, the European Commission (EC), expert organisations, and other stakeholders - the Urban Agenda for the EU aims to address the three pillars of EU policy-making and implementation: better regulation, better funding, and better knowledge (Urban Agenda, 2022, p. 6).

One of the 14 thematic Partnerships - the EU Urban Agenda Partnership on Innovative and Responsible Public Procurement - was founded in May 2017 and the University of Twente is a member of this partnership. (Urban Agenda, 2022, pp. 6; 8). In the 'Action Plan 2022' report, three Actions are emphasised, namely: 1) Develop a reflection board supported by a sustainable platform where cities, regions, member states and the EC/ institutions exchange ideas and experiences on strategic public procurement; 2) Achieve Green Deal goals by using public procurement and innovation as strategic tools; and 3) Enable Sustainable Economic Recovery through public procurement (Urban Agenda, 2022, p. 4).

The third Action looks at ways and activities to achieve SER in response to crises, by gathering data for best practices, knowledge, and tools, which will contribute as input ideas for the development and use of public procurement (Urban Agenda, 2022, p. 11). The ten compiled activities are intended to help other cities, especially their procurement authorities, improve their procurement procedures and practices and utilise public procurement spending to help their economies recover sustainably. They further stated that municipalities may utilise public procurement as a tool/lever to address the before-mentioned challenges derived from the crises, but that they need knowledge/guidance/tools on how to do so successfully (Urban Agenda, 2022, p. 25).

This partnership aided in establishing contact with suitable interview partners for this research. However, this paper's content is solely the author's responsibility.

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<sup>7</sup> <https://futurium.ec.europa.eu/en/urban-agenda/action-plans/news/what-action-plan>

## **1.4 Research contribution**

This research contributes to both literature and practice as it presents critical insights for strategic procurement leaders and future research, based on evidence from policy and research, as well as, expert interviews. The insights reveal, *inter alia*, the key MPIAs and factors affecting SER; how these MPIAs and factors interact with each other; and the reasons why certain (combinations of) MPIAs and factors are successful. In addition, new case examples for the MPIAs acquired from the expert interviews build up on the set already provided for Action 3 of the Urban Agenda.

In terms of academic contribution, this paper provides insights that add to the relatively unexplored area of how public procurement can be utilised as a strategic tool to support SER in response to crises. Moreover, this paper may contribute to the existing literature on configurational studies by applying configurational thinking as part of the configurational theory to examine attributes that are theorised to jointly influence SER. This paper's insights and the developed configurational model comprising expected attributes to jointly influence SER, establishes a foundation for follow-up research to better understand the findings when the actual configurational analysis or so-called Qualitative Comparative Analysis (QCA) is conducted as part of the configurational theory to identify combinations/recipes of attributes that can result in desired SER outcomes.

In terms of practical contribution, this paper provides insights for interested practitioners who want to scale up and accelerate strategic public procurement for local SER. The findings reveal good practices and lessons learned from different European countries facing the same challenges, allowing decision-makers to operate on the right track and take into consideration the most important success factors and common challenges of SER initiatives. The Urban Agenda Partnership on Innovative and Responsible Public Procurement in particular might benefit from the additional intervention and case examples acquired through the expert interviews, as well as, suggestions for their existing public procurement cycle featuring the respective activities.

## **1.5 Research outline**

The remainder of the paper is structured as follows: Chapter 2 includes a literature review on the ten MPIAs, amongst other relevant topics; Chapter 3 comprises background on the configurational theory and presents a visualisation of the initial proposed configurational model as part of the theoretical framework; Chapter 4 describes the methodological approach taken to address the RQ; Chapter 5 presents the findings from the expert interviews; and Chapter 6 provides the updated version of the proposed configurational model and covers the discussion, conclusion, limitations, and implications.

## 2. Literature review

### 2.1 Public procurement strategy and priorities: Strategic public procurement to stimulate sustainable economic recovery in response to crises

Procurement can significantly contribute to value creation and competitive advantage, subsequently enhancing organisational performance. However, this presents more challenges and necessitates a higher level of maturity in managing the procurement process, tools, and department organisation. The ability to formulate the procurement strategy, carefully taking into account various kinds of contingent factors and defining strategy components, content, and process, is one of the most important traits of a mature procurement department. However, *public procurement* differs (Patrucco et al., 2017, p. 269). The six strategic policy priorities outlined in the 2017 Communication from the Commission to the Institutions: "Making Public Procurement Work in and for Europe" are the core of the EC's public procurement strategy. These include: 1) Ensuring wider uptake of strategic public procurement i.e. innovative, green and social procurement; 2) Professionalising public buyers; 3) Increasing access to procurement markets; 4) Improving transparency, integrity and data; 5) Boosting the digital transformation of procurement; and 6) Cooperating to procure together. By collaborating with public agencies and other stakeholders, it seeks to enhance EU public procurement practices.

Public procurement refers to the process through which the government purchases goods, services, [and works] from private vendors to carry out its tasks or to achieve the best value for money in a timely, cost-effective, and efficient manner (Treviño-Lozano, 2021, p. 1; Crisan, 2020, p. 1). It is regulated by law to maximise value for money for the public sector and ensure compliance with three key principles: equal treatment, non-discrimination, and transparency<sup>8</sup>. The primary goal of public procurement is the acquisition of goods and services, but secondary goals extend beyond the contract to encompass social, economic, and environmental objectives such as employment, industry-strengthening, SME/regional involvement, diversity, innovation, sustainability, and development aid. Therefore, public procurement can be utilized as a lever of broader governmental policy (OECD, 2017; Telgen et al., 2007). Two key interests drive public procurement, namely: 1) the process interest of keeping costs down; and 2) the competition interest of ensuring fair competition. Transparency and equality go hand in hand with fairness. Many laws, including the European tender rules, are used to enforce this (Telgen et al, 2007). In the past, public procurement 's major responsibility was to meet regulatory obligations in a tactical and administrative manner. However, as a result of being demanded to accomplish particular government objectives, public procurement is now shifting toward a more strategic role – consequently facing competing priorities, such as cost-efficiency, legal conformity, the advancement of environmental protection, as well as, the stimulation of creativity and innovation (Patrucco et al., 2017, p. 269; Telgen et al., 2007).

According to URBACT (...), every European city has organisations like municipal governments, universities, and hospitals (i.e. anchor institutions) that will spend hundreds of millions of Euros throughout the procurement process annually. Procurement money comes from taxpayers and as such it is the taxpayer's right to ensure it is spent in both an efficient and effective way.

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<sup>8</sup> [https://single-market-scoreboard.ec.europa.eu/policy\\_areas/public-procurement\\_en](https://single-market-scoreboard.ec.europa.eu/policy_areas/public-procurement_en)

URBACT further argues that procurement should not be viewed as just a technical and bureaucratic process, that cities have to go through to purchase goods or services, but rather used by cities as a lever to tackle environmental, economic, and social challenges<sup>9</sup>. “By *sustainable economic recovery* (SER), we mean enabling businesses to return to developing and growing financially, but also in a manner that enables the wider-ranging local economic, social, health, and environmental challenges emerging from crises to be addressed” (Urban Agenda, 2022, p. 25). Public procurement plays a significant role in enabling SER in response to crises - as government expenditure has a huge influence on the global economy - through responsible and innovative public procurement. *Sustainable Public Procurement* (SPP), also called *Responsible and Sustainable Procurement* (RSP)<sup>10</sup>, refers to “a process by which public authorities seek to achieve the appropriate balance between the three pillars of sustainable development - economic, social and environmental - when procuring goods, services or works at all stages of the project” (EC, 2017). *Public Procurement of Innovative solutions* (PPI) occurs when the public sector utilizes its purchasing power to act as an early adopter of innovative solutions that are not yet readily available on a broad commercial basis<sup>11</sup>. According to PIANOo (2016), “PPI is results-led: an innovation is purchased”.

Approximately 14% of the EU’s Gross Domestic Product (GDP) is spent on public procurement by purchasing services, works, and supplies totalling roughly €2 trillion per year (Urban Agenda, 2022, p. 6). In the Netherlands (NL) alone, the entire estimated value of all procurement operations carried out both above and below European criteria, was about €86.6 billion in 2019<sup>12</sup>. This makes public procurement a strategic tool for implementing political goals. The effectiveness of government spending is largely determined by its contribution to achieving public policy objectives (Urban Agenda, 2020, p. 5). Contracting authorities in NL are increasingly utilising public procurement as a strategic tool to accomplish policy goals, tackling environmental (e.g. reducing carbon emissions), economic (e.g. creating jobs and apprenticeships), and social (e.g. developing worker’s skills) challenges. Thus, public procurement can be leveraged for wider benefits - whether that is social, environmental, or economic - rather than just purchasing the goods, services, and works. This phenomenon is also referred to as *strategic procurement*<sup>13</sup>. For example, public procurement can be used to support businesses through local sourcing (Crisan, 2020) and can be used to support SME/regional involvement and industry strengthening, generate employment, growth, and investment, as well as, build a more innovative economy, one that is more resource and energy-efficient, and one that respects human rights, equality, and social inclusion i.e. cultural integration and the inclusion of minorities and disadvantaged persons (Urban Agenda, 2020; Telgen et al, 2007; OECD, 2017; Tshwete, 2020). Furthermore, it has the potential to contribute to the EU Green Deal's objectives of accelerating the circular economy and ensuring long-term sustainability. Moreover, public procurement can be leveraged for stimulating enterprises to innovate (Crisan, 2020; Patrucco et al., 2017; Telgen et al., 2007).“For public authorities, procurement is a

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<sup>9</sup> [https://www.youtube.com/watch?v=7wTwIahPbk0&list=PLi7JLNLCQuALrx\\_AOAEJITogRPu-u90r](https://www.youtube.com/watch?v=7wTwIahPbk0&list=PLi7JLNLCQuALrx_AOAEJITogRPu-u90r)

<sup>10</sup> <https://www.pianoo.nl/en/public-procurement-in-the-netherlands/sustainable-public-procurement-spp>

<sup>11</sup> <https://digital-strategy.ec.europa.eu/en/policies/ppi>

<sup>12</sup> <https://urbact.eu/procurement>

<sup>13</sup> <https://urbact.eu/procurement>

powerful tool for spending public money in an efficient, sustainable, and strategic manner, especially in times of strained national budgets” (EC, 2017, p. 2) and could be used as a “strategic weapon for change” (Telgen et al., 2007).

## **2.2 The relevance of municipalities and SMEs in relation to sustainable economic recovery**

“Local governments play a crucial role during the pandemic, but they need sufficient funding to respond to the needs of their communities immediately and effectively. Unfortunately, local governments face a ‘scissors effect’ during a pandemic, i.e. expenditure increases while income declines” (Ing & Basri, 2022, p. 142). Achieving the EU Green Deal goals, supporting SMEs, accelerating the economy's recovery from the COVID-19 pandemic, other crises, and emergency situations, transitioning to a circular economy, and combating unemployment - are only a few of the challenges that public procurement authorities must deal with. Many public procurement authorities still procure and select suppliers solely on the lowest price, which leads to outdated solutions for issues that arise. In addition, many public procurement authorities lack knowledge of innovative and innovation procurement tools and how to use these tools effectively to address challenges (Urban Agenda, 2022, pp. 12-13). Public procurement authorities willing to support EU Green Deal goals face many challenges and barriers, such as stakeholders not being receptive or procurement leaders and teams lacking the requisite knowledge, skills, time or resources. Albeit many resources (for knowledge and skills development and tools) are already available, these are usually either hard to find, behind paywalls, complicated to use, or not entirely relevant. The public administrations' professionalisation and digitalisation may provide as impetus for addressing these issues (Urban Agenda, 2022, p. 20). Municipalities are key players in supporting SER as they account for the majority of public procurement expenditure (EFI, 2021, p. 3). In the procurement process, cities must not simply consider price and quality, but also how procurement spending might contribute to the achievement of broader social and environmental goals<sup>14</sup>. To do so, various stakeholders need to be involved.

In general, the focus of public procurement tends to revolve around cost reduction and risk avoidance, however, this strategy has some drawbacks. For example, Small and Medium-sized Enterprises (SMEs) may be pushed out of the bidding process if public authorities insist on low prices in procurement contracts. Palanimally's 2016 study argued that SMEs are the backbone of every economy – they may be small in size but are large in numbers. The study also mentioned two main reasons for the existence of SMEs: 1) to satisfy customers' needs in such a way that they will continue to use and recommend the firm's goods and services, i.e. "customer service business," and 2) to create desired goods and services so that the firm's investment is converted to cash as quickly as possible, i.e. "cash conversion business". SMEs are generally classified and defined based on quantitative parameters such as the number of employees, sales volume, asset value, and levels of capital (Palanimally, 2016, p. 55). As SMEs vastly outnumber larger enterprises, they have the potential to improve employment and economic growth significantly (Crisan, 2020, p. 1). Despite accounting for 99% of the economy in Europe, only 40% of all

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<sup>14</sup> [https://www.youtube.com/watch?v=7wTwIahPbk0&list=PLi7JLNLCOuALrx\\_AQAEExJITogRPu-u90r&index=1](https://www.youtube.com/watch?v=7wTwIahPbk0&list=PLi7JLNLCOuALrx_AQAEExJITogRPu-u90r&index=1)



procurement opportunities are awarded to SMEs<sup>15</sup>. And despite the new SME-friendly policies included in the 2014 EU Public Procurement Directives, SME participation in public procurement remains modest in comparison to their significance in national economies. An EU report published in 2021, revealed that SMEs struggle to compete in and win bids due to a number of obstacles. On the one hand, particular types of SMEs are being discouraged based on factors like the size (especially micro-enterprises), age (especially new established enterprises), sector (distinguishing between e.g. manufacturing, services, and construction) and performance (positive versus low or negative growth). On the other hand, information and communication systems may also be restraining SMEs to seize public procurement opportunities. Limited access to public procurement might come from inefficient information access, as well as, unclear communication of opportunities to ‘do business’ with the public sector. SMEs can benefit from easier access to public procurement markets by discovering new opportunities and expanding their business. Increased SME engagement in public procurement can help the economy recover amid a crisis (EU, 2021, p. 110).

### **2.3 The relevance of the EU policy framework centred on public procurement<sup>16</sup>**

A complex legal framework governs the highly regulated process of public procurement, comprising not only national regulations, but increasingly also sub- and supranational ones, creating a multi-level regulatory framework for public procurement. This multi-level nature must be taken into consideration when integrating sustainability criteria into public procurement as stated in SDG 12.7 (Stoffel, 2020, p. 5).

The EU Public Procurement Directives shape how European member states and cities undertake procurement. These directives, which are usually updated every ten years and shaped by consultation with governments and procurers across Europe, outline the legal framework within which governments, public sector institutions, regional governments, and municipalities should conduct procurement. Four overarching essential principles underlie the EU Public Procurement Directives. First, the *directives need to be transposed into a national level* (i.e. national laws of each Member State), which ensures a uniform approach and means that the directives cannot be altered on a state-by-state basis, thereby making them the predominant form of procurement legislation. Second, the directives are shaped by the *competition* principle. Member states and cities, in particular, are prohibited from favouring suppliers based on their territories over those located elsewhere in the country or other countries. Third, procurement beyond a specific threshold must be publicised in the *Official Journal of the EU* across Europe. Finally, member states and cities must *adhere to legal requirements*. Failure to do so exacerbates the lack of transparency in the procurement process and increases the risk of corruption.

The EU Public Procurement Directives have long been viewed as a barrier to cities improving their procurement operations and making procurement more strategic. The EC, however, made three significant amendments to the directives in 2014 to address this. First, the *flexibility* in the procurement process increased by reducing some of the complexity and bureaucracy. It

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<sup>15</sup> [https://www.youtube.com/watch?v=dVie47C-Iy0&list=PLi7JLNLCQuALrx\\_AQAExJITogRPu-u90r&index=2](https://www.youtube.com/watch?v=dVie47C-Iy0&list=PLi7JLNLCQuALrx_AQAExJITogRPu-u90r&index=2)

<sup>16</sup> [https://www.youtube.com/watch?v=dVie47C-Iy0&list=PLi7JLNLCQuALrx\\_AQAExJITogRPu-u90r&index=2](https://www.youtube.com/watch?v=dVie47C-Iy0&list=PLi7JLNLCQuALrx_AQAExJITogRPu-u90r&index=2)



implemented e-procurement, for example, which requires bidders to submit materials to a portal rather than sending piles of documents through the mail. It also introduced new procedures to encourage increased engagement with potential markets before and during procurement. Second, the *accessibility* of procurement opportunities for SMEs increased by allowing procurers to split down contracts into smaller lots, making it easier for SMEs to bid for and perhaps win more procurement contracts. Third, the EC expressed an interest in leveraging procurement to *address broader social and environmental challenges*. Traditionally, procurement contracts were awarded based on two conditions: the price offered by the supplier and the supplier's quality and experience with the goods, services, or works being procured. Because the price was prioritised, the cheapest offer frequently got the contract, however, businesses and other organisations have the opportunity and potential to contribute to broader objectives through the delivery of their procurement contracts. For example, they can *create jobs* for the unemployed, *minimise carbon emissions* by employing specific vehicles, and *develop skills* of their workforce. Environmental protection, social responsibility, innovation, climate change mitigation, employment, public health, and other social and environmental considerations are all important strategic procurement goals. The EU Urban Agenda Partnership for Innovative and Responsible Public Procurement, the Big Buyers Initiative, the Buying for Social Impact initiative, and the Green Public Procurement Handbook are among the policy actions, programs, and networks that support these directives.

## 2.4 Activities to support sustainable economic recovery throughout the public procurement process

### 2.4.1 The six-steps public procurement cycle

The PP cycle used in this research as depicted in Figure 1 is designed by URBACT - an organisation that collaborates with, inter alia, the EC, EUROCITIES, and the EU Urban Agenda Partnership on Innovative and Responsible Public Procurement. Embedding social and environmental considerations in procurement cannot just happen at one point in the process, but rather in different stages.



Figure 1: The public procurement cycle (URBACT, 2021)

## Step 1: Spend analysis<sup>17</sup>

Before cities begin initiatives to include social and environmental considerations into their procurement procedures, they need to gather data and build an evidence basis regarding their current Procurement Spend. Few European municipalities have a clear understanding of how much money they spend on procurement each year, where that money flows geographically, sectorally, and in terms of business types, the wider impact of that expenditure on local economies, and the social and environmental outcomes. Some municipalities may not be willing to undertake a full spend analysis as it is both capacity and resource-intensive. Many cities, on the other hand, might seek to learn more about their supplier procurement spending.

The first decision cities must make is the *geographic focus*. Cities may be interested in how much money they spend with suppliers in a specific neighbourhood, within a city boundary, within a wider region, or within their nation. This is a critical decision since the spend analysis determines whether or not a supplier's postcode or another geographical identifier (e.g. zip code or the city in which they are based) is located inside the given geographic area. The second decision is how to *categorise sectors and SMEs*, where categorisation systems differ across European countries. Sectors can be categorised, for example, through CPV codes and activity codes. SMEs can be defined as an organisation, for example, with less than 50 employees or less than 250 employees. The third decision is to choose a *time frame* for the spend analysis. For example, it could be undertaken annually (e.g. all procurement spend for 2022), financial yearly (e.g. 2021-2022), or over the course of three months/years.

Having made the decisions described above, cities must then collect actual procurement spend data for the agreed-upon time frame, which could be held by various people in various municipalities (e.g. a finance team or by the procurement team itself). After collecting all of the aforementioned data, cities should do their spend analysis utilising the Making Spend Matter Spend Analysis tool, which will do the analysis for them to find out how much money is spend overall with their top 300 suppliers, how much money is spend in the selected geographical region, with SMEs, and with certain industrial sectors.

## Step 2: Identifying outcomes<sup>18</sup>

After the city has completed its procurement spend analysis and established a baseline understanding of where its money is spent, it must identify which broader economic, social, and environmental issues it wants procurement to help address. Their spend analysis may have revealed that SMEs account for only 10% of their existing procurement cost. However, municipalities will want to go beyond spend analysis findings. Every municipality has a strategic plan, a corporate plan, or an economic development strategy in place. Some may even have a *procurement strategy* in place. These plans will usually address the city's broader social and environmental challenges. Reducing unemployment (economic), enhancing the health and well-being of the resident population (health), developing skill levels (culture), and lowering carbon emissions (environment) are just a few examples of "*wider strategic outcomes*". Identifying

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<sup>17</sup>[https://www.youtube.com/watch?v=01GmAIqRueM&list=PLi7JLNLcQuALrx\\_AQAEJITogRPu-u90r&index=3](https://www.youtube.com/watch?v=01GmAIqRueM&list=PLi7JLNLcQuALrx_AQAEJITogRPu-u90r&index=3)

<sup>18</sup>[https://www.youtube.com/watch?v=nTTC0RIVkc4&list=PLi7JLNLcQuALrx\\_AQAEJITogRPu-u90r&index=4](https://www.youtube.com/watch?v=nTTC0RIVkc4&list=PLi7JLNLcQuALrx_AQAEJITogRPu-u90r&index=4)

which overarching outcomes are appropriate for a city is the first step in incorporating social and environmental considerations into procurement. For example, a fundamental theme of Preston's city strategy is the economy, specifically the creation of more and better jobs. To do so, the city will seek to utilise procurement to create more employment opportunities for its residents, including jobs that pay fairly, have decent terms and conditions, and provide prospects for advancement. Cities will be able to build social value procurement frameworks - which lay out the primary goals that those cities hope to achieve through the procurement process - after they have determined their outcomes.

### **Step 3: Commissioning**<sup>19</sup>

Once the city has determined which of its broad strategic objectives are important, it must begin incorporating those outcomes into the procurement process. The commissioners - which are the people in charge of creating commodities, services, and works - should be the first ones approached. People in charge of developing a new school, procuring stationery, or designing a public health service, for example, will primarily consider what they want their goods, services, or job to accomplish, what quality standards they desire, and how much they expect it to cost. Commissioners must also evaluate which objectives are relevant for the good or service they are designing if a municipality also wants to incorporate social and environmental considerations into procurement. For different sorts of goods, services, and works, different outcomes will be applicable. For example, if a labour force is necessary for a construction project, consider the *outcomes* associated with reducing unemployment and creating jobs. When buying stationery, it is important to consider environmental outcomes, specifically the distance those goods have travelled and the quantity of carbon emitted. In the case of a legal services contract, consider what voluntary activities the chosen supplier's personnel can participate in to benefit the local community. Municipalities may want to create a matrix that lists the common goods, services, and works they acquire, as well as which of the stated outcomes are significant. This will make commissioners' jobs easier when it comes to creating goods, services, and works, as well as exploring social and environmental concerns. It would aid the city in the development of tender documents and decision-making. Municipalities might also think about engaging citizens (*citizen engagement*) to find out what they want from a particular good, service, or work, and consider increased uptake of *innovation* at this commissioning stage. The commissioners may also want to interact with potential suppliers early on, especially SMEs, to inform them of the upcoming procurement opportunity (*SME engagement*). The actual tendering procedure can now begin.

### **Step 4: Tendering and Step 5: Decision-making**<sup>20</sup>

Those in charge of procurement or tendering will need to produce *tender documents* after the commissioners have designed a good, service, or work. These documents include a list of requirements, as well as, questions for potential suppliers, allowing the supplier to adjust to their costs and delivery methods. At this point, two activities must happen in terms of social and environmental considerations. First, municipalities must determine how much of their decision-

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<sup>19</sup> [https://www.youtube.com/watch?v=5-00tNumTg0&list=PLi7JLNLCQuALrx\\_AQAExJITogRPu-u90r&index=5](https://www.youtube.com/watch?v=5-00tNumTg0&list=PLi7JLNLCQuALrx_AQAExJITogRPu-u90r&index=5)

<sup>20</sup> [https://www.youtube.com/watch?v=h-yZptd8GiQ&list=PLi7JLNLCQuALrx\\_AQAExJITogRPu-u90r&index=6](https://www.youtube.com/watch?v=h-yZptd8GiQ&list=PLi7JLNLCQuALrx_AQAExJITogRPu-u90r&index=6)

making will be influenced by social and environmental considerations (i.e. *social and environmental weighting*), which typically differs depending on the nature of the good, service, or work being bought. Second, municipalities must formulate and ask *questions* about the *outcomes* they have *identified*. Three kinds of inquiries are commonly asked: *how*, *what*, and *do you have?* *How* questions can be answered quantitatively by potential suppliers (e.g. “how many new jobs will you create through this contract, which are additional to what you would be creating anyway”?) *What* questions can be answered qualitatively and descriptively by potential suppliers (e.g. “what types of volunteering activities will you encourage your employees to undertake”?) *Do you have* questions can be answered with a simple yes or no (e.g. “do you have an environmental management strategy”?). However, too many questions can add to the amount of bureaucracy that SMEs face.

After a tender exercise has finished and the municipality has obtained completed answers from potential suppliers, the submissions must be evaluated. The number of individuals required to evaluate and make decisions will vary by municipality, although the evaluation method for social and environmental considerations should be the same. The evaluation method will be determined by the type of question posed during the tendering process. *Do you have* questions will be evaluated based on a pass/fail basis. *How many* questions will be evaluated quantitatively with suppliers who detail a larger number of outputs scoring higher. *What* type of questions will also be evaluated quantitatively with a subjective percentage given based on the types and quality of volunteer activities offered.

### **Step 6: Contract monitoring<sup>21</sup>**

*Contract monitoring* refers to “the process municipalities use to monitor the performance of suppliers against the commitments they made in their tender documents”. Municipalities should monitor suppliers to see if suppliers are indeed delivering on their promised outcomes, otherwise, it is kind of worthless to think about social and environmental considerations in the first place. Municipalities will be required to take several actions to ensure successful contract monitoring. First, they must ensure that the details of the successful supplier's agreements are directly transferred to the legal contract, thus keeping the supplier accountable. They must also establish how they will monitor the fulfilment of social and environmental outcomes, which can be done in two main ways. They could either hire an *external organization* to conduct a supplier's *annual survey* to collect data from a social and environmental standpoint or they could internally hire someone (*internal survey*) to develop relationships with each supplier and collect *output data*. Regardless of the method used, monitoring should concentrate on gathering both quantitative and qualitative data.

#### **2.4.2 The ten crucial activities**

Moreover, the procurement cycle is integrally tied to the ten intervention activities for supporting SER through public procurement, meaning that in each of the steps of the selected procurement cycle, specific actions have been proposed.

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<sup>21</sup> [https://www.youtube.com/watch?v=L01afHk0yJ0&list=PLi7JLNLCQuALrx\\_AQAEExJITogRPu-u90r&index=7](https://www.youtube.com/watch?v=L01afHk0yJ0&list=PLi7JLNLCQuALrx_AQAEExJITogRPu-u90r&index=7)

Ten ‘crucial’ activities have been composed by policy experts and practitioners that support SER in response to crises. These activities are in correspondence with the procurement cycle (see figure 2). Table 1 summarises supporting evidence found for the compiled activities.

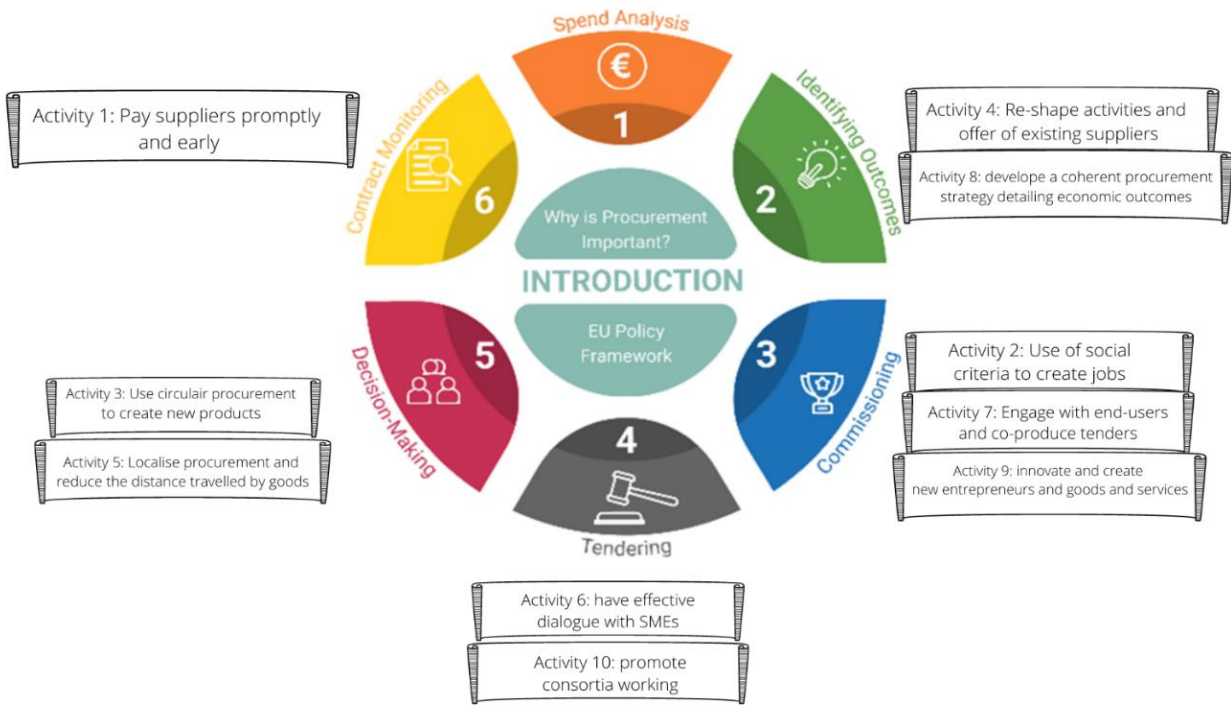


Figure 2: Linking the activities to the public procurement cycle (Urban Agenda, 2022)

*Table 1: Literature overview of the ten crucial municipality intervention activities enabling SER through PP*

<b>Activity</b>	<b>Description</b>	<b>Academic literature</b>	<b>Grey literature</b>
<b>1</b>	Pay suppliers promptly and early	Murray (2009) Pelle (2021)	Urban Agenda (2022) Rijksbegroting (2010) Edo (2021) Gov.UK (2022) Tshwete (2020)
<b>2</b>	Use social criteria to create jobs	Murray (2000; 2009) Telgen et al. (2007) Pelle (2021) Nijaki & Worrel (2012) Wontner et al. (2020)	Urban Agenda (2022) EC (2010) PIANoo (2016; 2020) Tshwete (2020)
<b>3</b>	Use circular procurement to create new products	Sönnichsen & Clement (2019) Ntsondé, & Aggeri (2021) Witjes & Lozano (2016)	Urban Agenda (2022) Circular Innovation Council (2015)
<b>4</b>	Re-shape the activities and offer of existing suppliers	Telgen et al. (2007)	Urban Agenda (2022)
<b>5</b>	Localise procurement and reduce the distance travelled by goods	Telgen et al. (2007) Nijaki & Worrel (2012) Morgan et al. (2017) Ten Hagen & Nieland (2018)	Urban Agenda (2022)
<b>6</b>	Have effective dialogue with SMEs	Telgen et al. (2007) Morgan et al. (2017)	Urban Agenda (2022)
<b>7</b>	Engage with end-users and employees and co-produce tenders	Nijaki & Worrel (2012)	Urban Agenda (2022) EC (2017)
<b>8</b>	Develop a coherent procurement strategy detailing economic outcomes	Patrucco et al. (2017) Nijaki & Worrel (2012)	Urban Agenda (2022)
<b>9</b>	Innovate and create new entrepreneurs and goods and services	Patrucco et al. (2017) Crisan (2020) Nijaki & Worrel (2012) Telgen et al. (2007)	Urban Agenda (2022) EC (2017) Circular Innovation Council (2015) OECD (2017)
<b>10</b>	Promote consortia working	Telgen et al. (2007) Murray (2009) Nijaki & Worrel (2012)	Urban Agenda (2022) EC (2017) Tshwete (2020)



### **Activity 1: Pay suppliers promptly and early**

The Urban Agenda (2022) mentioned that formerly, European cities and municipalities had varying timeframes and schedules for paying supplier payments, ranging from seven days to six months after receipt of the invoice. Longer payment periods might cause cash flow concerns for some suppliers, especially SMEs, as they are already paying their suppliers and staff. They advise cities to pay their suppliers immediately (within a maximum of 28 days) and, if possible, sooner, to stimulate SER through procurement and in response to crises. This is crucial because it will allow for faster cash flow across the economy, reducing the risk of businesses experiencing cash flow and liquidity issues.

### **Activity 2: Use social criteria to create jobs**

The Urban Agenda (2022) mentioned that the 2014 EU Public Procurement Directives stimulated national and regional governments and municipalities to use procurement to help achieve broader social and environmental goals while remaining relevant to the type of good, service, or job they were purchasing. While some cities have taken advantage of this opportunity, the vast majority lack the resources to incorporate such factors into their procurement processes. However, making social concerns and criteria a condition for relevant procurements can be a critical way of creating new jobs. People with jobs have more disposable income, which stimulates long-term recovery in other sectors of the economy, particularly retail. As a result, they recommend that cities begin to incorporate social factors related to employment development into all relevant procurement opportunities in the future. This is significant because it will help to address the major unemployment issue. PIANOo (2016) stated “In principal, it is possible to implement social return in all purchasing procedures, whether they be above or below the European public procurement threshold. In the absence of a national policy, individual organisations are free to interpret social return policy in their own way. The State implements social return in its procurement policy for public procurements in the categories of "works" and "services" worth in excess of €250,000 with a minimum contract period of six months”<sup>22</sup>.

### **Activity 3: Use circular procurement to create new products**

The Urban Agenda (2022) mentioned that the majority of goods acquired through the procurement process have a finite lifespan - they are used for a specific purpose before being discarded and replaced by new ones. However, such items can frequently be recycled, repurposed, or converted into something else, resulting in economic and, more significantly, environmental benefits. Cities may help cities and other organizations recover from crises by using a circular approach to procurement and collaborating with enterprises and social economy organizations to innovate and generate new products that are useful to municipalities and other organizations in the area. As a result, they recommend that cities begin to implement more circular procurement practices, which will save money while also helping the environment. This is significant because it lowers waste in terms of both cost and environmental impact.

### **Activity 4: Re-shape the activities and offer of existing suppliers**

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<sup>22</sup> <https://www.pianoo.nl/en/sustainable-public-procurement/spp-themes/social-return/social-return-explained>

The Urban Agenda (2022) mentioned that many businesses that supply goods and services to governments specialize in a specific area, such as providing municipal workers with uniforms or providing mental health services. Many suppliers have already developed new items in response to the COVID-19 outbreak, mostly offering protective equipment to health personnel. However, there is a potential to do more of this in the future to be more equitable, with larger suppliers working closely with SMEs to develop new goods and build their businesses together. As a result, they recommend that cities begin to collaborate more closely with suppliers and their supply chains in order to encourage them to cooperate with SMEs and diversify their product and service offerings. This is significant because it allows firms to expand and diversify their offerings.

#### **Activity 5: Localise procurement and reduce the distance travelled by goods**

The Urban Agenda (2022) mentioned that as carbon emissions rise, global temperatures rise, and issues of poor air quality and environmental health become more prevalent, Europe and the world face a serious dilemma. With products traveling large distances from their depot to the municipality that has purchased them, procurement practices can also contribute to increasing carbon emissions. However, businesses who provide the essential items but are located closer to the municipality making the purchase can often be an alternative. Again, the 2014 EU Public Procurement Directives allow cities to use procurement to achieve broader environmental goals. As a result, they recommend that cities begin to consider the distance their commodities travel and incorporate environmental requirements into their procurement processes so that items can only travel a certain distance. More local organisations would be able to recover economically from crises by delivering more contracts, which would benefit both the environment and the economy. This is significant because it allows local economies to expand while lowering carbon emissions.

#### **Activity 6: Have effective dialogue with SMEs**

The Urban Agenda (2022) mentioned that despite accounting for 99% of all firms in the EU, SMEs only deliver roughly 40% of all procurement contracts. Furthermore, due to their size, a lack of procurement skills and capacity, and a lack of awareness of procurement prospects, SMEs frequently encounter various barriers in interacting with procurement opportunities. This is something that the 2018 action plan and many activities have highlighted. SMEs have also been among the hardest hit by the pandemic's effects and will be harmed by other crises. As a result, they recommend that cities improve the effectiveness of their dialogue with SMEs regarding procurement opportunities. This should happen before the tender paperwork is publicized, and it offers an opportunity for SMEs to recover economically from the pandemic and other crises in the future by delivering more procurement contracts. This is critical because SMEs make up the majority of the economy, and they require assistance in order to survive and create jobs.

#### **Activity 7: Engage with end-users and employees and co-produce tenders**

The Urban Agenda (2022) mentioned that the procurement process is designed to offer goods, services, and works in a cost-effective and efficient manner. For the procurement of services, in



particular, it is critical that procurers grasp the precise demands of end service users to avoid wasting public funds and resulting in reduced budgets for other critical services. They recommend that cities assess the economic efficiency of the goods, services, and works they are already acquiring and include service users, including employees, in recognising the need and designing procurement tenders, in order to enable SER. This is significant because citizens are the ones who pay for procurement spending through taxes redistribution, and employees are the ones who will utilise the products; they should have a say in how that money is spent.

### **Activity 8: Develop a coherent procurement strategy detailing economic outcomes**

The Urban Agenda (2022) mentioned that many national, regional, and local governments and municipalities have a procurement strategy that specifies their overarching approach to procurement processes and practices, notably in terms of adherence to legislation, risk management, and regulations for specified spend thresholds. Few procurement strategies, on the other hand, define the broader aims that governments hope to achieve through procurement, such as reducing unemployment, developing skills, or lowering carbon emissions. They recommend that cities reassess their procurement strategies and start including material around the economic, social, and environmental goals they want to contribute to through procurement in order to support SER. This is significant because it specifies the types of economic outcomes that a city aspires to accomplish.

### **Activity 9: Innovate and create new entrepreneurs and goods and services**

The Urban Agenda (2022) mentioned that a small number of European municipalities have begun to use Public Procurement of Innovation (PPI) techniques in certain of their procurements. They encourage the market to discover new or inventive solutions to common difficulties rather than releasing a specification for a specific commodity or service. This provides the municipality with something new and novel, while also providing the supplier with a product or service that they can offer to other municipalities with comparable needs, allowing the supplier to grow and develop while also contributing to SER. Moving ahead, they recommend that municipalities be encouraged to test and embrace PPI initiatives. This is significant since it allows for the development of new goods, services, and works.

### **Activity 10: Promote consortia working**

The Urban Agenda (2022) mentioned that aside from major infrastructure projects, there is limited history of enterprises collaborating to make joint bids for procurement opportunities in Europe, and even fewer examples of collaborative project implementation. This can be due to geographical challenges and determining which enterprise should take the lead, but it can also be due to a lack of skills and capacity to work in consortia. More enterprises can share the riches of procurement spend and hence recover from the economic hurdles brought by the pandemic if procurement is based on consortia working. As a result, they recommend that communities encourage businesses to form consortia to compete for procurement opportunities. This is significant because it allows smaller enterprises to benefit from economies of scale by collaborating.

## 2.5 Types of public procurement & influencing factors

### 2.5.1 Sustainable public procurement

Sustainable Public Procurement (SPP) refers to “a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only for the organisation, but also for the society and the economy, whilst minimising damage to the environment” (UNEP, 2017).

By bringing businesses and policymakers together, sustainable procurement aims to contribute to sustainable development. Due to its significant proportion in global government spending, the role of public procurement in sustainable development has been a crucial topic for research and discussion in recent years. Sustainable procurement enables the reduction of energy, health, and environmental costs; promotes technological green innovation, market growth, and a more competitive green sector; and is essential to the development of sustainable supply chains in emerging economies (Zaidi et al., 2019). Walker et al. (2008) identified barriers and enablers for sustainable procurement as shown in table 2. Brammer & Walker (2011) found that leadership, legislation/government support, planning, strategies, and goal setting appeared to be most crucial facilitators for SPP. Zaidi et al. (2019) identified 12 key barriers to SPP and created a visualisation of the relationships and hierarchy among them (see figure 3).

*Table 2: Sustainable procurement barriers and enablers (created based on Walker et al. (2008))*

	<b>Barriers</b>	<b>Enablers</b>
<b>Internal factors</b>	Costs	Desire to reduce costs
	Lack of awareness	Improve quality & firm performance
	Conflicting priorities	Values of the founder
	Lack of training	Management & team commitment
	Lacking long-term view	Employee involvement
	Lack of management commitment	Policy entrepreneurs
	Culture	Procurement processes
	Lack of legitimacy	Procurement strategy
	Decentralised structure	Sustainability / CSR strategy
<b>External factors</b>	Industry specific barriers	Government policy
	Poor supplier commitment	Pressure from media
	Regulation	Pressure from consumers
		Regulation & legislation
		Pressure of NGOs
		Pressures from stakeholders
		Pressure from investors
Collaborate with suppliers		
Gaining competitive advantage		

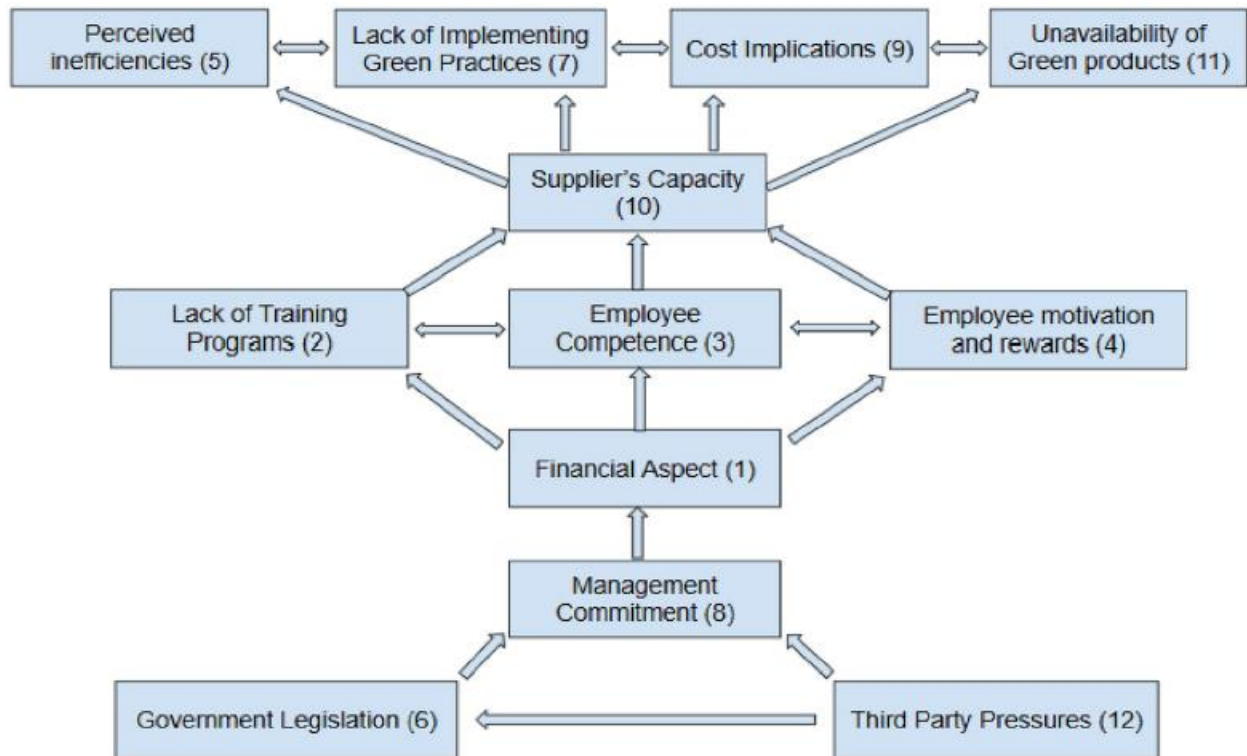


Figure 3: Hierarchy of barriers affecting SPP implementation in Public Sector Universities of Pakistan (retrieved from Zaidi et al. (2019))

### 2.5.2 Green Public Procurement

Green Public Procurement (GPP) refers to “a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured” (EC, 2016).

The EC emphasises ensuring wider uptake of strategic public procurement. This includes mainstreaming innovative, green and social criteria. The EU aims to be climate-neutral by 2050. 23 of the EU's 27 member states have developed national action plans that step-by-step address GPP and are tailored to the national level<sup>23</sup>. Cheng et al. (2018) argued that GPP as a policy tool in relation to green innovation is still in a nascent stage.

GPP has several advantages, including social, health, economic, and political advantages in addition to its favourable effects on the environment. Table 3 provides an overview of GPP benefits according to the EC<sup>24</sup>. Table 4 provides an overview of drawbacks and opportunities of GPP according to Testa et al. (2012; 2014).

<sup>23</sup> [https://ec.europa.eu/environment/gpp/action\\_plan\\_en.htm](https://ec.europa.eu/environment/gpp/action_plan_en.htm)

<sup>24</sup> [https://ec.europa.eu/environment/gpp/benefits\\_en.htm](https://ec.europa.eu/environment/gpp/benefits_en.htm)

Table 3: GPP benefits (created based on the EC)

<b>Environmental benefits</b>	GPP allows public authorities to achieve environmental targets
	GPP sets an example to private consumers
	GPP raises awareness of environmental issues
<b>Social/health benefits</b>	GPP improves quality of life
	GPP helps establish high environmental performance standards for products and services
<b>Economic benefits</b>	GPP saves money and resources when life-cycle costs are considered
	GPP provides incentives to industry to innovate
	GPP can reduce prices for environmental technologies
<b>Political benefits</b>	GPP is an effective way to demonstrate the public sector’s commitment to environmental protection and to sustainable consumption and production

Table 4: GPP drawbacks and opportunities (created based on Testa et al. (2012; 2014))

<b>Drawbacks</b>	Lack of organisational resources for political support. This includes budgetary constraints and training for PP officers.
	Lack of information on the real environmental impact of the products
	Difficulties in finding suppliers
	Difficulties in preparing calls for tenders and purchasing
	Lack of guidelines from higher order authorities
	Lack of co-operation between authorities
<b>Opportunities</b>	Awareness and knowledge of GPP practices appear to be the greatest driver
	Several studies acknowledge the importance of the presence of GPP toolkits and documents

### 2.5.3 Circular Public Procurement

According to Circular Flanders (2017), “Circular purchasing is a new way of purchasing for companies, with people, the planet, and the pocket in mind. It is a process where you ‘buy change’, for example by opting for reusable materials, by choosing bio-based or biodegradable materials, by pooling products and resources or sharing them with other organisations, or by buying the use of a product instead of the product itself”<sup>25</sup>. Circular Public Procurement (CPP) refers to “the process by which public authorities purchase works, goods or services that seek to contribute to closed energy and material loops within supply chains, whilst minimising, and in the best case avoiding, negative environmental impacts and waste creation across their whole life-cycle” (EU, 2017, p. 5).

The EC developed the 2015 Circular Economy Action Plan in response to current consumption resources, and climate change, and the European Parliament (EP) afterwards encouraged the integration of circular principles with knowledge of GPP. The report explains how CPP may shape markets and as a result, produce greener and more sustainable goods and services through the use of procurement tools and guidance. CPP procedures can promote production and consumption that is morally, socially, and environmentally responsible compared to a “business

<sup>25</sup> <https://vlaanderen-circulair.be/en/projects/green-deal-circular-purchasing>

as usual” mode. However, much like with public procurement and tenders, the adaptation and transition towards a circular economy are still in its infancy (Sönnichsen & Clement, 2020). A circular economy, in accordance with Knight et al. (2022) and Circular Flanders (2019), emphasises: 1) reuse, share, repair, refurbish, remanufacture, and recycle for a closed-loop system; 2) minimises the usage or demand for virgin resources in production and design; and 3) reduces waste, pollution, and carbon emissions. By attempting to prolong the useful life of, for example, goods, machinery, and infrastructure, the circular economy is the antithesis of the traditional linear paradigm of “take-make-waste”. A circular economy: 1) maximises value of resources and assets; 2) creates products and services that are more innovative and responsive; 3) reduces environmental impacts of entire production and consumption cycles: production, use, and end-of-life management; and 4) focuses on outcomes<sup>26</sup>. Sönnichsen & Clement (2020) stated that SPP and GPP have gained recognition that societal, environmental, and social challenges can be addressed through public procurement activities, however, CPP is a new field in both academia and practice. Therefore, the authors conducted a rigorous literature review on SPP and GPP to identify factors influencing future CPP processes, emphasising three main categories and nine accompanying sub-categories. The first main category *organisational aspects* comprises: 1) size; 2) strategy and top-level management; and 3) policies and the quality of contracts. The second main category *individual behaviour* comprises: 1) agency and cross-departmental management; and 2) beliefs, awareness, and individual guidance. The third main category *operational tools* comprises: 1) process and prioritisation tools; 2) calculation and criteria setting tools; 3) standards, standardisation and legal aspects; and 4) supplier selection. Table 5 presents an overview of their results. The authors collectively refer to SPP and GPP as CPP since these three types of procurement share similar elements. Other factors not mentioned in Sönnichsen & Clement (2020) study include the relevance of leadership and mindset<sup>27</sup>.

Table 5: Factors influencing procurement process (recreated & adapted from Sönnichsen & Clement, 2020)

<b>Organisational aspects</b>	<b>Size</b>
	CPP is more established in large organisations compared to smaller
	Size and level of the procuring organisation does not affect efforts of pro-actively CPP implementation
	Inclusion of CPP is a result of random, cautious and unsystematic experimentation patterns
	Raising awareness of proper responsibilities, roles and functions on all organisational levels is imperative to deal with challenges
	Considerable cultural, managerial and operational changes contribute to development at local level
	A lack of organisational capabilities, proper responsibility and roles/functions is a barrier to implementation
	Smaller public institutions can conceive, design and implement organisational CPP solutions but are challenged by internal resource allocation
	<b>Strategy and top-level management</b>
	Strategic perspectives are more focused on support to local suppliers than the overall systemic advantages

<sup>26</sup> <https://circularprocurement.ca/why-circular-procurement/>

<sup>27</sup> <https://www.ft.com/video/1836546e-b252-4507-b6a6-9a634c0bbd1c>

	Senior managers should incorporate CPP planning, strategies and goal setting to support the purchasing team
	Awareness and knowledge on long-term effects can shift perception of the impact and approach
	Financial pressure related to perception of higher prices when buying circular value offers
	Clear political goals, allocation of funding towards change, cross-departmental commitment and co-operation under budget constraints are imperative
	Influential factors: strategies, requirements, costs, size and knowledge
	Indirect support: EU and national soft regulation
	Direct support: political commitment, environmental knowledge, organisational structure of focal government and focal interpretation of regulatory framework
	Transformational top-level managerial style, stakeholder expectations and innovativeness influence institutionalisation
	Education of purchasing professionals in the use of CPP criteria crucial to magnifying opportunities
	Out-sourcing of procurement function nor radical decentralisation is recommended
	<b>Policies and the quality of contracts</b>
	PP contracts are characterised by balancing budgetary considerations and objectives of environmental and social aims
	Policymakers should mindfully emphasise CPP
	Policy goals in tenders result in integration of required criteria in tender offers
	National differences in application and interpretation of legislation and regulation (mandatory vs. voluntary)
	Criteria's receive different attention according to the context of contracts - tendency that some criteria get neglected
	Most effective to create new/innovative solutions, if objective is to change/develop markets
	Public use of specific certifications is imitated by private demand
	Quality of contracts is an outcome of contingent processes of negotiation, determining power relations
	Market dialogue and shared experiences occur through interdisciplinary iterative processes
<b>Individual aspects</b>	<b>Agency and cross-departmental management</b>
	Psychological factors encompass barriers for individual factors, organisational factors, internal and external adaptation processes towards circularity
	Agency embeds enduring socio-economic structures e to avoid lock-in to extant structures is training of senior management and mandatory circular development targets suggested
	Challenges not only technological, but is influenced by human behaviour
	Change agents play a pivotal role in fostering the development of individual engagement and innovative circular transformation
	Individual information exchange, collaboration and strategic knowledge transfer paramount to effective processes
	Silo-structures encompass possible hindrance to development of knowledge and organisational capacity
	Extend dyadic perspective through devoted relational inclusion and understanding of all relevant actors
	<b>Beliefs, awareness and individual guidance</b>
	Affective commitment to change characterised by inherent belief in the benefits of CPP
	Affective commitment to change, a mediator for an ecological sustainability approach, procedural justice and CPP vision
	Public buyers are motivated by the belief in making a difference through decision-making based on circular principles

	Individual procurer and related behaviour essential for application of CPP in processes
	Individual learning and training on circular public procurement opportunities to develop affective commitment
	Skills and guidance on circularity provides additional authority, capacity and motivational energy by empowering procurers e a leeway to effective processes
	Awareness and experience are more important to implementation of CPP and dissemination than economic resources
	Awareness of long-term impact shifts approach from point of purchase short-term cost to life-cycle costing orientation
	Little guidance positively influence attitudes towards application of circular criteria's in tender processes
	Dissemination of best practices through training, workshops and monitoring enable effective support for developing implementation of circular principles
	<b>Process and prioritisation tools</b>
	Five-step process is developed to guide systematic implementation of CPP practices
	Phases of pre-requirements, calls, selection, awarding and contracting is all identified as having barriers and facilitators
	Process enablers: overall strategies for circularity, ecolabels, life cycle assessment and costing
	Process barriers: lack of traceability, prioritisation and measurement tools
	Collaboration and dialogue with the market is considered a lever to develop more circular business models through the pro-active use of technical and non-technical specification in minimum demands
	Analytic hierarchy process tool developed as a multi-criteria decision-making tool to support prioritisation of weighting in tender proposals
	Hurdle analysis tool developed to identify obstacles when using circular principles in PP processes
	Relevance-Potential-Steerability tool to measure and evaluate relevance, potential and steerability of environmental improvements through use of eco-labels standards and design criteria
	Qualitative recommendations is developed for circular procurement of computers
	<b>Carbon emissions as criteria setting and evaluation tool</b>
	Life cycle assessment of window for discussion on manufacturing emissions in market dialogue emissions relating primarily to production and logistics
	Life cycle assessment of catering service schools describe CO2 emissions at different logistical phases e impact relate to production and logistics
	Inclusion of carbon emissions in evaluation procedures act as stimulus for eco-innovation
	Life cycle assessment or other simple calculus tools can provide a platform for market dialogue and evaluation of market innovations
	<b>Standards, standardisation and legal aspects</b>
	A developed operational space for innovation can guide complex circular public procurement and reduce perceived risk
	CPP aspects are either not considered or given special attention in tenders and contracts indicating that PP processes tends to favour past practices to avoid legal problems per automation
	Evaluation of impacts must include the impact of production, transport logistics and after use to avoid situations of under estimating embedded emissions impact
	Ignorance towards including relevant CPP criteria are mitigated through mandatory market analysis and justification of non-compliance
	Most economically advantageous tenders are defined as the best relationship between price and quality, i.e. the best value for public money is a combination of quality, quantity, risk, timeliness and cost from a life-cycle perspective
	Award criteria must be linked to the subject matter of a contract to comply with legal
<b>Organisational tools</b>	

requirements when awarding contracts
<b>Supplier selection</b>
Four proposed strategies to simplify supplier selection: ignore, incorporate, insist and integrate
Environmental criteria seems to have little influence concerning the final supplier selection decision looking at weighing allocated
Purchasing managers rely on key suppliers with shared values and expectations regarding circularity
Supplier management meets internal and external obstacles - relational norms are therefore of strategic importance in effective long-term structures
Competitive dialogue procedures is a procurement process legal tool that allow contracting authority to establish relations with short listed bidders before and during the tender process
Competitive dialogue procedures should be restricted to complex contracts and tender processes
Market dialogue is essential in future development of CPP

### 3. Theoretical framework

#### 3.1 Configurational theory

Configurational theorising is centred on “understanding how or why multiple attributes combine into distinct configurations to explain a phenomenon, while also recognizing that complex causal explanations may involve more than one configuration of attributes leading to the outcome of interest” (Furnari et al., 2021, p. 4). As opposed to correlational theorising, configurational theorising highlights “the notion of configurations as multidimensional constellations of attributes orchestrated together by central themes or integrative mechanisms” (Furnari et al., 2021, p. 5). Thus configurational thinking emphasises configurations, also referred to as recipes, of explanatory attributes (Furnari et al., 2021, p. 12). A configurational model comprises attributes expected to jointly influence a phenomenon or outcome of interest.

Configurational theory allows researchers to examine complex causal relationships that are characterized by: 1) conjunctural causation or conjunction; 2) equifinality; and 3) asymmetry. *Conjunctural causation* or *conjunction* suggests that only combinations of attributes lead to the outcome of interest. In other words, many variables act together to explain an outcome and only some combinations of variables lead to the desired outcome. *Equifinality* suggests that various alternative combinations of attributes may lead to the same outcome. In other words, different configurations/ recipes might lead to the same outcome. *Asymmetry* suggests that albeit the presence of certain attributes may lead to a certain outcome, their absence does not necessarily imply outcome absence. In other words, conditions leading to the presence of an outcome may differ from the conditions leading to the absence of the outcome (Saridakis et al., 2022; Arellano et al., 2020; Fiss, 2011; Ragin, 1987). Regression analysis and other conventional correlation-based methods typically do not address conjunctural causation, equifinality, and asymmetry since they primarily rely on "net effects thinking" or a "general linear reality" (Saridakis et al., 2022) as opposed to “*configurational thinking*”.

Furnari et al. (2021)’s study provides a configurational theorising process model comprised of three iterative stages: 1) scoping; 2) linking; and 3) naming (see figure 4). Table 6 provides a description of the model.



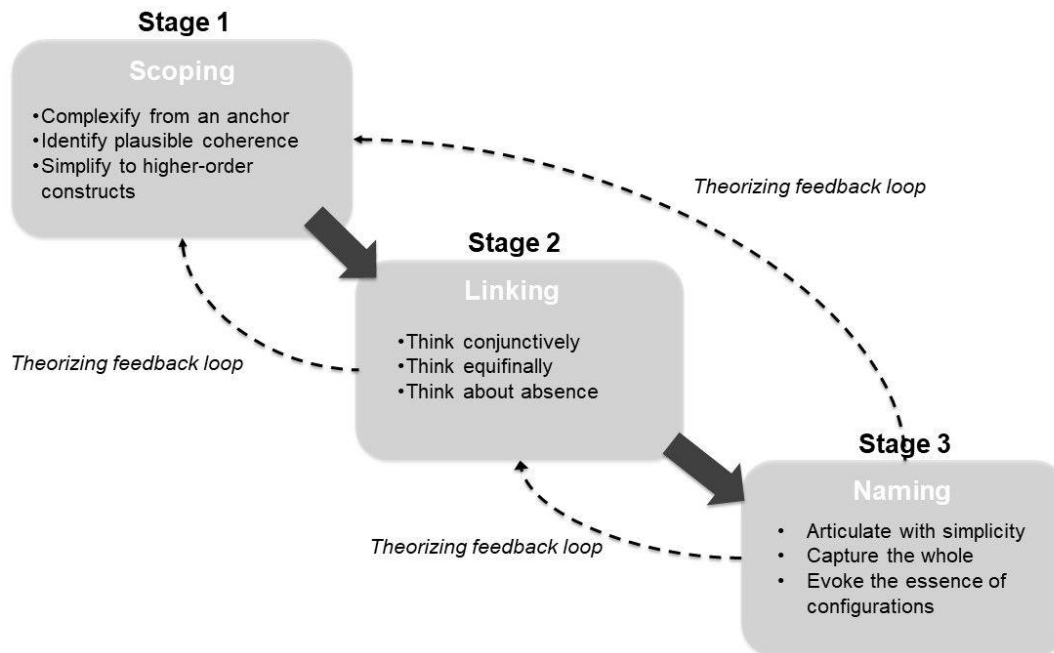


Figure 4: The Configurational Theorizing Process (Furnari et al., 2021)

Table 6: The Stages and Heuristics of the Configurational Theorizing Process (recreated from Furnari et al., 2021)

Stage	Description of stage	Heuristics	Description of heuristics
<b>Scoping</b>	Identifying relevant attributes that may plausibly form configurations	<i>Complexify from an anchor</i>	Use a key explanatory attribute as an “anchor” for identifying other connected attributes
		<i>Identify plausible coherence</i>	Develop hunches about possible themes orchestrating the attributes into configurations
		<i>Simplify to higher-order constructs</i>	Aggregate attributes into higher-order constructs depending on their conceptual similarity or their connection with an orchestrating theme
<b>Linking</b>	Specifying how the attributes connect with one another in specific configurations	<i>Think conjunctively</i>	Think about the specific types of interdependence links among attributes (contingency or complementarity)
		<i>Think equifinally</i>	Think about the multiple configurations that may be equally effective in explaining the phenomenon
		<i>Think about absence</i>	Think about how the absence of attributes connects with the presence of attributes in configurations

<b>Naming</b>	Labelling configurations to evoke their orchestrating themes and overall meaning	<i>Articulate with simplicity</i>	Use simple verbs and terms to verbalize the linkages among the attributes of configurations
		<i>Capture the whole</i>	Craft an overarching narrative across configurations (for the whole configurational theory) to convey the central theme shared by configurations
		<i>Evoke the essence of configurations</i>	Label each individual configuration to evoke its orchestrating themes

Originally introduced by Charles Ragin (1987), the *Qualitative Comparative Analysis* (QCA), also referred to as *Configurational Analysis*, examines configurations of explanatory variables linked to the occurrence of an outcome. This method builds on the advantages of both qualitative and quantitative research methodologies, while addressing some of their inherent limitations (Saridakis et al., 2022, p. 92). Specifically, QCA enables researchers to conduct cross-case comparisons in case studies with medium sample sizes, in contrast to qualitative methods that concentrate on the in-depth analysis of a small number of cases (Finn, 2022). In addition, unlike variable-oriented quantitative techniques, QCA treats each case as a whole, allowing researchers to develop in-depth explanations of the researched phenomena (Fainshmidt et al., 2020). One of QCA's key features is that it embraces causal complexity, enhancing both variable- and case-oriented techniques in the process. Particularly, QCA has refreshed *configurational theory*, enabling the detection of causal complexity (Misangyi et al., 2017). In contrast, linear regression assumes a linear relationship between the dependent and independent variables e.g. low levels of X leading to low levels of Y, and high levels of X leading to high levels of Y (Furnari et al., 2021, p. 8).

The fastest-growing field of published QCA studies is business and management, with numerous applications in the areas of, inter alia, international business, innovation management, organisational behaviour and strategic management, and socially responsible practices and CSR (Saridakis et al., 2022). For instance, studies by Arellano et al. (2020), Reimann et al. (2017), Kosmol et al. (2018), Habib et al. (2019), Karatzas et al. (2016), Greckhamer (2016), Dwivedi et al. (2018), Gupta et al. (2020), Torugsa et al. (2018), among others, have contributed to this field. Despite this, it is not common to use QCA with surveys in strategy and international business as most of the mentioned papers in Fainshmidt et al. (2020)'s study use archival data or interviews. QCA combines the virtues of both within-case analysis and cross-case comparisons. Legewie's study (2013), provides a visualisation of the iterative research process with QCA (see figure 5).

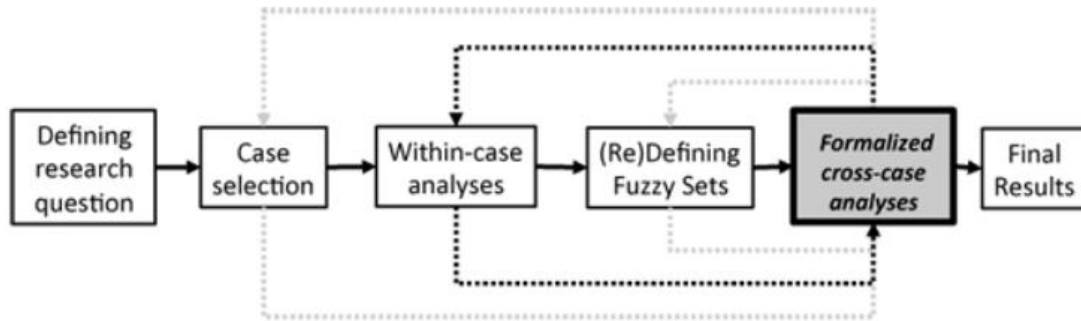


Figure 5: Research process with QCA (Legewie, 2013)

### 3.2 Initial configurational model

To apply the configurational theory, there should be clear reasons to expect causal complexity. In the context of this research, these are:

- Certain combinations of MPIAs and factors are likely to outperform others, e.g. specific MPIAs for a certain type of municipality are successful - i.e. *conjunctural causation or conjunction*;
- It may be that two or three very different sets of MPIAs and factors may lead to success, e.g. in a small rural municipality procurement strategy 1 that is quite different from procurement strategy 2 in the context of a large urban municipality - i.e. *equifinality*;
- It may be that pursuing a specific strategy leads to high SER but not pursuing this specific strategy does not lead to poor SER – i.e. *asymmetry*.

In addition, it is important to have a good outcome measure. As SER is referred to as cities enabling businesses to resume their development and monetary growth, but also to addressing the broader local economic, social, health, and environmental challenges arising from crises – it allows for a range of possible outcomes, making the performance part of the configurational model challenging. It is also important to look at it both “Top-Down” and “Bottom-Up” and make use of both the literature and the interviews.

- *Bottom-Up*: starts with the MPIAs – What impact/advantage/benefit is sought from implementing the MPIA? How can PP authorities tell if it is achieved?
- *Top-Down*: starts with the goals – What are the high-level goals of SER? How can PP authorities tell if it is achieved?

In the literature, this may not always be addressed directly – often it is more implicit i.e. reflected in assumptions. Indirectly, nevertheless, it is still possible to draw out insights. Examples of desired SER outcomes could be a flourishing economy, increasing social value, a circular economy, etc. Collectively, high-impact/ positive SER outcomes are desired.

Another important remark is that the actual QCA analysis is not applied in this research. Instead, solely configurational thinking is applied throughout the research to achieve insights into: the (interaction between the) key MPIAs and factors affecting SER and understanding the reasons why certain (combinations of) MPIAs and factors are successful.

Nevertheless, it is still important to understand the background of this method as this will aid in follow-up study when the actual QCA is conducted, taking the three requisites for analysing it into consideration.

Based on the literature review, the following configurational model comprising various attributes jointly influencing SER is proposed (see figure 6). Based on the additional empirical evidence from the expert interviews, an updated version of the model will be provided.

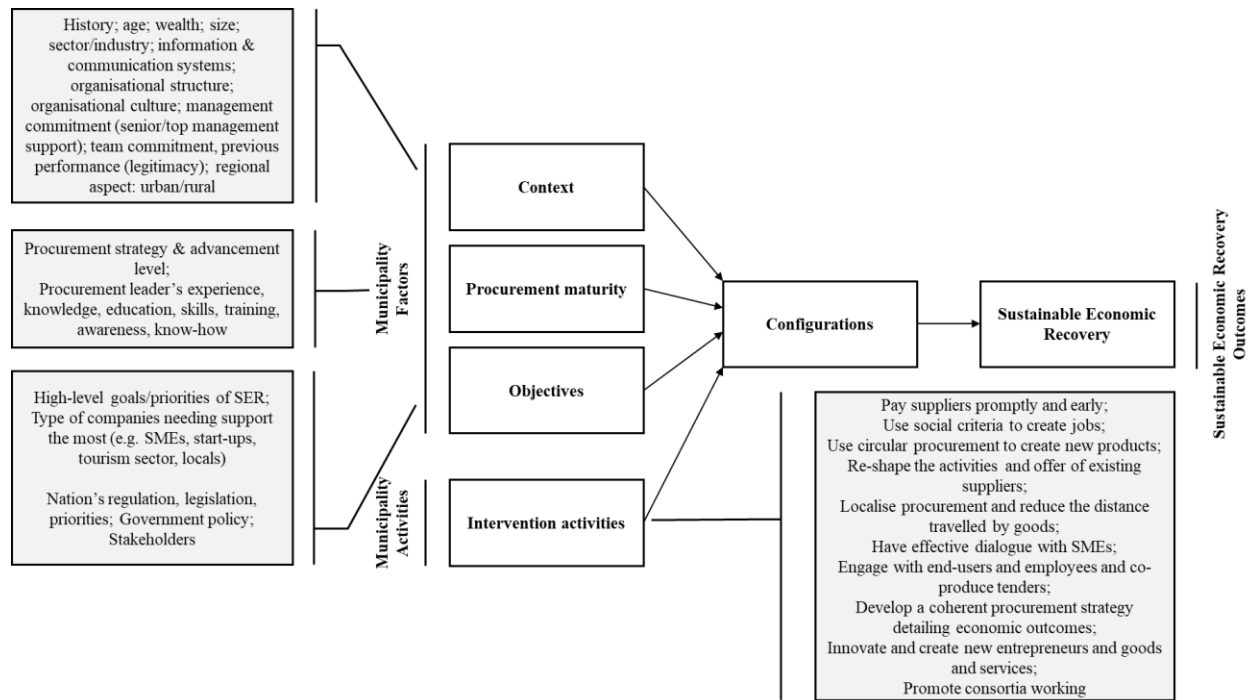


Figure 6: Initial configurational model comprising attributes jointly influencing SER

## **4. Methodology**

### **4.1 Qualitative Research Design**

In this study, a Qualitative Research Design (QRD) is selected to gain in-depth insights through semi-structured expert interviews. A QRD is characterised by the analysis of non-numeric data and allows access to meanings and an in-depth understanding of the topic in question compared to a quantitative one (Aspers & Corte, 2019, p. 155) – all regarded as beneficial for the purpose of this exploratory research. Semi-structured interviews allow for collecting open-ended data and gaining insights on the thoughts and understanding of the related topic (DeJonckheere and Vaughn, 2019, p. 1). This method is direct and intimate with each participant, allowing the interviewee to go deeper into some of the issues and thereby not restricting the interviewee to provide information (Queirós et al., 2017, pp. 377-378). Thus, provides greater flexibility and explorative analysis compared to a quantitative approach (Queirós et al., 2017, p. 371). Moreover, semi-structured interviews are designed in a conversational manner where pre-determined questions are asked to each interviewee (Schiele et al., 2021, p. 57). However, when questions have previously been answered, deviating from the pre-determined questions is possible, or extra (follow-up) questions can be asked to acquire a greater understanding of particular themes (Alsaawi, 2014, p. 151). One limitation might be that the data cannot be generalised (Queirós et al., 2017, pp. 378-379). Nevertheless, a quantitative methodological approach would be ineffective since it does not allow for a thorough comprehension of the subject and instead focuses on obtaining precise and reliable data for statistical analysis (Queirós et al., 2017, p. 369).

### **4.2 Data Collection Procedure**

#### **4.2.1 Literature review**

Data in this research is derived in two ways – a literature review followed by expert interviews. First, a literature review was conducted to gain a common understanding of the configurational theory and its related QCA (albeit the actual QCA is not applied in this research), as well as, to find academic support for the ten practice-based MPIAs. This is done to connect back with the evidence from past research after the findings from the expert interviews.

The literature review comprises both past academic literature i.e. scientific journals, as well as, grey literature i.e. policy documentation. SCOPUS - Elsevier's abstract and citation database - was the primary search engine used to locate suitable academic papers. As some of the MPIAs tended to be too specific, Google Scholar was also put into use. This research necessitated the use of documents pertaining to initiatives and policies of organisations like the EU Urban Agenda Partnership on Innovative and Responsible Public Procurement and other public institutions of the EU in order to illustrate the legal framework and potential of good practices. The snowball method allowed for the discovery of additional suitable resources for this research.

#### **4.2.2 Expert interviews**

Following the literature review, semi-structured expert interviews with 11 organisations across Northern and Western Europe have been conducted, eight of them being municipalities the remaining three being advisory organisations. Table 7 provides an overview of the interviewed

public procurement professionals and the approximate interview duration. Due to confidentiality, the respondent's identity, exact job title, and organisation name have been concealed.

*Table 7: Overview of interviewed public procurement professionals*

<b>Respondent name</b>	<b>Respondent function</b>	<b>Organisation type</b>	<b>Organisation name</b>	<b>Organisation Country</b>	<b>Interview duration</b>
<b>M1</b>	Leading Advisor	Municipality		NL	1h 30m
<b>M2</b>	Procurement Officer	Municipality		NL	2h 30m
<b>M3</b>	Procurement Manager	Municipality		UK	1h 30m
<b>M4</b>	Head of Procurement	Municipality		UK	2h 30m
<b>M5</b>	Procurement Manager	Municipality		NO	1h
<b>M6</b>	Procurer	Municipality		FR	1h 30m
<b>M7</b>	Advisor	Municipality		NL	1h 30m
<b>M8</b>	Procurement Manager Advisor	Municipality		BE	2h
<b>A1A1</b>	Leading Advisor Advisor	Advisory		FI	1h
<b>A2A2</b>	Advisor	Advisory		BE	1h
<b>A3A3</b>	Leading Advisor	Advisory		NL	1h

### **4.3 Sampling Procedure**

Various public procurement professionals (e.g. strategic procurement officers, managers, advisors; and other field experts) were chosen to be interviewed as they are the leaders in the field. It was assumed by the author that Northern and Western European countries were relatively more advanced when it comes to strategic procurement and as such considered comprised of best-practice cities compared the rest of Europe. The participants were required to speak either Dutch or English and have sufficient knowledge on their municipality's 1) circumstances; 2) procurement expertise and experience; 3) objectives; and 4) procurement intervention activities to support SER. Other field experts outside a municipality who could provide relevant insights were also welcomed. Instead, these procurement experts represented an advisory organisation that support the public procurement sector in utilising strategic procurement to deliver value in various ways.

The Urban Agenda Partnership on Innovative and Responsible Public Procurement was approached with a proposal of the research and connected me with suitable interview partners upon request. 15 organisations across Northern and Western Europe were approached of which 11 accepted to participate in this study. Most of these 11 organisations had one respondent representing the organisation, while some had two representatives simultaneously present during the interview. In total, 13 respondents agreed to be interviewed online and in English.

### **4.4 Interview Procedure**

The interview process is structured as follows: 1) designing the pre-defined questionnaire; 2) recruiting the participants; 3) conducting the interviews; 4) transcribing the interviews; 5) analysing the results. The next few paragraphs provides a further description of these steps.

First, the interview questions were formulated and structured based on the “initial” Configurational model comprising the ten MPIAs and various municipality context, procurement maturity, and objective factors. The interview questions can be found in Appendix A. The interview questions mainly revolved around 1) what the municipality does in regards to SER through PP and who is involved in the process; 2) which of the ten MPIAs are used (in combination) and why, and which MPIA should be added to the list; 3) (possible) barriers and enablers to implement MPIAs; 4) (possible) factors influencing SER; and 5) measuring performance. It is important to note that the interview questions were slightly adapted for the three advisory organisations as they do not represent a municipality. Instead, their interview questions were framed as follows: 1) what the organisation does in their field of expertise; 2) which of the ten MPIAs do they encourage municipalities to use (in combination) and why, and which MPIA should be added to the list; 3) possible barriers and enablers to implement MPIAs; 4) possible factors influencing SER; and 5) measuring performance.

Before the interviews were conducted, each participant received via email an information sheet containing their rights and the interview procedure, as well as, a brief document containing a short description of the ten MPIAs and the “initial” configurational model as a source of inspiration for possible factors influencing SER. Participation was voluntary. With permission, the online interviews were conducted and recorded. Microsoft Teams was used as a trustworthy recording application. The duration of the interview was expected to take approximately one hour but ultimately ranged from one hour to two and a half hours.

For the transcription of interviews, Amberscript – a transcribing program that automatically converts audio to text – aided in the process. To address any potential errors the program might have made, all transcriptions were manually checked and corrected. Hereafter, the results were manually analysed.

#### **4.5 Data Analysis Procedure**

The research employs a combination of deductive and inductive reasoning as it is rather explorative. Deductive reasoning is based on findings from the literature, while inductive reasoning is based on patterns found in the interview data (Saunders et al., 2019, p. 652).

Cross-case analysis was conducted as the data-analysis method. Cross-case analysis is referred to “a research method that facilitates the comparison of commonalities and difference in the events, activities, and processes that are the units of analyses in case studies”, allowing “the researcher to compare cases from one or more settings, communities, or groups. (Khan & VanWynsberghe, 2008, p. 2). This method was appropriate as it allowed the formation of common patterns (Cerceanu et al., 2014, p. 4) and unique findings for each case.

Each organisation has been profiled as a case. The aim here was to confirm whether the activities to support SER in response to crises were implemented and/or encouraged, in combination or not, and to present the diversity of SER initiatives carried out and/or encouraged across Northern and Western Europe, along with potential attributes affecting its implementation.

## **5. Results**

### **5.1 Overview of municipality procurement intervention activities and factors affecting sustainable economic recovery**

#### **5.1.1 The municipality procurement intervention activities**

##### **Activity 1: Pay suppliers promptly and early:**

Every business wants to be compensated fairly and promptly for the labour, goods, and services they provide. All interviewees concurred with the significance of this intervention, one of them reporting that this activity has really helped suppliers through a tough time, further adding that *“There’s no reason for us as a government not to pay on time. We have the budget. The cash flow is really important in times of recovery, and it’s not that difficult for us as a government to do that. It’s a very easy way of helping local businesses”* (M2). Despite this, one of the interviewees reported that sometimes they still have to wait too long (M1). A3 mentioned that internal procedural issues may be the root of this.

By UK law/legislation, invoice payments are due within 28 days. M4 mentioned that contracts or invoices are paid as soon as they have been cleared. They are currently looking for a new Enterprise Resource Planning (ERP) system that will provide them with better data in terms of how quickly payments are made and generally suppliers will get paid within seven days of an invoice being cleared.

Municipalities mentioned that the recognition of early payment systems has long been part of their municipality’s strategy (M3, M4), understanding the value and the requirement for cash flow, especially of SMEs, and is thus not necessarily seen as a lever, but rather simply just the right thing to do as part of desiring a flourishing economy (M3). M3 further stating that it has nothing to do with procurement but rather with finance. M8 too mentioned that they do this activity, but not as part of economic recovery in particular.

This activity facilitates supplier’s performance of their duties and ensures that they have the resources to pay their employees and place material orders (M6). Thus failing to pay suppliers promptly and early has several consequences for businesses. Also, companies have to pay taxes every quarter and paying even one day too late will get them in trouble (M2). Furthermore, failure to pay invoices on time makes it challenging to be attractive for businesses in public procurement for works (M6). Furthermore, depending on the company’s typology, smaller companies compared to a big worldwide company will be differently affected as they have less resources (M6).

##### **Activity 2: Use social criteria to create jobs**

The emphasis here lies on the social economy. *“These are people who are in a vulnerable position quite often on the job market, who have a difficult time of working just in a general firm. So they go towards the social economy where people who have a difficult time to finding a job could still work according to their rhythm, according to their capabilities, and for certain activities”* (M8). All respondents concurred with the significance of this intervention, recognising that governmental organisations can get added value from some of their



requirements, whether it is goods, works or services, and is implemented by all interviewed municipalities. Some have already implemented this activity for over a decade and consider this as a standard procedure in every tender to contribute to reach solutions to unemployed people with a bigger distance to work (M1, M2, M7). A3 encourages the public sector to think on social procurement responsibility including diversity and social return. According to M2, social return is about new jobs, creating job opportunities, but also job security. Other matters to consider are What sectors does it really work?; How do you want to do it?; Is it a short-term or long-term job? In the Netherlands specifically, there are labour laws that make renewing temporary contracts complicated. *“The Procurement has to be done approximately every four years. So it's a question if you demand that the company gives the employers [\*employee's] a permanent position, what will happen after those four years? [...] So you should think about how are you going to do that for that specific purchase?”* (M2).

This activity creates more job opportunities for disadvantaged people in the labour market. For example, those who have been out of work for a long time, have disabilities (M1, M2), struggle with mental health issues like depression (M2), or others who are in a difficult social situation (M6). Internships, apprenticeships, and trainings are also good for social inclusion (M6), where the firms have to educate young people with low education who are working or studying part time, employing the unemployed who can learn on the job (M8). Depending on the country, social clauses can also differ. For example, in Norway the unemployment rate is at 2% and the real challenge for most of their companies is to find skilled workers. M5 mentioned that they demand apprentices, where all of their local suppliers have to have apprentices.

M6 mentioned that they certainly try to implement it as much as possible, but it is not always possible to implement this activity because sometimes it is a very specific project. And this is the issue since they can view every task as specific. Hence, it can be challenging for them in procurement to persuade the department to include social factors. They have a desire to create jobs through social criteria, however, their procurement policy comes first. M8 also support the condition that it depends on what they are procuring. Although this is not for every procurement procedure that they do, many of them do include social clauses.

M4 specified that they expect suppliers informing them about their employment practices like whether they permit Trade Union representation, whether the living wage has been paid, whether they are accommodating when it comes to giving workers time off for caring duties. *“So it's not just [about] jobs, it's about good jobs”*. Their good employment charter outlines what good employment looks like, and employers are expected to sign up to the principles of that, not necessarily "pay to be" accredited, but if they if they demonstrate the behaviours that are outlined in that charter, then they would give them a good score in relation to the social value or to the Actual Quality Assessment of the contract.

### **Activity 3: Use circular procurement to create new products**

Respondents concur with the growing importance of circular procurement. However, it is arguably not as easy to implement as it may sound (M1, M2, M4). Often there are many discussions about it being too expensive or sometimes just not important enough (M1).

A few years ago, one of the organisations has won a European Procurer Plus Award for the procurement of road infrastructure, where clear goals, inter alia, were set for this project, such as requiring businesses to create a tool to achieve that goal. For example, if businesses have or would like to try some innovations, which can aid in achieving a more circular world. However, instead of prescribing businesses exactly how they should deliver and saying what kind of direction they should be innovating, they have the freedom to discuss how they are going to contribute in the circular direction. This leaves a lot of creativity in the market. It is, however, important to note that for some types of commission, this is not feasible to do so, but if the procurement in itself lends it then it is encouraged that municipalities do not try to impose everything and focus on what goals are important to achieve such as circularity. The requirement was to build a safe road and leave it up to the businesses how they would provide such means, thus leaving a lot to the market to use their knowledge and their experience. For example, the businesses in the agreement started working together and they created an app so they could easily buy and sell their materials. So if some businesses have done a job and have leftover material, another business might need those exact same materials for their job in the area. This means less transportation to go from one business to another location somewhere in the country.

M4 provided an example which occurred during the COVID crisis, where people had to be given a laptop to work from wherever possible. The opportunity that arose here was to give the organisation's employees circular economy laptops. Moving forward, as all the laptops will get outdated eventually, chances of using refurbishing existing laptops or using laptops that are coming from an accredited recycler group will be more likely to happen. M4 argues that incremental steps toward a circular economy will have a positive effect on climate change.

M5 along with a number of other municipalities are working to develop circular business when it comes to furniture, creating a system together with the suppliers to reuse office furniture like desks and tables (M5).

M6 emphasises circular economy, where they attempt to re-use some purchased goods for a different need or transform material to create new products, thereby reducing new purchases and avoid creating new tenders. Moreover, as of today, they manage a digital circular economic project regarding computers, which also incorporates social inclusion in a way. The purchased computers with known end-of-life for the municipality can afterwards be re-used in schools or for people seeking a job that need a computer to create a resume for example.

M7 supports M6 when it comes to the various benefits of attaching both environmental - including circularity criteria - and social clauses in contracts, in which these are interlinked and can strengthen each other. For example, by including environmental clauses in contracts, it often creates employment opportunities for those with a distance to the labour market. As a result, it can have social, environmental, and economic benefits. Especially in waste contracts, many circular clauses get attached. A growing amount of emphasis is being placed on circular procurement.

M8 reports that circularity is one of the main sustainability goals and hence primarily related to their sustainable procurement strategy. For example, they try to maximise the usage of the

products that are already in their municipality such as chairs and avoid purchasing unnecessary new items. And when new goods have to be procured, this is done sustainably if possible, seeking more available sustainable options in the market when it comes to furniture or clothing for example, as well as emphasising product end-of-life cycle when it comes to bikes for example these can get sold or given to (non)-profit organisations, or in the worst case get recycled as much as possible in the end. However, sales for certain product categories that they buy, it is not feasible to buy sustainably. Despite the main sustainability goals of their procurement department, there are also other goals such as getting the best products for the cheapest prices. Arguably, this is what every procurement department has to do. However, they attempt to pay more attention at certain sustainability goals compared to the private market. They look at fair trade and socially responsible workloads, the companies, the suppliers they work with to ensure that they operate in a manner that the municipality can also agree on. When purchasing furniture, for example, there are certain circular principles attached in how they were made for example. Another example, when it comes to clothes, there is an agreement with their supplier that the supplier picks up all the old clothes they make, they re-use them, and they make insulation panels of them. With IT products like computers for example, they first try to find out if other city departments could re-use theirs or some of the materials. They encourage the market to look for new specific circular products or options. They do market consultations where they talk about said options and solutions with potential suppliers. They use their influence as a big buyer with many different spending categories to influence the market to look for new solutions though they do not necessarily develop new products through circular procurement. *“The next step in the procurement policy is more circularity than just buying new stuff”* (M8).

A2 assists enterprises, cities, NGOs, other governments, start-ups, and all types of individuals in their transition to a circular economy. The organisation offers five possible ambitions aka goals - namely: 1) reduce total amount of materials; 2) reduce amount of virgin inputs; 3) extend the useful life; 4) maximise the reusability of a product or component; 5) maximise the reusability or recyclability of materials - to reach a circular product or service. Each ambition has accompanying strategies. The first step is to choose a product category as each has its own overview what these ambitions mean. Then it is recommended to choose one to three of the accompanying ambitions and discuss with the suppliers whether they are able to do it and prove that they can. The procurer is likely to choose the most ambitious and capable supplier to produce the circular product or service.

According to A2, *“if the Sustainable Products Initiative in Europe gets approved, then there is a lot of information that will be easier for the procurers to choose for circular products. And if tax systems make reuse cheaper because [...] if you buy it the first time, you pay taxes, and it's not logic that you have to buy pay taxes again for second-hand products. So if that all has changed, then it will be easier and cheaper for the procurers to choose the circular products”*. The law is thus a crucial enabler in this regard. *“If that is already there, then the mindset will follow easier. It will be easier to convince others if you say, we have to do it by law or it gets cheaper, then you don't have to convince them so much because then it is the cheapest solution.”*

#### **Activity 4: Re-shape the activities and offer of existing suppliers**

For this intervention, the respondents provided examples regarding sourcing locally (i.e. localise procurement) and encouraging (big) suppliers to cooperate more closely with SMEs (i.e. promote consortia working) rather than diversification of offers.

M2 example for this activity revolved around a big contract – an agreement under European procurement law - ordering various Christmas gifts including chocolate letters for Saint Nicholas, where they discussed with their big supplier about the possibilities of how they can help the local SMEs, and helped them connect to each other. Through the big supplier it was possible to work with a local bakery who provided sustainable certified chocolate and in return then also hired people who could not easily get into the job business to help package the chocolate letters.

M3 and M4 argue that when it comes to especially construction contracts, it is typically the norm that the key major contractors will use local economies to supply products and where the builders and subcontractors will likely come from the region simply because the costs otherwise would be too high. *“Economy will often dictate whereabouts, the shape of those existing main contractors, whereabouts they draw their suppliers from”* (M3).

M7 has a new procurement program, where one of the objectives of this initiative, this innovative strategy, is to encourage their suppliers to collaborate with more local and small enterprises. M8 and M6 on the contrary do not really encourage big corporations to work closely with smaller ones due to legal concerns.

M6 implements this intervention through sourcing so benchmarking, where they discuss related matters with suppliers before they publish their tender, like how do they work; how do they try to improve their social economy, their environment, business model?; what is the innovation on their work? By obtaining this information, the municipality can reshape their way to manage a procurement and their tender. Simultaneously, the municipality also tries to provide some civilisation about their need relating to the environment, social inclusion, to adapt their offer and to match as much as possible to what they need just through sourcing.

### **Activity 5: Localise procurement and reduce the distance travelled by goods**

All respondents concur that localized procurement is a somewhat taboo subject. This is because from a legal point of view, it is simply not allowed to only favour local businesses within a certain distance range as it is unlawful and discriminatory to exclude a company due to its location. Thus it is not fair and equal to do this kind of preferential treatment. Naturally, this intervention is seen as a positive element as by making the supply chain i.e. the loop closer, the shorter the distance, the less energy and resources are spent (A2). And municipalities do try to encourage local companies to answer the tenders. For some contracts, a better score in a scoring system can be given towards firms in some regards who are more environmentally responsible or who are more localised (M8). M5 encourages their suppliers to utilise Electric Vehicles (EVs) to distribute the goods.

M1 states that in a European tender that they cannot request companies just from their city. Based on the European policy, they can also invite local businesses to join the tender.

Occasionally, they do have certain sustainable goals like having less CO<sub>2</sub>-emission and subsequently and indirectly as a local firm they have a better chance to win the contract. For example, with a construction contract, it naturally lends itself to a more local focused supply chain as it is economically not viable to be moving large quantities or large weights of material across the country (M3). Another example is that some services are time critical such as repair, maintenance, and security as there might be a health and safety requirement to get that work done early, thereby attaching delivery and response time specifications (M3, M4, M6, M8). An additional example is specifying the freshness of certain produce (M4, M8). Another example is requesting employees who can speak the local language as this is needed to carefully discuss matters on a construction project (A3). These kind of specifications i.e. functional requirements, sometimes referred to as being in the “grey zone of the law”, provide local firms with a competitive advantage (M8, M9).

A1 further agrees that it depends on what is being procured and added that it also depends whether local businesses are able to fulfil the demands. Because if it is a big city, for example, there is a demand for a huge amount of carrots and there are not enough producers to fulfil this, the municipality will probably need to source it geographically from a larger area.

M8 elaborated that even though in the majority of the contracts they do not specify that they want a local business to provide the goods or services, nearly all of them are provided by local firms anyways. This because of the small size of the country and thus it is very unusual for a European supplier to willingly bid for their contracts. Except of course when there are big contracts, these get published on a European level.

M7 mentions that it is one of their policy goals to buy more locally and they have to report on that.

### **Activity 6: Have effective dialogue with SMEs**

All interviewees concur with the relevance of having effective dialogue with SMEs, though not specifically only on SMEs, but of course including SMEs. M1 adds doing so as soon as possible before having all these tender documents ready as it is crucial to brainstorm in advance various possibilities, opportunities, new solutions. Subsequently, during the dialogue procedures further discuss the tender documents with the SMEs. M2 added to also tell suppliers not just what they want to achieve, but also which direction they are leading up to so that they can already anticipate what is to come for the years, for example, circular procurement has a growing importance.

M1's example revolves around an innovative project concerning the development of a whole new area of about 6000 houses including a sustainable collective system for sustainable energy where the summer's heat would be stored underground for the winter and vice versa with the winter's cold. Additionally, spare heat of one building could be reused by other buildings. *“This was [a] very innovative or quite innovative procedure. Also, it was a procedure with the dialogue. So the contract and the all the paperwork changed throughout the tender because of these dialogues with the potential party who would get the jobs. And the technical solution, it's all up to them. We just said it has to be sustainable. It must be sure that there's enough heat to*

*always to heat these houses. It has to be affordable. And the customer, so the inhabitants of these future houses have to be satisfied. So these were the four goals. And of course, there were more contractual things that we had to do to make sure. Everything about risks, and so forth”.*

M2 example occurred pre-COVID where a presentation was held for so-called social businesses i.e. those with either environmental or social feelings in their DNA, in which they discussed how said enterprises could do business with them as a government and what are enterprises’ needs as well. Big suppliers have to fulfil the social criteria on social return on investment as those purchases are typically too big for the local SMEs. Tender Electronics Daily (TED) is an online platform which publicises procurement opportunities, including who will get / got the job and what kind of criteria there are for that company. This should encourage local businesses to make contact with the big certified companies.

M3 along with its associated anchor institutions recognises that one of the problems with public procurement is the communication and the dialogue. *“And that is two ways. It is not effective dialogue with SMEs necessarily. It is also SMEs effective dialogue with public institutions”.*

M4 has various ways of effective dialogue with SMEs. One of them being an annual event where the results of their work is presented with their top 300 suppliers in relation to, inter alia, the number of jobs created, the number of volunteering hours that have been generated by their request, the amount of direct support given to voluntary sector organisations. They discuss what has been done well and not so well in relation to the objectives that they set around social value.

M5 adds that market or supplier dialogue is crucial, because of the rapid changes in the market, the new trends that emerge, and uncertainty of what suppliers are able to deliver. Mostly, one-on-one dialogue are held with suppliers before they put out a tender to get good feedback as opposed to several suppliers in a meeting as it turned out that suppliers do not like to discuss in meetings where competitors are present. M6 also adds that market days referring to a huge event with many suppliers collectively is not always more efficient because of the sheer number of people and not having enough time to have proper discussions. It is however a good way to discover new suppliers and to create a first contact to evaluate the global strategy of the company, to have an overview about what is the philosophy of the people in the company. And then go into further details in a larger more private meeting. Hence, it is needed to have a durable and sustainable relationship with the suppliers.

M6 emphasises the importance of sourcing activities and physical meetings. This includes searching for and making contact with companies, meet them in person and then mitigate and evaluate the relevance of the suppliers’ activities regarding their need. If it turns out to be relevant, the suppliers are encouraged to propose tenders followed by a decision process.

M7 mentioned that specifically during the pandemic in regards to SMEs, many dialogues were held. M7 recalled that although naturally the city wanted to all these kinds of interventions during this time, it was chaotic to do so as many workers had to stay home, adding “ [...] *it was more survival mode than innovative intervention mode*”. M7 agreed that generally effective dialogue, doing market consultations and such with SMEs is a great activity to do as communication is key and collaborating with the market is needed.

M8 emphasises that market consultations as part of having effective dialogue is the most important part of their procurement chain, investing a lot of time and energy into this. M8 adds that for certain smaller contracts, they can negotiate more directly with suppliers if it is under a certain limit. This means that SMEs get the opportunity to do the entire negotiation process discussing price and quality, whereas a big company will unlikely make time to do this for a small contract. Important to note is that this is only possible for smaller contracts as from a certain limit on a specification has to be published according to the national law and then at another certain threshold on a European level.

A3 encourages the public sector to indeed start with market (open) days, but also publish innovation agendas where suppliers can engage. For every proper PP, the market should be explored to have a good overview of the market and see what possibilities there are. Moreover, doing market consultations when the PP is complex in some sort of way and also having moments of feedback/evaluation during the PP tender. In addition, A3 perceived that in NL, the PP law makes public procurers a bit more rigid sometimes, where they are too focused on the procurement phase itself and on doing it in the right way according to the law. This resulted in a lack of focus of public procurers, which leads to a lack of communication with their suppliers and lack of what is going on in the market. Additionally, there is the occasional “not-so-positive” connotation of PP. Through a specific PP program they emphasise getting the public and the private sector closer to each other (A3).

#### **Activity 7: Engage with end-users and employees and co-produce tenders**

All respondents concur with the significance of this intervention as it is crucial to investigate stakeholders’ needs. This is done at the very beginning of the procurement process (M3, M6).

M1 example revolves around the cleaning of houses where it is important to investigate the stakeholders’ needs. This includes getting informed on what the people that live there consider a clean house and by what time it has to be done. So this should be part of the tender. M1 mentioned that perhaps this intervention so engaging with stakeholders can be briefly described as investigating the [supposed] problem, whereas the previous intervention of having effective dialogue can be briefly describes as investigating the solutions.

M2 provided an example about having an entire debate on electronic devices like laptops and computers. Concerns that arose here was the uncertainty for the future on how many people will work at home and how many will work at the office; how electronic devices will be used as the technical criteria for the laptops and the computers will not be that much more because we will be working a lot in the cloud, thus very high end computers would not be needed. Additionally, “*The best circular procurement is no procurement at all*” as that is what is best for the environment by keep using what you already have. This was brought up because before it was believed that they needed new laptops every three years. So discussing with end-users about the technical criteria as the technical needs are not that difficult for the current set of laptops that they have, which poses the question of whether or not they really need those new laptops. On the contrary, it can be argued that having the newest electronic devices can be viewed as a status

symbol. However, especially as a government who should be a role model, promote using goods as long as possible.

M3 recognises that procurement starts before the actual competition. It starts with effective competition design and effective specification writing. They do communicate with end-users and more often than not the end-users communicate with them and ask how and if they can help with this. At this pre-procurement stage the potential opportunity to attach some social value criteria which will address economic, environmental, and social organisational objectives are brought up. Hence, “*co-producing tenders is absolutely key*” (M3).

M4 reports that where it is appropriate, they have residents panels and various other ways of engaging service users in service design. It is believed to happen more in social care than elsewhere where they are designing services to support people that live independently in their own homes. It is obviously important to take the views of those people into account as to whether it worked or not. M5 also agrees with M4 that this happens especially in health care where they often engage with end-users to test out new technological platforms. And employees are usually always engaged to get their feedback on what is a good system?; what is a good product? And they have groups which give feedback to the tender on what is a good quality?

M6 always assesses the efficiency of the goods or the service. M6 example revolved around the procurement of vegetables and asphalt. The first meeting was to get feedback and debriefing about how it went last year with the actual market in order to first to know if they are satisfied about the current solution to know what they have to improve or modify, include and exclude. This is crucial as they typically have four-year contracts not just check whether they are still satisfied but also check what is new on the market, what is suggested, and to assess the relevance of those new solutions.

M7 has a program dedicated to this intervention, where they involve end-users and citizens in certain procurement processes. Moreover, they organise a “citizen’s challenge”, where citizens have the opportunity to challenge the municipality in regards to a procurement process. For example, if the local community believes that they have an innovative idea on how to better local public services such as cleaning or greenery services, where instead of the municipality purchases this service as a city from a company, citizens who want to be build a collective and do it themselves have an idea how do so effectively and once approved get paid to do it.

In M8, it is said that when a buyer is required to write the specification will do it in consultation with the end-users, or at the very least, with the managers of the end-users or other individuals who are involved in the used product. And this happens for nearly all contracts. For example, when procuring a machine or clothes ask the people who will use it about their opinion, though requesting a specific brand is not allowed according to the law. Additionally, the opinion of policy makers also matters to see what goals/ objectives are significant for them that can get implemented in the procurement contracts. For example, for a new kind of food procurement, they will talk about certain fairtrade or other type of requirements. A whole network of people, both internally and externally are involved in procurement contracts, where many discussions and negotiations take place internally within the municipality before even approaching the



market. And even when they are going towards the market, they still negotiate internally as well with the main stakeholders from their municipality. *“I think for us as a procurement department, this is our main goal to make the end-users, the people who will use the products happy and to make the people who are involved in making the decisions happen”* (M8).

A1 agrees that in order to do quality public procurement, having sufficient resources and time, as well as, engaging all the important stakeholders into the procurement contract.

A3 adds that for instance, with regard to innovation public procurement, they always try to convey the story that innovation public procurement should be from the perspective of challenge-based procurement, which means as a public procurer you should really have the conversation with the employees or with the users who will ultimately use the product or services which is going to be procured and have this conversation with those people, with those users to really grasp the problem behind their first needs.

### **Activity 8: Develop a coherent procurement strategy detailing economic outcomes**

All municipalities have a procurement strategy detailing not only economic goals, but also social and environmental ones. The procurement strategy can be in the form of an action plan. M1, for example, uses procurement to achieve these goals, highlighting five particular themes namely: 1) Social procurement and social return; 2) Sustainable procurement; 3) SME-friendly procurement; 4) International social conditions; and 5) Innovation-oriented procurement.

M2 has two different takes on this intervention. It could either be about having a specific strategic plan in order to achieve some outcome or about first setting up specific outcomes and then looking at how to achieve it. And one of the reasons as to why this is difficult to do is due to the fact that it is very challenging to monitor the output, and even more so the outcome. For example, circular procurement is one of the main focus points for them, reporting *“But in the end, it's not about showing off and telling the world how wonderful we did that. We had 100% of all our procurement done with circular criteria. That might be greenwashing, because it's really about you want to change something, you want to measure that you really make a significant change for the environment. It's not just about your input. You really want to know that it made a difference, that there is less waste or less emissions or whatever. And that last one is not always easy to monitor, because you have to compare it to what would have happened if you did not do it. And that is well. We're really trying to go there. There are systems for that to measure, but that's something we're struggling with in order to make those criteria, to monitor monitoring criteria really SMART, as we would say”*. They have an overall strategic procurement policy guidelines in order to achieve some impact, although it is very difficult to really pinpoint that precise impact. They have a governing system in order - where if a problem would arise during the procedures, for example, the budget holders would claim that the costs are too high on the one hand, but the policy would indicate to keep going nevertheless – they have special fund that if a budget holder has a good idea or opportunity to save CO<sub>2</sub>-emissions, they can get the extra budget from that fund. Thus awareness of the budget holders is crucial and there is money available in order to really achieve those environmental benefits. *“We have the procedures, we have the thoughts, but it is very difficult to measure the outcome. We are measuring the input*

*already and we are really looking into how can we do it better. And if you have input, then output and outcome is very likely. But we cannot say thanks to our procurement we save, we prevented the emission of so many CO2 last year. We cannot say that and that's where we want to go*". Furthermore, they currently have a system in place where politicians are required to write specifications on the environmental impact of a decision. They have a sustainability budgeting form where their politicians have to make a decision where they want to spend the money, thus the financial aspects, however, also include the environmental aspects. The common dilemma in decision-making for politicians is opting for option A being cheaper but the environmental aspects are not right or option B being more expensive but the environmental benefits are great. Sometimes, there is misconception that when it comes to software, for example, there are no environmental aspects, but actually some software use more energy than others. Thus, choosing software that requires less energy, though it might not be their energy, but the energy of their suppliers is ultimately better for the environment than using a heavily energy-based software. Especially if both options cost the same, the former option is the "go-to" and that is how to make impact. M2 further elaborated *"Outcome is more intangible. Output might be less energy. Outcome might be a cleaner air. Because you're not using that much energy"*, and agreeing that, for example, output could be seen as the anticipated benefits and outcome sustainable economic recovery.

M3 reports that their organisational strategy is linked to their national procurement strategy and have a clear and focused social value policy, in which specific aims objectives for the organisation are identified and determined. For example, carbon reduction, a SMART objective might reference particular grams per cubic meter reduction for certain areas in their city, which will have implications on any deliveries into that area. It might have a focus on the rejuvenation of an area, so there might be specific waiting for businesses within that they are thinking of establishing themselves or expanding within a specific economic area. It might affect the rehabilitation of offenders or skills within a particular area of the city. All of this is still in a drafting phase but when it will rolled out in its entirety it will be a very clear signal for suppliers to potentially win evaluation points by producing or giving them added value to the core requirement.

M4 too already takes economic, social, and environmental measures into account when allocating contracts, which is monitored over the life of the contract to make sure that the promises that suppliers made in the tender are actually delivered over the life of the tender and not just in the tender stage. For example, hiring certain people on the contract, prepare Toolbox talks, or give career talks to schools and give schoolchildren work experience opportunities. All of which are measurable and they expect suppliers to develop a means to provide them evidence that they indeed fulfil their responsibilities. Additionally, they will be implementing a contract management system in the near future that will make that easier to self-declare achievements and upload evidence remotely rather than possibly send them via email.

M5 is currently starting to write a new procurement strategy, with a bigger focus on the UN sustainability goals, economic, social, and environmental.

M6 has a sustainable procurement strategy in place, highlighting eight actions namely: 1) act environmentally-friendly; 2) help with and to push for an economic management of resources i.e. preserving the resources; 3) reduce the garbage/waste and develop and help circular economy; 4) improve the quality of foods; 5) protect, preserve and restore nature and biodiversity; 6) develop work in session i.e. social inclusion for disabled people, for example, as well as, responsible economy in general; 7) fight against discrimination and to promote equality; and 8) have commitments on responsible numeric i.e. digital responsibility. Hence, they try to have a new way of thinking, incorporating not only economic data, but also social and environmental matters.

M7 has an action plan dedicated to employment, which is an innovative approach post-pandemic where they try to create value for the for the area where the investments are taking place. The plan entails when initiating a procurement process and before the contract is assigned to a contract party, that discussions already take place with the market on what they can do for the local economy. *“So we will try to inspire and actually make contracts as well with the contract parties. [...] We want to really collaborate with these parties to reach goals with regards to the local economy”*. Through their particular upcoming seven big project investments, they will not only invest in the traditional way they usually do, but also create extra economic and social value in these areas.

M8 is currently also working on a new project, writing a new procurement model regarding their mission statement, vision statement, and the new strategy. The overall goal is to evolve towards a more sustainable economy, emphasising the three sustainability pillars: socially, economically and ecologically, which is the overall main outcome of the of the public procurement strategy. The goal is to involve all the colleagues and departments that have a part in that. Thus, for a public tendering, then include input from fair trade perspective, people from the environmental and economic department, etc.

A1 emphasises the public sector concentrating on how to do impact assessment. A2 provides through their website examples of how organisations can build a strategy and how to work with internal parties on procurement. A3 elaborates that this intervention is also linked to how you engage with the market and that there are several strategies to do so. One of them being, for example, setting up an innovation agenda to structure the public procurement and also to structure the upfront plan, public procurement, which needs to be done and see how this can be linked to the missions which you have as a public organisation.

### **Activity 9: Innovate and create new entrepreneurs and goods and services**

Some respondents concur with the relevance of this intervention, however, many municipalities do not commonly implement this.

M1 emphasises the transition to innovative procurement, where *“instead of saying we need this solution, you say this is our problem. Find a solution”*, albeit many old-fashioned tenders still take place where they prescribe the solution.

One of M2's examples on this intervention revolved around the way they purchase certain goods and services is by trying to use the innovation of the companies itself. Another example of helping new entrepreneurs and goods and services revolved around preventing food waste. There was an initiative dedicated to start-ups with good innovative ideas. One company had an idea for an app that would allow participants that would attend meetings to make food reservations, notifying the catering company exactly how many people would be attending to prevent food waste. They encouraged the company to try to implement it and try it out with them and they would be the launching customer.

M3 mentions that as a small local authority, they are generally not in the business of creating new goods. They do encourage services to work with them, to economize and introduce efficiency kind of incentives, but not new services necessarily.

M4 reports a few challenges when it comes to innovation and creating new entrepreneurs. There is a big move in nearly every city towards the aspiration to be the most digitally enabled city in the world, wanting to be at the forefront, and wanting to be considered to be the best. They have regular events, most of them are online. However, there are some hybrid face-to-face and online ones that are around enabling SMEs with digital skills. Another challenge is that it is very difficult under the procurement rules to say that they want to develop a new Internet of Things (IoT) solution to providing support to people who live independently in the rural homes. Sticking to the previous example, then there are many things possible to do around smart devices like talking to each other and monitoring people's movements within their own homes to see whether somebody does not move for ages, whether there is an issue that needs to be addressed. And there are also ways to monitor people's vital signs as they move around like blood pressure, heart rate, and breathing quality. Hence, being able to develop an innovative platform that would pull together all of that data and make best use of it without infringing data protection regulations, etc., is something that does require innovation. These kind of things are happening and are being duplicated in cities throughout the country and smaller authorities as well. They tend to have networks where they learn from each other in relation to that. Thus, they would not put a tender stating that they want companies to invent something in X weeks' time, but rather working with the government to the solution to a problem that they have identified, adding *"What I'd like to see us do at some stage is just define the problem that we currently have to address through a contract and just say, "This is what we've done in the past, This is what the problem is, This is what we did in the past, You tell us how you would do it differently and we'll assess that and award the contract accordingly". But we're a long way away from having the courage, I think it would require to do that"*.

M5 has some procurements where they focused on new ways of doing things, where they had an innovative procurement tender process and where they just describe what they need and the suppliers come up with a solution.

M8 reports that for certain product categories in which it is more challenging to implement and set concrete measurements, for example, with circular strategies, they ask the supplier to give them an explanation of which way the supplier is working towards more circular strategies to

more circular and what kind of circular measurements does the supplier take to promote circularity.

A1 encourages this intervention on a bigger scale through a dedicated innovation support service. A3 recommends the public sector to embrace public procurement of innovation initiatives. This can be done by starting to consider: *“What is actually innovation to start off and then how do you actually encourage or stimulate innovation with public procurement? How can you encourage this within your contract? How can you encourage this with tender requirements? How can you encourage innovation context within your public organisation?”* M1 also concurs with A3 on the importance of the municipality’s maturity and not just the market maturity. M1 mentions *“[Municipalities] have specific projects, for example, they know they need a more innovative solution, but they don't really know how to how to do it. Then we helped them with knowledge. Or maybe you can use this strategy. Or maybe you could use that procedure. Or we have some examples from other municipalities you can use or just get in touch with these people that can help you well. We organized these market days [...] bring[ing] the people from the municipality and the market together. Then we had a lot of presentations and trainings”*.

#### **Activity 10: Promote consortia working**

This intervention is probably least implemented. This is mainly because it can be quite complicated to procure together (M1, M4, M5). This intervention was interpreted in mainly two different ways: 1) procuring together as a municipality with other organisations or 2) suppliers procuring together through joint bids.

M1 adds that procuring together usually happens in the health sector and that tendering together is possible, as well as, collaborating in other ways. For example, in green deals, municipalities set more or less the same standards to make it easier to make new products rather than every municipality having its own standards. Thus, by having similar standards, they collaboratively make the market competitive, which will improve the innovation in the market where there are more buyers when they do develop something new.

M2 mentions that this occurs more common in infrastructure projects, where they try to help what they call social SMEs to collaborate with the big parties. M2 elaborates that it is all about a shift in how you operate as a procurement department or a strategic procurement, because it is very much about finding opportunities, finding synergy whilst a lot of people in procurement are just looking, whether they how they should follow the legal guidelines, adding that *“The legal guidelines should be completely incorporated in how you work, how you think. It should not be something you have to look at. It's already there. I mean, if I'm walking the streets, I know I should not walk through a red light. That's not an active decision. I know that. I mean, don't always, but I know that I should not do it. And that's the same thing with procurement. It's looking about how can you cross the street and not how can I prevent myself from walking through the red light? So it's really a shift in culture, in thoughts, in all that. So it's the next step in the development of a procurement department”*.

M3 mentions that procuring together was explored within the anchor institution group, where it turned out that there was not a great deal of commonality between their requirements. For

example, generally there is no commonality between a university, the police, the council, and the housing association. Moreover, the majority of major spend and requirements were kind of capital construction projects. There has been some collaboration previously within the sector for some common services. So for instance, M3 collaborated with other regional local authorities for the delivery of repairs and maintenance services. And they did that by "lotting", where they developed geographical areas and also individual trade sectors. So window cleaners, electricians, plumbers could join a framework that they could all then call off. So an example of working together what that tended to do were two things: *"One, there was a minor administrative saving because they were working together. But probably the more important thing was it focused and attracted small, well, even micro businesses. So not small to medium, it was even less than that. It was like 1 to 5 micros. One man bands, small plumbers. And what it did was open up the potential for them to work with the council, whereas previously repairs and maintenance quite often was all bundled together into a single service. So you deal with a major repairs, a maintenance company that provided all plumbing, all electric, all joinery. Whereas what we were doing, we were actually encouraging small micros, just single joiner and plumber businesses to work with us"*.

M4 describes this intervention as very difficult to do, however, they do it with some of their bigger contracts. Furthermore, under the procurement rules you can let frameworks, which are four or five year agreement with the number of suppliers that you will just expose your competitive opportunities to the people who have been pre-qualified in on the framework, which is very rigid if you do not make it on the Framework, you basically do not have many work opportunities over the life of that framework. *"So we're tending more to set up dynamic purchasing systems now and that allows new suppliers to come on to the framework over its life. And as part of that when you first set up the dynamic purchasing system, there are three suppliers that are not big enough in terms of their track record and demonstrate their ability to deliver the project. We can suggest them that they put a collaborative bid in and we can work with them to do that and we'd assess that as a collaborative bid. What often happens in those circumstances is that they may collaborate on a particular contract for us, but they would be in competition with each other for another contract somewhere else, which is why those arrangements are very difficult to broker. And pretty much we can't insist that well, we probably could insist, you know, in a procurement that the rules: If you want to win this, you've got to be a collaboration. But I don't think it would be a recipe for success. I think the chances of one of them falling out with another or, you know some other issue occurring, you know, people sell businesses, people buy businesses. And it might be that if it's a change of ownership of one of the businesses in the consortium, it would affect the balance and therefore present a risk to the delivery of the service, which we would be obviously keen to avoid"*.

M5 does (effective) joint procurement regularly in cooperation with six municipalities, where they have 20 big procurements like framework agreements for asphalt, office supplies, medical equipment, etc. *"The Norwegian success story is that work together with your neighbour and everything gets better"*

M3 further argues that implementation depends on the procurement context in the sense that certain services that they provide, favours particular methods and tools. With consortia working procuring uniforms, for example, would not lend themselves to collaborative working, whereas repairs and maintenance would.

### **Activity 11: Use environmental criteria to save energy and carbon emissions**

M4 suggested to add an intervention specifically concerning the environment during the commissioning stage.

*“We originally had six themes to our social value policy and one of them was Environment and it looked like it was just bolted on at the end. And it's actually the one that most suppliers struggled to give a compelling response to as well”.* M4 noticed that most bidders scored particularly low on the environmental aspects of their operation, which accounts for 10% of the award criteria compared to the social value aspect which accounts for 20% of the award criteria. M4 argues that perhaps the reason for the low environmental scores might have to do with fact that the environmental considerations were the last one on the original social value policy of six themes and subsequently the bidders filling in a tender did not put sufficient thought and effort into it by that time. M4 provides feedback to the suppliers who did not win the contract and if relevant will also signpost them with sources of advice as part of the feedback. For example, signpost them to with some web links to the Carbon literacy Training, the Carbon Trust.

M4 scores the supplier's fundamental approach to their own environmental impact: *“Have you got a carbon reduction plan? And do you know what your carbon footprint is? Do you have targets to reduce your carbon footprint?”.* And if the suppliers can say yes to those, they need credibility to back this up: *“Show us the evidence as to what your current carbon consumption is and then over that in how you deliver this contract. How will you ensure that you reduce the carbon footprint over the life of the project, over the life of the contract?”.* The suppliers put forward proposals on the basis that will do that. That means that the suppliers' environmental impact will be reduced over the life of the contract. And they have got a commitment to do that. And they probably could measure the impact.

*“In general, if you're environmental policies are a discussion, they might need some investment in the first place. But after that, you'll be using less energy and it's because the less it's more efficient, isn't it? I used to run a climate change program and if you started talking to people about tonnes of carbon, they kind of glaze over. But if you start talking to them about 25% of your energy bills, they would listen”.*

The use of environmental considerations and criteria can be an essential way of saving energy and reducing carbon footprint by making it a requirement for relevant procurements. Reducing carbon footprint addresses the environmental sustainability outcomes and saving energy means saving money, supporting SER. Hence, it is recommended that municipalities incorporate environmental clauses into all relevant procurement opportunities. This is important because it will contribute towards addressing the critical ongoing environmental challenges such as tackling climate change.

### 5.1.2 Factors

There are three main categories of factors namely: municipality's context, procurement maturity, and objectives. For each main category several factors are included and/or grouped together.

#### A. Municipality context

**History** of the organisation is described as an important factor. *"We're in an area of deprivation. So, yes, that will affect it. That's that gives you an incentive in the first place"* (M3). M7 has a history of crises and rebuilding the city again and responding to crises. *"I think that's in the DNA of the city, actually, when there is a crisis that we stand up, we like do the intervention and we help each other. So we're doing interventions, we're doing initiatives, we're setting up initiatives, so we come out stronger"* (M7). History thus results in practical **experience** over the years. M8 concurs with the history's influence, however, sometimes it is hard to measure this. *"Because it could also be that we just look for certain explanations in the past for what we are doing now. It's not always easy to find like a causation between these kinds of. I mean, the correlation is not causation, is what they say. I think it's a difficult thing to prove, but I do feel that it's this way for sure, because it's very different in other cities in [our region], which is still the same region, still the same language, the same history. So there are noticeable difference even within the cities themselves"* (M8). The municipality's history, **age**, experience, and **maturity** goes hand in hand, where M4 adds *"Some people are further ahead on the journey than others and therefore making a bigger impact. But I think it's possible for somebody that hasn't done much of this to learn from others and implement something pretty easy from the start of their journey, if you like. So some people have already gone a certain distance on this. They don't. Not everybody has to start from scratch. Some people can join later. So, you know, it's learning from others I guess, and collaborating with that would help with that"*. Regarding **previous experience (legitimacy)**, M4 adds *"Talk about measurement and lack of reporting. I think if people kind of keep saying: "so what?", and you can show them the results, then it's far more compelling than just saying the world would be a better place if we did this, you know. So I think measurement and demonstrating legitimacy, as it says, is really important"* (M4). M5 concurs with this, stating *"previous performance, both to have faith within the industry and internal"*. M1 mentions that what happened previously always influences decisions, taking not only into account what went wrong and right, but also keeping in mind that what worked in the past does not necessarily mean that it will work this time now as it might have been a different situation back then or other solutions may have been developed in the meantime. Moreover, if something went wrong in the past, people tend to stick to the comfort solutions rather than try something innovative again.

**Organisational structure** is also important as alignment and collaboration between different departments is crucial. M1 elaborates *"Because everyone is very much in its own department, you miss chances [to look for sustainable goals], I think. [...] But many people have to agree before you can really start something. So that's, of course, in a **political organisation** more than **in non-political**, I think. So it also makes it complicated"*. M1 adds that it is not really about whether the organisation is centralised or decentralised but rather that a smaller municipality will have less layers of managers to get consent/approval from compared to a bigger organisation



such as themselves. **Organisational culture** shapes how people experience the organisation. Organisational structure and culture also seem to go hand in hand, where M3 adds “*If people don't understand that we're trying to pull some social value levers, then you're not going to get there*”. Ideally, an organisation’s culture is one that is innovative, creative, and risk-taking (M1, M2). For example, M1 and M5 elaborate that with innovative procurement projects, where they think about and try to be open about innovative solutions by not specifically specifying exactly which solution they want, but only specify the result and “*take a little bit step back and say, well, you [supplier\*] invent the solution or we do it together instead of me doing so. It takes a bit of courage and sometimes that's difficult because you don't know what you're going to get*” (M1). M1 further adds “*I think taking risks in political environments are quite difficult sometimes because when something goes wrong, it's all over the newspapers and it's also a part of culture. And also I think the culture in [our city] is a little bit more like careful, [than] like, for example, [major city X]. So it's also a local, the local culture*” (M1). M2 (on the other hand) elaborates on differences between country’s organisational cultures. In Northern and Western European countries, it tends to be an inherently good thing to do (something). In the Netherlands, the Central Government supports and ensures that the local governments are doing sustainable procurement through guidelines and simplifying matters via national procurement competence centres. Whereas, in Italy, they do not necessarily do something because they want to, but rather because they are required to do so. In Italy, they have a specific government that tries to check all the procurement in a certain region to make sure they were not forgetting to implement environmental criteria. In the Netherlands, “*in general, the culture is if we agree to do something, it will be done that way in general. In some other countries, there are different approaches. I'm not saying it's better or less. It might be better to the situation itself*” (M2). In Eastern Europe, Poland, for example, they are not going to take any action, unless they have the order and signature of the one in charge to try and experiment it, whereas in the Netherlands, there is more freedom to propose an idea as a procurer to a politician and try to experiment with a sustainable goal for example (M2). According to M8, organisational culture is very much linked towards the political side. Within cities, there may not be too many differences regarding how they are operated as opposed to the private sector firms. Differences between the two are explained by the size, money, and political differences. M2 and M6 interprets organisational culture as skills and work. Besides limited resources/means in terms of money, there is also limited staff to work with. According to M6, a good work culture includes/incorporates, for example, expectations from a public market, a sourcing process, and a benchmarking process. Furthermore, they have a few buyer specifics rather than one in each department and all the departments manages the tenders with their work culture. Moreover, the organisation should not matter about how you work or how many people everywhere, but it is rather about your process and your culture. It is crucial to have a culture of social inclusion, environmental cares, etc. as it is way easier to implement actions after as opposed to not having a global culture in the municipality. M2 adds that it is about how good they are at implementing those actions and whether they are motivated to do that, hence why those social skills are also crucial.

**Commitment** is something more than just skills and training. It is about the objectives and motives of the people themselves, though the objectives are usually policy-based. M2 concurs that, of course, the hard criteria of the municipality’s context, procurement maturity, and its

objectives are crucial too. M4 reports that organisational culture and **senior / top management commitment** are definitely important and that subsequently leads down to **team commitment**. For example, a new IT manager who wants to make radical changes in a short period and ignores social value, will not get approval from M4. *“It means they're doing the right thing for the wrong reason probably, but at least they're doing the right thing. And as they get more used to and see results from it, they then start doing the right thing for the right reasons and actually actively seeking out”*, adding *“So that top-down cultural commitment is really keen”* (M4). Both management and team commitment seem to be very significant by all respondents. M1 mentioned that with one of the innovation projects they started by seeking a group of other people within the organisation who were really willing to make a change, however, without the managers' support the project would just be a short-term small project with limited chances of really achieving something. A2 adds to this that if a procurer wants to do something completely new that the first big task for the one who wants to this, the procurer, is to get convince everyone of the idea to get all mindsets together. M3 also agrees with this, management commitment i.e. political drive from their political leaders is what drove projects from the start and influences what gets done (M3 & M8). Again, M7 and M8 add that there are no big differences between different municipalities when it comes to needing support from above. However, even within the different departments of the city, some departments are more focused on sustainability goals than others, and management certainly has some influence on this, mainly in the execution of things. M8 adds that they are limited by the law, wealth, as well as, the political side and other stakeholders when it comes to the final decision-making. When it comes to team commitment, M8 mentions that *“it certainly makes a difference if you have like a team who is committed to make the sustainability goals possible”*. For example, some procurers are very much interested in sustainability while others are concerned about *“Do I have to really take this in consideration as well? I already have to look at so many factors”*. M8 adds that even on a personal level that it does make some difference regarding the person or the team that is handling the contract or the procurement procedure.

**Wealth** is one of the most important influencing factors. The common dilemma faced when it comes to wealth is either opting for the better, more sustainable, or healthier, but more expensive solution or not (M1 & A1). For example, when it comes to chemical-wise procurement, then it might cost a bit more and that may be something overlooked at the top level (A1). M2 argues that a very impoverished region without a sufficient budget will likely not try to do things. Similarly, M3 argues that a wealthy region such as themselves, when it comes down to the big difference between budgets, it is about the effectiveness/impact of some of the interventions, adding *“The bigger the budget, the more you get out of it”* and *“some opportunities will lend themselves to a higher return from the intervention”*. For example, it is more likely that new apprentices/ jobs will come out of a higher value construction opportunity than a pen contract. M6 adds that it is easier to implement interventions when there is a lot of money and a lot of power. There is a financial bias because if they had all the money, they would implement interventions for everything, but that is not possible. Building up on this, M8 mentions that with the rising electricity and energy costs, cost of gas, inflation, the municipality has to save a lot of money and hence there has been a lot of budget cuts. Consequently, one of the first things that are scrapped are these kinds of sustainability goals like social criteria, *“because it is quite often*

*just simple economic law that if you want something sustainable on the short term, it's a lot more expensive*". A1 argues that while it is easier to implement interventions with a sufficient budget, it is more important to be able to calculate, for example, the life-cycle cost. In circular procurement, for example, the first ambition is to use less materials. One of the strategies is to reuse what is already existing, hence the sharing economy is crucial, where the first step would be not procuring, but rather seeking other companies or cities what they already have as material, and either request to use it or rent it, lowering the cost. Thus in circular strategies, there are various possibilities that are cheaper than the usual products.

M7 adds that wealth and **size** help them to do the right interventions. M1 and M8 mention that their municipality of such size can make a difference compared to a small one due to the higher procurement spending power, which puts them in the position to demand more from their suppliers, for example, when it comes to including sustainability criteria in contracts (M8). On the contrary, M5 as a small size community is considered a best-practice city given that they have come quite far in understanding and using procurement as a tool to achieve also strategic elements like reducing CO2 emissions. They are also considered to have a good national organisation in terms of how the government and how the state bodies work with procurement. M1 argues that sometimes it is harder within a big organisation to try something new. When it comes to innovative procurement, for example, sometimes it could be easier to make certain things happen in smaller organisations that are less complex. M6 argues that the size of the city will be linked to the size of the city's need, which is usually 75% of the tenders, adding "*if you have a big need with big quantities, it's easier to be important*".

M5 adds that **time and management resources** are influencing factors, where competence is needed, time to work with the municipality and the suppliers, and management resources and understanding to use time on this. Thus, management needs to have time to think about these. M2 supports this and adds that budget, commitment, and other means are important such as having a good **contract management system** in place to know for example, whether and what has been achieved. "*Do you know how to measure it? [...] How you can monitor it? So it's always about commitment, means, budget, financials. You [...] need to have time, because if something needs to be done in a hurry, it won't be done at the best with the best effects. So that's a bit difficult. So we need time*" (M2). M1 agrees that communication is key and that means also collaboration within the organisation. **Information & Communication systems** are also an influencing factor, as it is needed to communicate both internally and externally to clients, suppliers, and vice versa (M3). M8 supports this and adds "*the better the relations are and the better we communicate with them, the easier it is for us to get things done that might be outside their agenda*". This is because a lot of the sustainability goals that they try to promote are an additional cost for firms, but if they have good relationships between them, it will be easier to get certain things done. Thus good **supplier relationship management** is important, not just communication systems/ channels. Furthermore, "*There is also a kind of a personal approach towards these kind of things, but I would not say it's as important as wealth or the law or but it does have some kind of role within the whole thing*" (M8). M6 agrees that this is also a less important factor compared to other ones.

According to M8, the **sector/ industry** also plays a big part since they buy so many different goods, services, and works, where certain industries are very advanced in the requests while others are still trying to figure out how to start on certain sustainability goals, which is certainly a challenge that they face. A3 argues that it does not always have to be a de facto aspect, but adds that *“especially for those industries where the public sector is the main or the first and foremost procurer, that's where it's really needed and important that the public sector is focusing on ways to properly execute public procurement, also for the socio-economic recovery”*.

When it comes to whether the municipality is **rural** or **urban**, M1 argues that it is more about the size that matters as mentioned previously. However, arguing from a different perspective, an urban environment is far more complex if they want to develop something where the ground is already full with cables, for example. There might be far more stakeholders in a big city or in a urban environment than in a rural environment because it is such a small space. *“So to make something happen, it's always hard because if the street has to be opened, it bothers a lot of people. And there are a lot of shops and there are a lot of different stakeholders that you have to keep in mind if you start a project”* (M1). M8 on the other hand, argues that it is more a cultural thing than a regional aspect. Nevertheless, M8 argues that sustainability tends to be a bigger focus in more urban cities. *“In [our country] especially, the cities in general are more leftist, while the rural areas are a bit more rightist, so they are a bit less focused on it. I think it has more to do with the culture and how big they are, because they are the rural areas in Belgium. These are fairly small cities. It's not really, I think, an explaining factor. It's more like it's caused by those other factors”* (M8). A1 also agrees that is rather about the municipality's size that makes a big difference in the ability and the resources of effectively taking action. A1 argues that usually the big municipalities or cities tend to be more capable of such. Notwithstanding, in their country, there are a few relatively small municipalities that are actually front runners and it is due to the fact that they have a long history of taking unconventional approaches to challenges on top of having good fortune and excellent directors and mayors who have had thorough understanding of the issue.

**Effects of crises\*** also need to be considered. Some Nordic countries have been relatively less affected by the economic downturn caused by the COVID-19 pandemic compared to many other countries. However, they have also faced challenges such as the price increase as the result of invasion of Ukraine. M5 has chosen to be flexible with suppliers regarding price adjustments. Municipalities have tight budgets and when the budget is cut short by responding to these kinds of changes, other investments are postponed. Managing the constant price variations is also time-consuming. This precious time could have rather been spend on developing social inclusion and environmental criteria (M6). On the positive side, crises can be used as a momentum / opportunity for innovations (M7).

## **B. Municipality procurement maturity**

A missing factor is **\*procurement opportunity\***. *“some of the best social value that I've seen has been because the stars have been in alignment and an opportunity has arisen that made it an opportunity that was maybe specific to a particular area”* (M4). The sector and **type of commission or commodity** plays a role here. Cities purchase a variety of goods, works, and

services, making it challenging to spread good practices in terms of procurement (M6). Some product categories such as food allow the municipality to achieve more sustainability goals (e.g. fairtrade & bio foods and locally produced food), whereas sustainable options for the welfare centres are quite limited (M8).

**Procurement strategy & procurement advancement level** is one of the crucial influencing factors according to all respondents as *“if you don't know enough about how to put the first steps or to scale up, then there will be a problem”* (A2). M3 describes a procurement strategy as *“something that is written down that gives you a direction to get from A to B. If you don't know where you are, and you don't know where you want to be, there's no point in having a strategy. You need to know what you want”* (M3). A1 and A2 also emphasise that the procurement strategy is the most important starting point to know what you are aiming for in order to lead better. A1 adding *“also, you need to know your own history, your own resources, and sort of your maturity”*. A1 provides tools to municipalities that they can use to self-assess their own procurement maturity level. Moreover, A1 recommends beginners to take baby steps rather than going for the highest level, starting with a procurement strategy, creating a sort of road map to integrate the issues and using (procurement) resources wisely as these tend to be scarce. *“So it's very important to focus your efforts on the things that you can do”* (A1).

M1 perceives procurement more than just purchasing. It is also about trying to meet certain sustainable goals by incorporating these in a tender and ensuring that these work out. Besides a strategy, a policy on a higher level in the organisation is also crucial to oblige procurers to consider these sustainable goals while tendering.

M4 elaborates on their social value policy which incorporates six themes derived from the strategic document that was written about how they could become more sustainable, more powerful, more wealthy as a result of devolution - which is devolution of the power to provide certain functions from central government to local government – which would then be utilised to improve the city's residents' lot. It is important to be able to demonstrate that those themes are validated somewhere through a democratic decision and incorporated in the procurement, adding *“So the strategy has got to be the procurement activity and style of the way you apply procurement policies has to be rooted in some form of policy. We call it the common thread that runs through from the kind of high-level strategic aspiration to make things better. It has to filter down to actual actions and activities to make things better. But it's got to make things better in a way that was envisaged in that original high-level strategic document or statement”* (M4).

M6 reports that different competent departments working together is part of their good procurement maturity, including the procurement department and the public market department, ensuring that all the legal disposition has been respected. According to M7, they are the *“number one city in the [country] when it comes to the procurement strategy and advancement level”*. This is related to the city's high unemployment rate and several social issues. Hence, this has been on top of the political agenda for a while. The audit organisation of their city did a report on this issue a few years ago and concluded that when it comes to the impact that they create through their social return program - the program on socially responsible procurement - that they create the most social value.

M8 adds that the procurement strategy is a collection of various stakeholders, negotiating with politicians, other stakeholders of the city, of the municipality, and their internal procurement department. Their extensive and complex 150 page procurement document includes a list full of various requirements unlike most municipalities, not just in their country but also Europe-wide. For example, specifying that enterprises have a bigger chance of acquiring contracts through a point system when they re-collect the materials afterwards and use it for a different application, saving water in a certain way, or using certain kinds of material as opposed to other municipalities that may just want a price quote on certain clothes. When it comes to the procurement maturity and advancement level, M8 is quite advanced and looked up to by many international organisations. Nevertheless, they also learn and work closely with [Danish city X], for example, as they are considered one of the leaders in the food procurement field on a European level, though they are not far behind. Procurement advancement level turned out to be a crucial success factor, M5 reporting: *“It was the level of understanding of procurement and the effect of procurement and how the government and how the state bodies work with procurement in [our country]”*.

However, when it comes to the **IT advancement level\*** in the procurement department, the automatisations, for example, could be improved as a lot of manual labour still takes place and this has some influence on how the MPIAs are implemented (M8). A1 mentions that they have a tool in their country to calculate estimates of the CO<sub>2</sub>-emissions from different purchases and categories, which is based on the spend analysis.

**Procurement leaders’ experience, knowledge, education, skills, training, awareness, and know-how** is also considered one of the most important influencing factors by all respondents. M1 argues that *“Every tender is different and you always have to choose the strategy that fits best for this particular need and needs change all over the time. So to really construct a good system, regarding the needs of the municipality, but also the needs of the potential companies that will attend to the tender. And making sure that you reach the goals you set. I think it's quite a complex system and I think professionalism is important for that”* (M1). M2 mentions that Price Waterhouse Coopers (PwC) has designed a competency framework<sup>28</sup> for the European Commission regarding various sets of competencies that the public procurement professionals should have to effectively achieve goals, adding *“Government procurement started as just ordering things, then [transitioned] into the legal side of the procurement guidelines. And now it's really about achieving things, strategic procurement. And that means you need to have different competencies. You need to really look at the skills, the soft skills of the people involved”* (M2). M4 adds *“Somebody that's setting strategic direction for their unit, that delivers the procurement has to have that [...] strategic experience”*. M5 argues that it is crucial that the procurement departments know the tools, have competence, have a system that they can work after, and are trusted inside the municipality. M8 reports that the main challenge they face here is that since they buy so many various type of products, that it is not always easy to have the knowledge and experience for every product that they buy to know what the sustainable option is, what they can achieve. Furthermore, M8 argues that a buyer with extensive experience and

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<sup>28</sup> [https://commission.europa.eu/system/files/2020-12/procurcompeu-ecf\\_for\\_pp\\_en.pdf](https://commission.europa.eu/system/files/2020-12/procurcompeu-ecf_for_pp_en.pdf)

expertise in a certain field makes a big difference in ensuring that certain criteria, goals, or interventions get implemented and fulfilled with ease as such a professional understands what is possible on the market and the purchaser is still the one who writes the specifications and talks to suppliers. Moreover, M8 argues that albeit education and training can be helpful to analyse an issue or provide new ways of thinking, their purchasers would certainly confirm that they learn the most through market consultations and negotiations with other companies than they do during trainings.

A1 concurs that it is crucial that the procurement personnel are knowledgeable enough to publish and negotiate good public procurement agreements, as otherwise is a major bottleneck. A2 adds that being able to maintain long-term relationships with suppliers is also a crucial skill. When it comes to the circular economy, it is all about collaborating together and creating a new kind of trust with long-term suppliers. Previously, procurement was just considered a transaction - where procurers would buy something and the supplier would fulfil this and be gone afterwards - whereas now maintenance and a long-term business model is added.

A1 and A2 add that **mindset and motivation\*** of the procurer among others is also crucial. A2 mentions that especially in the beginning everything is new and need to approach circumstances from a different perspective. The first step is to believe in it. Subsequently, convince the organisation's staff including top management, suppliers, and the legal service (of the idea). A1 emphasises that sharing best practice cases and having peer-to-peer discussions can inspire and motivate other (neighbouring) municipalities or cities to also take innovative action.

Furthermore, A1 reports that usually the **politician's/decision-makers** lack **procurement expertise & experience\*** compared to the procurers, stating *“if you're thinking about the level [of] the directors, municipality mayors, etc., they are not very knowledgeable about public procurement and the understanding that usually half or more of the total budget of the community is procurement. So they are not really concentrating on managing the public procurement and using it as a tool to achieve the goals in the strategy. And so therefore there is lack of resources and therefore there is lack of time spent together and discussing with the markets. So understanding of the markets, it's a bit too low. And also from the company sides, they don't usually [understand] because it is not so mature, the market dialogue way that public procurers are doing. So they are not so willing to put their time and effort on those dialogues”* (A1). Additionally, A1 reports that even though the directors are in charge of implementing strategy, when it comes to the procurers who do the biddings, they tend to carry out the procurement process in the same manner as they have for many years, because there is not enough time or resources set aside to study or learn how to start doing things differently and implement change. As a result, A1 concurs that the first piece of advice is to have more effective dialogues between the decision-makers and procurers, which would lead to process of doing good procurement strategy. Subsequently, it is important to consider how to operationalise the strategy, *“Who is doing something? Do we have enough knowledge and personnel to do things? Usually not. And then, of course, directors should then pay attention and do their best to give more resources, meaning hiring more people to do the procurement”*, adding *“Now, the knowledge is coming from many consultants, and if the people learn from them, sometimes they*

*change workplaces and they lost their information in some point. So that's something they should focus how to, for example, educate your own people” (A1).*

### **C. Municipality objectives/ priorities**

**Political priorities\*** also seems to be one of the most crucial influencing factors according to many interviewees. M1 argues that a municipality differs from a non-political organisation. For one, there is a board (of directors) that changes every four years, re-elections take place, and this influences many decisions. For example, sustainability goals can be a high priority in the agenda for a couple of years, however, afterwards it no longer is as other parties are governing. M4 and M2 concur with this, adding that consistency of leadership including strategic commitment is vital. M2 provides an example that occurred in Italy a few years ago, *“I think in [city X], they had a real worry because the national government was about to change and because in Italy everything is top-down, it was the national guidelines, national laws that had to be taken into account. And there were regional institutions set up by the national government to check whether local governments would implement those national laws. But if the national government is someone completely different, then the law with would be withdrawn and then the institutions that were checking local government would be withdrawn, and that would mean that nothing would happen anymore. So the politicians are sometimes really very important in what you will achieve and what you won't”*.

M8 adds that many of the implemented interventions are from an ethical perspective, which is also an important factor. According to M8 they are one of the more progressive cities in their country, which is why they focus so much on certain sustainability goals. It may well be that other cities with another government, other political parties at the head of the government with a slightly different system that causes them to focus less on these types of interventions and more just on wanting the cheapest price, especially with budget cuts, sustainability goals become far less important. However, M8’s policymakers advocate that these sustainability goals are important to them as a progressive city. Hence, the political system or the political parties also have an influence on how well these kinds of interventions are implemented (M8).

M5 argues that everything starts with the municipality's main political goals. Then, as part of the procurement strategy, the procurement department works to support these objectives through its purchases, adding *“so it starts with the main goals of the municipality, which is now very much focused on the UN's sustainability goals. And then it's the leadership to understand what kind of power that procurements can have and put enough money and resources into it. So it's both internal education, training, competence. It's enough money to have enough people in the procurement department to start the process early. It's to use all these interventions in the best possible way”*. M6 reports that procurers do not make the decision whether or not to implement MPIAs or focusing on the companies that need their interventions, and instead depends entirely on the municipality’s policy/strategy.

M8 argues that there are differences between leftist and rightist political parties in power, further elaborating *“I also see that that management is a factor here. I think like the government employees and the management of the city, they are kind of a reflection of the political parties*



*that are in power. So we have, for example, more progressive or more leftist parties in power. They will focus more on social criteria, for example, than the more rightist parties, I'd say. And this also reflects on the people that work for that city, and especially in management, because this also changes quite often. Yeah when there is a right-wing government at the head of the city, they will appoint more right-wing management and they will instruct the government employees to work in a more specific way that is aligned with their political views. So I do think it has quite a big influence. And [our city] is a city that has been quite leftist for probably the most leftist city in [our country] or especially in [our region] for more than 100 years. And it has been like a very big industrial city where there were a lot of like worker groups who came together, created unions to get better conditions. So it does reflect on also how the city works I think. This even this kind of history has its effect. The most important [factors] are, wealth, the law and maybe the political system” (M8).*

M7 too mentions that “*It is very important how much political support these interventions have. So I think the **high-level goals and priorities** are super important. And the [action] plan [regarding] employment was really a top-down idea”.* M2 concurs with the high significance of this factor, that these goals are set from the top. Everyone within the organisation, not just the procurement department, needs to be aware that it is an obligation to consider sustainability and should not be viewed as a spare-time activity. These other stakeholders include those responsible for finding solutions as procurers are merely advisors of the people in charge of ensuring that the health care system, child care system, garbage removal system, and the ability to drive safely through the city are all functioning properly. M2 adds that they have a tender board for all bigger tenders, consisting of groups of professionals who look at each tender strategy, and ensures that these higher-set goals are really carried out into practice. M3 argues that a major barrier is that objectives are not being explicitly communicated, further elaborating “*This isn't about, for instance, paying people faster. That's not the objective. The objective is to keep businesses active and keep them afloat, to encourage that business to develop. And the fact that you pay them faster helps. It's that way around. So what we actually need to do is we need to define what [our] city wants, and then we can start having to look at a variety of intervention tools” (M3).* When it comes to SER specifically, M3 mentions that they are still recovering from the de-industrialisation back in the ‘40s-‘50s and hence is a priority of their current leadership and the reason why they are quite advanced in their experience implementing these kinds of MPIAs. According to M8, as the municipality they need to focus on sustainability, circular economy, social criteria and such, however, it is far from that high-level strategy towards a specific purchasing or procurement contract. For example, circular procurement is very important, however, when it comes to writing contract specifications for procuring medicines, there are just general goals like asking suppliers if the medicines were delivered with electric vehicles (EVs). Hence, M8 argues that albeit this factor has some influence, it depends on what is being procured.

Related to high-level commitment and political priorities, M1 emphasises the importance of **continuity\***. This is because political priorities may change due to new board members, ideas, and policies (M1).

Regarding **companies that need help the most**, M2 states *“One of the things we've discussed with our budget holders specifically into the COVID pandemic is to look at your suppliers and try to identify which suppliers might need help or might need recovery and be proactive about it and talk with them”*. M6 argues that this is a key factor for implementing MPIAs as if the municipality does not have the policy and willingness to make it a priority to, for example, include social inclusion to help SMEs, to include the environmental care, or healthcare, it is not possible for the procurers to work on those issues specifically. In contrast, M8 argues that this is generally not something their procurement department specifically focuses on unless they occasionally cooperate with a firm that employs people with a disability or cannot find a job when it comes to incorporating social criteria in contracts. It can be argued that these are then the companies that need support the most, however, they cannot compete with other firms regarding costs, because in the private markets where individuals attempt to find the most qualified/competent people for the lowest costs, M8 argues that, for instance, people with mental disabilities are not more efficient for specific activities than those without such disabilities. Furthermore, adding *“We do not really look at: ‘it's an economic downturn and smaller firms have a harder time. We will try and get more smaller firms on board’. We are not even allowed to do this. So I would say it's not that much of a factor unless for like very specific contracts, where we work with these kinds of firms who employ these people”* (M8). *“We have to abide to the law. And that means that competition is always in play. So we cannot give an advantage towards a smaller firm just because we want them to recover from, for example, COVID or the Ukraine crisis. We have to still abide to the law in that regard”* (M8).

**Nation's regulation, legislation, priorities, law, and government policy** are also one of the most significant influencing factors according to the majority of the respondents. M3 argues that regulation and legislation are the same things that certainly has an effect. Furthermore, national priorities are changing throughout the years. In fact, they have a new legislation coming out this year that not only highlights equality, non-discrimination, and fair treatment, but also *“Public good”* - a new phrase which will be emphasised in the new UK's law. For example, with window cleaning, *“it's actually in the public good for that window cleaner to use a sustainable vehicle. And it is for the public good that that window cleaner does not pour chemicals all over the streets and the drains”*. Thus, the government policy and the government recognition of those national priorities is coming out in statute/law this year, which has an influence. On the contrary, M4 from the same country as M3, argues that regulation and legislation are not the same, because regulations could be health and safety. However, usually they are generally backed up by legislation. *“So the regulations would be you can't just come in and do something because you think it's the right thing. The legislation, for example, on the other hand, is you can't take non-commercial issues into consideration when deciding who to let a contract. That's the law”* (M4).

M4 further elaborates that the nation's regulations, legislation, priorities, government policy can be an enabler or a barrier. M4 mentions the change of prime minister and loss of momentum as a result, but also the new upcoming procurement bill / regulations / act, which will include more opportunities / freedom to award contracts based on the social benefits they provide. Since 1988, the legislation stipulated that local authorities cannot take non-commercial factors into

consideration when awarding or managing contracts. This means that it is not possible to award contracts based on geography and therefore cannot favour local companies above others as it is not fair, unless of course, that particular local company is the only one qualified to provide the service for example. Nevertheless, M4 applies social value to the fullest extent possible. Suppliers with bad employment practices or who are environmentally unfriendly likely would not dispute if they did not win a contract as it would draw unwanted attention in court of their poor behaviour.

Notwithstanding, M4 mentions the Russia-Ukraine conflict, where sanctions have been imposed against Russian and Belarusian companies for invading Ukraine. However, M4 could not terminate contracts with Russian firms on the basis of not “liking” them anymore because of this or based on the fact that they were Russian-based. However, what M4 could argue was that these companies would not be able to deliver and fulfil the contract as sanctions have been imposed on them internationally, meaning that they would be a less stable company moving forward. This is a valid commercial argument according to the 1988 provision. Albeit new laws might be imposed, lawyers will still argue that the article of the 1988 legislation exists and impossible to contravene that. Thus, when it comes to acting with creativity and innovation, M4 has to work closely with their legal department early on. Though there may be occasional discussions between these two parties, where the legal entity would argue that something might not be the right thing to do according to the law and there is a risk to it, whereas M4 would argue that if the risk of someone filing a complaint is very low, then it is a risk willing to be taken unless of course if, for example, it is risk to life, service delivery, authority’s reputation that might undermine the credibility of the counsel.

Moreover, M4 would argue that the private sector has a better reputation when it comes to innovation compared to the public sector and that might be true since the public sector is more restricted with legislation and not because people do not want to innovate.

M8 concurs with M4 that the regulation / law can be a major barrier. If the law was not as strict regarding competitiveness, they would have more options to stimulate local recovery as many checks and balances take place when public money is used (M8). When it comes to SER, “*We cannot prioritize smaller firms quite often because it's just not allowed. We have to treat everyone equally. And if there's only like a very small hint at that we were not fair, yeah then the contract could be deleted by the courts*”. For example, if two firms are competing for a contract, both parties need to receive the exact same information to fulfil the bid as otherwise the contract could be deleted by the courts as it is unfair that one firm received additional information. M8 further agrees with M4 that procurers and lawyers have to work closely to avoid lawsuits. For every specification every contract created, the legal department ensures that each sentence is according to the law, which is necessary, because quite often bigger firms who do not win contracts find ways to dispute in court and if the contract is not watertight – i.e. very close towards the law – then the contract will be terminated and the entire procurement procedure would have to start over.

M4 further argues how central government policy can be either a massive enabler or huge inhibition in relation to SER. As mentioned previously, the UK will have a policy of devolving

power and control to regional decision-makers who are directly elected. By the time that has been implemented, there might be a change in political leadership who might have different priorities. One condition of the devolution of power was the formation of a combined authority with the directly elected mayor, but some regions were not prepared to do that and hence missed out on the opportunity to exercise a higher level of self-governance. As a result, those regions will have certain decisions made for them at [location X], whereas other regions can make decentralised decisions that best fit that locality and is therefore quicker and simpler to complete tasks. Consequently, this gives certain regions a competitive edge over others, where the quality of services provided to residents, as well as, how policy is created around land allocation will vary (i.e. designating which land is used for either economic, residential, or commercial purposes). For example, the mayor of M4 lobbied for better control over bus services as at the time these services are essentially unregulated where bus companies have established routes deemed most profitable and have control of bus prices. M4 on a local level can now decide to subsidize public transportation and ensure that those transportation linkages are present in unprofitable areas, where people have easier access to employment opportunities (i.e. cheaper to travel to work, especially for young adults doing apprenticeships to get a career, where a lot of money and effort has been invested in by the government), which aids in the rehabilitation of the economy. Without a directly-elected mayor, these kind of opportunities cannot be realised, adding *“So there’s a national commitment to increase devolution and decentralised central government, smaller state kind of thing, so taxed at the lower end and the more democratic decisions taken within individual localities. But whilst that might be an aspiration, I think there’s a natural aversion by politicians to actually implement that because it dilutes their influence and authority and therefore the road also. I think one of the things that kind of gets in the way of achieving the kind of long-term goals is the fact that it’s set by central government and there are regular changes of direction within central government. Because the [central] government has only got a certain life. It’s got a maximum life. Four years. It might not have that long. It’s very difficult to get a long-term policy implemented and see the benefits of it over the life of the Parliament”* (M4). M7 concurs that government policy is very important as it certainly influenced their municipality’s policies and the way they did MPIAs during the COVID-crisis, where a huge sum of financial support was dedicated to (struggling) companies during the pandemic.

Needless to say, various **stakeholders** are a major influencing factor. According to M2, many procurement departments tend to be overly focused on the criteria and facts, whereas it is far more crucial to know the headed direction and to have the commitment of those involved to get there, and that depends on both the culture of the organisation and nation. Within the country, even neighbouring municipalities have differences in the decision-making process (M2). These stakeholders include the decision makers, politicians, higher management. M2 mentions a way to group stakeholders and how to approach them, referring to the RASCI model – a framework to identify each stakeholder’s roles and responsibilities, including those who need to be Responsible, Accountable, Supporting, Consulting, and Informed. For example, the upper management or the budget holders, those in the decision-making process, need to be approached differently than those who only need to be informed afterwards. M6 stakeholders for circular economy, for example, includes the whole global environment of the municipality, like the

contractors, the citizens, the politicians, all people around the municipality - not just the procurement departments, but also the financial and social departments, etc. M4 concurs with M2 regarding the wide range of stakeholders and the importance of stakeholder's commitment, saying *"it could be that you might have a really energetic, creative, innovative group of stakeholders that set something up, and then they move on and there's nobody left with the energy to keep something going. So stakeholders is probably something that you've got to have, you've got to take people along with you, you can't do things in isolation and hope they work. But you might have stakeholders that are too risk-averse so that you never get anything done. Or you might have stakeholders this sort of "gung ho", that kind of likely take risks that you end up risking the whole thing by making bad decisions"* (M4).

The **market\*** too plays a significant role when it comes to implementing requirements/criteria or MPIAs. M8 observed that for some product categories, suppliers are not able to fulfil the municipality's demands and will not even attempt to bid for contracts. The example provided here was regarding the procurement of clothes-washing services for schools and nursing homes, where the requirements included, inter alia, ways to save water and electricity and to be circular. They had to take out some of these requirements and measurements like water saving or water recuperation and subsequently suppliers started to bid. *"So sometimes the market is just not ready for what we demand. We are asking too much"* (M8). M2 concurs with M8 on this, adding that the inner workings of the organisation itself matters and that **market maturity\*** should be addressed separately. The infrastructure market capacity, for example, is very developed that functions effectively and efficiently as people can communicate in a very mature, professional, and business-like manner with one another, while in the social domain, they are transitioning from subsidy-based institutions towards professional institutions (M2). As there is a very diverse level of market maturity, certain social or some enterprises in the social domain need assistance with moving towards more like a business-like model due to the more business-like institutions. *"We know that some businesses do not know how to make up a good cost-price. They don't know how to calculate their own cost-price per hour. They don't know it because they're not mature enough. So that's really difficult that how can you have a good professional relationship with a supplier that has difficulty in being a really a business. So that's something the maturity of the market itself is also very important and how risk-averse the market is"* (M2). Especially when it comes to the innovation territory, there is a lot of uncertainty and sometimes risks need to be taken. It is important to know how to approach the market with this, *"Because we want to go towards a more sustainable future, that means we need more innovation. How can we [convince] them in order to take those risks?"* (M2)". In the infrastructure sector, there are already various previous results and benefits calculated, whereas in ICT procurement, it tends to be better to encourage the account manager with a bonus for achieving targets rather than having to pay a fine for not doing so, as it is financially the same outcome for the municipality and this is one way of ensuring that people move in the desired direction. *"So it's a lot about psychology, about culture, about what we all say, [convincing] people, not using the stick, but the carrot. In [our country], the carrot method works best. In [country X], it might be the stick"*. Another way of moving people towards the desired direction through a procurement, which also does not cost the municipality a dime, is to publicly promote the supplier - who is, for example, daring to take an innovative approach and together achieved various circular goals – at all kinds of government

Congress and seminars, which will generate extra income for that firm through this publicity (M2). M6 adds that sometimes implementing MPIAs depends on how they build requests of the supplier\*, stating *“If we just have a request, please pay more. It's not acceptable. And it depends about how can we consider these requests as valuable and accurate?”* (M6).

Entering **strategic alliances** (e.g. market training organisations, voluntary and community sector) is also important. M4 argues that the availability of a **voluntary and community sector\*** can be an aid in stimulating SER as well. Varying on locality both within the UK and likely across Europe, these are established organisations / SMEs that are not necessarily driven by profit albeit they have to be sustainable economically, and instead have an aspiration to do good, be sustainable, or deliver services traditionally deemed unprofitable e.g. address social injustice, social isolation, or other specific needs within a certain community. To address social isolation, for example, this kind of organisation would recognize this as a social need rather than a business opportunity, realising there is no community facility and community spirit in that area, and therefore would build a community centre/hub or use a converted commercial space as a gathering area at night when it is not being used for business, where people can interact with one another better to address the citizens' loneliness and improve their social, mental, and physical wellbeing as a social outcome. Furthermore, collaborating with an **organisation specialised in trainings\***, can support the market, including SMEs on for example improved approaches to carbon reduction. M4 collaborates with an established organisation specialised in trainings, aimed to support the market, including SMEs on for example improved approaches to carbon reduction. This organisation would provide courses, training, help, assistance and support with that. Another example would be improving cybersecurity, which has an growing importance nowadays as suppliers operate as a backdoor into some of their systems. *“If we exchange information data with them or if we pay them, they have a link to our systems which if they were to suffer a cyber-attack and not be able to defend themselves against it, would give us a vulnerability”*.

### **5.1.3 Combinations of interventions & reasonings for implementing those ones**

M1 mentions the combination of having effective dialogue with suppliers (i.e. MPIA 6) and engaging with end-users and employees and co-produce tenders (i.e. MPIA 7), along with using social criteria to create jobs (i.e. MPIA 2) is a standard procedure in every tender.

M2 argues that each of the MPIAs functions differently and implementation depends on the context. Aiming for maximum impact, they seek what is required to do in a specific situation. Albeit using the MPIAs together in combination to create synergies and striving for optimized impact is considered ideal, sometimes they deliberately decide not to use all of them in case it is not feasible. However, MPIAs like paying suppliers on time (i.e. MPIA 1) should not be an issue as municipalities have the budget and the financial department should be able to carry it out after approval.

M3 argues that using more MPIAs does not necessarily mean that it will result in a bigger synergy or bigger impact. Additionally, they do not consider strapping particular MPIAs together nor seeking anticipated benefits by implementing MPIAs. Instead, they start by isolating what they want, identifying the intentions and goals of the city. Nevertheless, MPIAs are more often

than not used in combination with one another. Concurring with M2, paying suppliers on time, for instance, is just a standard procedure, as well as, having effective clear dialogue with the market, including SMEs (i.e. MPIA 6). On top of that, they incorporate social value criteria within appropriate and applicable procurements (i.e. MPIA 2). Results found that a variety of MPIAs led to the repatriation of approximately £200 million into the region. However, they have not quite isolated exactly what they want and specific targets set yet (e.g. suppliers required to engage in hard-to-reach unemployment communities). Thus they have not yet build a strategy to achieve that. They are still just implementing these kinds of tools i.e. MPIAs randomly and getting results randomly, adding *“But how would you know what sort of results you get in if you don't really know what you wanted in the first place because you won't necessarily be measuring the right things”*. They do not use the interventions to achieve, for example, carbon reduction and increased jobs and skills. In practice, it is the other way around where they want that so they will use whatever tools they need to get that. For instance, the only incentives from their politicians was to repatriate spend i.e. increase spending in the region. From a legal standpoint, procurement had to politely inform the politicians that they could not just do that because it was a restriction, a kind of geographic discrimination, and it was against the law. Instead they tackled it various other ways like the response times as mentioned before. Another example where below threshold is not subject to those kind of restrictions i.e. below thresholds they could isolate a bigger proportion of local suppliers, and therefore there was a bigger chance that the local suppliers would win the work.

M4 too concurs with the other respondents regarding implementing MPIAs in combination, it does happen, however, they have not compartmentalised all of their efforts into these ten MPIAs i.e. there is some natural overlap between some of them, and further arguing that *“paying suppliers is probably as early is something to do across all contracts (i.e. MPIA 1). Using social criteria (i.e. MPIA 2) is something you do across all contracts. But you need to recognize that not every contract they reward is going to lead to any new employment opportunities. Some will, some won't. So I would say, yeah, we do. But not from saying: Okay, we're going to going to combine them with one, six, seven and eight”*. When it came down to the reasoning for using these MPIAs, M4 mentioned *“it was done because it was doing the right thing. And more recently because a lot of authorities now use particular measurement tools to capture the impact of the social value. You can't help but wonder how you're doing in comparison. And so you have to use the same metrics and some of them I highly disagree with, some of them, I think they're great. But I think what we should be doing is saying. Okay, well. Yeah, absolutely, we should measure the impact of what we're doing. I was originally qualified as an engineer and you're always what you have designed something, you want to be sure that you're going to get the results that you expected to get from that design. And so I think we should be putting an effort into measuring things, whereas there are other people that work in the council who think that actually the fact that we're doing the right thing is enough. But, you know, you need to understand unintended consequences, as well as, consequences. So sometimes the unintended consequences can be far bigger and far better than what you set out to achieve. But more often than not you might find it just some group of people that you said I'd advantage, but it might be to the disadvantage of another group. So you need to I think you need to be very careful about analysing the effects of whatever interventions you carry out”*.

M5 also agrees that a mixture of these MPIAs are used and it depends on what they are purchasing. They too first start to define what they need, then start dialogues with end-users, colleagues, and simultaneously with the market, getting input on eco-friendly products or new way of doing things. However, sometimes the market is very clear and it is easy, but sometimes it is more complicated especially when it comes to health procurement. For example, investing in new technical apparatus, they have to talk to their colleagues, suppliers, and the patients i.e. end-users, which is a continuous, ongoing process until they sign the contract. When it came down to the reasoning of using these MPIAs, M5 argued *“The sum of it will give you give us a better result. Not necessarily cheaper, not necessarily better quality of the product, but perhaps more integrated with the end users. Our colleagues has an easy way to use it. It's easier to implement in the organization. So it's all kinds of factors. So it's a focus which we try. That we in the procurement department, we have to work with all kinds, all the other departments, and to try to and the public and the suppliers to try to find out the best way of doing things. And everything goes faster and faster and faster. So it's not what was correct yesterday is not necessarily correct tomorrow”*.

M6 agrees that using combinations of different interventions will create a bigger impact on SER instead of only one after another. To improve the number of SMEs working with them, paying these suppliers promptly and early is a good leverage. They also incorporate social and environmental criteria wherever possible, which is part of the circular economy. M6 further argues that all ten of these interventions are linked.

M7 argued the reasoning for using these interventions included the anticipated benefits, using combinations of these MPIAs will create a bigger impact on SER, and that it is the right thing to do. There is a growing importance of aiming for the most impact on the city in social, environmental, and economic terms when making investments. It is also important to work together with the city's citizens and get their input concerning policies, building the bridge between what the city and the municipality want.

M8 too mentions that when they write the specification, most of the MPIAs are implemented. Paying suppliers promptly and early happens in every contract. Furthermore, in most contracts, social criteria and circular procurement are incorporated. Stimulating localised procurement is also attempted. The most crucial one probably would be the dialogues with firms. This intervention is used to get more localised and circular products. They have to discuss with current and potential suppliers to find out what is possible and sometimes also have to convince the suppliers to change their ways of creating products. *“I think the negotiation aspect of it is probably the thing that we use the most. And of course that this is based on the strategy that we made. So we negotiate with firms on circular things, on sustainability goals based on the strategy that we created as a municipality, and then also the strategy that we have created as the procurement department itself. So it's I would say that most of these two interact with each other. The ones that we use quite often interact. We do create like a certain strategy. And because of that strategy, we go towards our suppliers with social criteria, with circular innovations, with these kinds of goals in mind. That's how we generate more power, I would say, in the markets to get these kind of goals that we have to achieve these goals”* (M8).



A1 and A2 mention that these MPIAs are all crucial. A2 adds *“it's depending on what is your organization, public or private, already doing and what do you need to do more. And if you have bottlenecks, legal issues or financial issues, how can you go further in that? How can you solve them? And then you will have other combinations necessary. So it's really important to know which organization you are, what is already doing, what you are already doing well in this list, and then looking at what are the aspects that you have to work on and who do you need for this or what are the bottlenecks that you have to solve?”* European legislation is the basis for A3's encouragement for using these MPIAs in an efficient and effective manner. Also, it is of importance that public procurers and public organisations should be in some sense informed and educated on the ways how to do so. All in all, it is about professionalising public procurement.

#### **5.1.4 Measuring impact/performance/ SER**

M1 currently has an Action Plan in place, where they have established various ambitions in regards to sustainable procurement and how they will take action. (note: only a few methods of each ambition are mentioned below and just serves as an example. In addition, these have been literally translated from the action plan).

- 1) Climate-neutral city [i.e. outcome] limiting the CO<sub>2</sub> emissions that arise from municipal procurement as much as possible [i.e. output]. Achieved by:
  - Mapping out the CO<sub>2</sub> impact of goods and services to be purchased as accurately as possible using national standards such as those developed by RIVM, among others.
  - Using instruments like the Environmental Cost Indicator and the CO<sub>2</sub> performance ladder for tenders in the physical domain.
- 2) Better air quality and less noise nuisance: contributing to better air quality and to the reduction of noise nuisance in accordance with the European Environmental Noise Directive through their purchasing policy. Achieved by:
  - Ensuring that tenders for supplies and services for electric transport are requested via an award criterion where possible as a minimum requirement.
  - Gradually soliciting smart and sustainable construction logistics for contracts in the civil engineering sector in order to improve accessibility and air quality and to reduce noise nuisance.
- 3) Restriction of raw material use: limiting the municipality's raw material use by purchasing circularly more often and minimizing single-use plastic packaging.
  - In accordance with other public principals such as het Rijk and de Vereniging van Nederlandse Gemeenten (VNG), requirements for suppliers will be set so that the packaging materials are limited as much as possible or at least make it recyclable.
  - Focusing on the application of circular principles (e.g. removable reuse of materials, bio-based materials, extending service life) during the design phase of projects in civil engineering and non-residential construction.

## 6. Discussion & Conclusion

This research was conducted to answer the question: “Which attributes are expected to jointly influence sustainable economic recovery in response to crises by means of public procurement?” While the previous chapter presents various attributes that play a role in influencing SER, this chapter highlights the most significant and/or controversial findings.

### 6.1 Key findings & link to the literature

#### 6.1.1 Updated configurational model

Taking into account the findings from the expert interviews, an updated version of the configurational model is presented (see figure 8). A few amendments to this model have been made as follows. First and foremost, the factors and MPIAs provided by the interviewees, build up on the list of attributes that was established before. This means that no attribute has been removed from the model. The additional acquired attributes are marked between two asterisks i.e. \*[…]\*. Secondly, some of the previously theorised factors have been moved around, phrased differently, and/or merged together. Thirdly, the naming of the three main categories of factors have been slightly adjusted e.g. from procurement maturity to procurement context & maturity. Table 8 provides an implication overview of the factors expected to influence SER based on the findings from the experts and some of the findings are also supported by academia such as Sönnichsen & Clement (2020), Testa et al. (2012; 2014) and Zaidi et al. (2019; 2021).

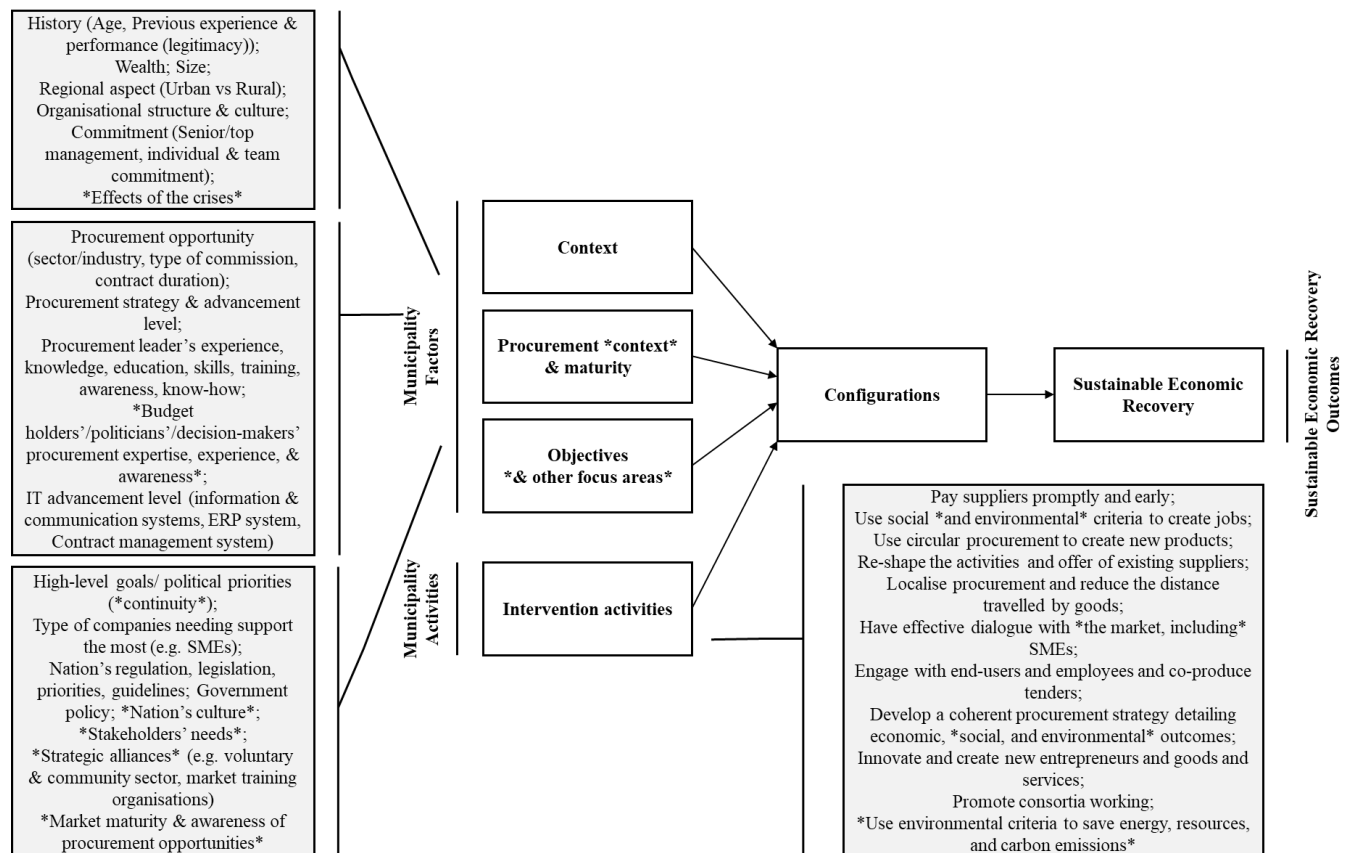


Figure 7: Updated configurational model

Table 8: Factors influencing SER initiatives

Municipality context	<p><b>History</b> of cities facing and proactively responding to crises tends to make the city emerge stronger than before. (Older) cities with such experience tend to be more mature after successfully initiating appropriate interventions. Nevertheless other cities with less experience can still learn from these best-practice cities and collaboration between cities/authorities can help with that. Awareness and knowledge of strategic PP practices appear to be the greatest driver.</p>
	<p><b>Wealth:</b> Bigger budgets allow for a higher return from the intervention. With high wealth comes high spending power, which can significantly influence the market to look for new solutions and work towards more sustainability goals. Impoverished regions without sufficient budgets will likely not put efforts of proactively implementing strategic procurement initiatives.</p>
	<p><b>Size:</b> Generally, strategic PP tends to be more established in bigger organisations compared to smaller ones. However, bigger cities do not necessarily perform better than small cities. Some Scandinavian countries, for example, comprise small cities who are considered to be good practice cities given its level of understanding and effect of procurement and how the government and state bodies work with procurement. Thus size does not appear to affect efforts of proactively implementing strategic procurement initiatives. Bigger cities tend to have a higher spending power to demand more from suppliers to work towards more sustainability goals.</p>
	<p><b>Regional aspect:</b> Sustainability tends to be a bigger focus in urban regions. Cities/ urban regions are generally more leftist i.e. relatively more emphasis on sustainability, whereas rural regions comprised of smaller cities more rightist i.e. relatively less emphasis on sustainability. Thus it is rather a size and cultural aspect than a regional one.</p>
	<p><b>Organisational structure:</b> Awareness of strategic PP practices on all organisational levels is vital to have a changed organisational mindset. Alignment and collaboration between different departments is crucial to avoid overseeing procurement opportunities to address sustainability goals. Bigger organisations tend to have more layers of managers to get approval from.</p> <p><b>Organisational culture</b> is significantly influenced by the political leaders vision and commitment to work towards that vision. An organisation’s culture that is innovative, creative, and risk-taking is ideal.</p>
	<p><b>Commitment</b> on all organisational levels is vital, starting with the political leaders commitment i.e. top management commitment, which in terms influences individual’s &amp; team commitment. Thus top-down cultural commitment is keen. Consistency of leadership including strategic commitment is vital.</p>
	<p><b>Effects of the crisis</b> affects wealth. SER initiatives such as using social criteria are postponed due to the budget cuts. Effects of the crisis also affects the type of companies needing most support, especially SMEs. Crises cause chaos, however, opportunities also arise within a crisis. For example, it can create an opportunity to review its policies and spending more critically; and revisit existing approaches to enable alignment with a net-zero economy, international climate change and sustainable development priorities. It can also be an enabler for innovations.</p>
Procurement *context * & maturity	<p>Some <b>procurement opportunities</b> lend themselves to achieve more out of the contract. For example, product categories furniture and food have more sustainable options available on the market compared to medicine, which is a price-driven industry. Construction contracts allow for more social and environmental considerations. Thus, sector, type of commission / commodity, and duration of the contract need to be considered.</p>
	<p><b>Procurement strategy</b> outlining not only the overarching approach to procurement processes and practices - including adherence to legislation, approach to risk, and policies for</p>

	<p>specific spend thresholds - but also outlining economic, social, and environmental goals, objectives, outcomes is crucial.</p> <p><b>Procurement advancement level:</b> Some cities are ahead in the journey of implementing interventions. However, the advancement level of the procuring organisation should not affect the efforts of proactively implementing strategic procurement initiatives. Municipalities willing to adopt strategic procurement practices can start with small steps/experiments/initiatives, evaluate to see what works in practice, and expand.</p> <p><b>Procurement leader's competence</b> is imperative as these are the people who execute the procurement / intervention. Ideally, they have sufficient knowledge, experience, awareness, training, skills, know-how, and the right mindset and motivation.</p> <p><b>Budget holders' / political leaders' lack of procurement competence</b> can be a barrier. <b>Budget holder's awareness</b> regarding paying suppliers promptly and early, for example, needs to be emphasised.</p> <p><b>IT advancement level:</b> Procurement departments could improve their automatisations as a lot of manual labour still takes place and this has some influence how interventions are implemented. ERP systems can, for example, better monitor (speed of) invoice payments. Contract management systems can, for example, keep track whether and what has been achieved. Information &amp; communication systems are needed to communicate both internally and externally with suppliers and vice versa. Supplier relationship management is also important, not just the communication system, because the better the relationship and communication, the easier it is for the municipality to address certain sustainability goals.</p>
<b>Objectives* &amp; other focus areas*</b>	<p>The <b>high-level goals/ political priorities</b> affects how well and which initiatives get implemented. Politicians can influence what will and will not be achieved. Change in political leadership might have different priorities, thus consistency of leadership is vital. Political priorities may change due to new board members and policies, thus continuity (of the sustainability agenda) is important.</p> <p><b>Type of companies needing support the most:</b> SMEs are the backbone of the economy, but tend to be unaware of procurement opportunities and lack market maturity compared to larger corporations.</p> <p><b>Nation's legal &amp; policy framework</b> can be both a major barrier and enabler. <b>Nation's culture:</b> Nordic countries, for example, tend to be more willing to trust each other and understand that they are focusing on the common goals. Even within an own country, the local culture can differ. For example, city A and city B from country C can have different organisational cultures where one can be more risk-taking than the other.</p> <p><b>Stakeholder's needs</b> such as end-users need to be engaged with to find out the issues. Communication is key. Engage with end-users, colleagues, and departments. Isolate the challenges; identify the objectives; and choose and define the stakeholders to get there. Have effective dialogue with the market.</p> <p>Entering <b>strategic alliances</b> (e.g. market training organisations, voluntary and community sector): Collaborating with an organisation specialised in trainings can support the market, including SMEs on for example improved approaches to carbon reduction.</p> <p>Facilitating market training can support <b>market maturity</b>. Entering strategic alliances with an organisation specialised in trainings, can support SMEs, for example, on improved approaches to carbon reduction. Organising buyer-meet-supplier events before publishing the tenders allows for effective dialogues with suppliers to get to know the market early and get a sense of the market</p>

maturity and raises <b>market awareness of procurement opportunities.</b>
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### **6.1.2 The (interaction between) key MPIAs and factors affecting SER**

In this subchapter, for each activity, the most crucial and/or success factors are highlighted.

#### **Activity 1: Pay suppliers promptly and early**

This activity turned out to be a standard practice among the interviewed municipalities. The key success factor turned out to be the budget holder's swiftness of response as part of emphasising awareness of those involved in the procurement process. The invoice would be paid considerably more quickly, improving the businesses' cash flow, if the budget holder would approve it as soon as possible. This would make or break the chances of a business's survival in times of crises. Murray (2009), Tshwete (2020), and Pelle (2021) support this, as enterprises will have a better cash flow, therefore avoiding liquidity complications, and municipalities would be perceived as attractive and committed customers. Another key success factor is having a more advanced ERP system - i.e. IT advancement - that can better monitor (speed of) invoice payments so that suppliers can get paid within a week after approval.

#### **Activity 2: Use social \*and environmental\* criteria to create jobs**

Murray (2000; 2009), Telgen et al. (2007), Tshwete (2020), and Pelle (2021) concur with the relevance of this intervention as it accommodates those who would otherwise be barred from employment during crises. Social value/return should emphasise not only the creation of (new) job opportunities, but also job securement. The interviews revealed the crucial overarching factor to consider is the municipality's capacity to incorporate social clauses into the procurement process. This includes considering for what sector it works i.e. type of commission / procurement opportunity, how to do it, and the duration of the contract. Labour laws, procurement policy, and procurement leaders' expertise and experience play a role in this regard. One respondent remarked that environmental criteria can also enable the creation of jobs. People with jobs have more disposable income, which supports SER.

One of the key success factors turned out to be facilitating market training. Collaborating with an organisation specialised in trainings, can support the market, including SMEs on for example improved approaches to carbon reduction. Another key success factor is having a voluntary and community sector\* i.e. established organisations with aspirations to do good, be sustainable, or deliver services traditionally deemed unprofitable e.g. addressing social injustice, social isolation. In addition, having a procurement policy supported by law which requires that all public purchases made by local authorities regardless of the market exceeding a certain threshold should include social or environmental clauses ensures effective use of sustainable criteria in tenders. These initiatives are crucial to create a more competitive, inclusive labour market and city.

#### **Activity 3: Use circular procurement to create new products**

The key success factor turned out to be market maturity to deliver innovative solutions. Instead of prescribing the market exactly how they should deliver and imposing which direction they should be innovating, allow them the freedom and creativity to discuss during market consultations how they will contribute towards a circular economy. This stimulates market growth and development, as well as, a more competitive green market in accordance with Zaidi et al. (2019). However, the key influencing factors are the municipality's wealth and level of priority to opt for circular purchasing. Circular purchasing usually implies opting the more sustainable/circular, but more expensive and time-consuming options and sometimes it is not prioritised enough by the decision-makers in accordance with Testa et al. (2012; 2014) and Zaidi et al. (2021). Ergo senior management commitment and organisational culture are crucial as per Zaidi et al. (2021). In addition, the type of commission again plays a role, as with some it is not always feasible to implement circular initiatives. Moreover, procurement leaders' awareness, training, competence, and motivation/commitment is crucial and in line with Testa et al. (2012; 2014) and Zaidi et al. (2019; 2021).

Once the Sustainable Products Initiative in Europe is approved, it will facilitate procurers to choose for circular products. It will be easier to convince others if procurers have to do it by law or if tax systems make reuse cheaper for the procurers to choose the circular products.

#### **Activity 4: Re-shape the activities and offer of existing suppliers**

This intervention turned out to be controversial. While some respondents argued the importance of municipalities collaborating more closely with (big) suppliers and their supply chains to encourage them to work with locals including SMEs and start-ups, allowing firms to expand and diversify their offerings – other respondents doubted its legality and whether this is a contractual requirement. For the advocates, the crucial factor seemed to be a renewed procurement strategy where they encourage this as one of its objectives. In addition, through benchmarking, municipalities can reshape their way to manage their procurement and tender.

#### **Activity 5: Localise procurement and reduce the distance travelled by goods**

This intervention too turned out to be controversial. Niyaki & Worrel (2012) and Ten Hagen & Nieland (2018), for example, concur with the respondents that localised procurement can support local economic development, reduce the transportation cost, and minimise the negative impact on the environment and human health. However, it is against EU law to favour only local businesses as it is discriminatory to exclude a company based on its range of distance. Requesting certain (functional) specifications in the tender can increase the chances of local businesses getting the contract awarded. The type of commission plays a role here too, as it depends on whether the locals can fulfil the demands.

PP should be done in a fair and equitable way. Contracts should be awarded on the basis of an assessment of the price, quality, social value, and the suppliers' approach to carbon reduction or zero carbon.

#### **Activity 6: Have effective dialogue with \*the market, including\* SMEs**

This activity also turned out to be a standard practice among the interviewed municipalities. The key success factor turned out to be market awareness of procurement opportunities by organising conferences, physical meetings, and category-related meet-the-buyer events presenting the results of public spend analyses, and highlighting the good practices of successful local companies. During market consultations as part of these effective dialogue procedures, it is important to not only discuss the municipality's immediate priorities, but also discuss the (circular) direction they are heading to anticipate what is to come in the longer term. Respondents remarked having effective dialogue with the market, including SMEs is crucial.

#### **Activity 7: Engage with end-users and employees and co-produce tenders**

This activity also turned out to be a standard practice among the interviewed municipalities. Effective competition design and specification writing starts by consulting all important stakeholders to investigate their needs – whereas market dialogues investigate the solutions. By organising a “citizens’ challenge” program, for example, citizens can also suggest new solutions and get paid to follow through once approved.

#### **Activity 8: Develop a coherent procurement strategy detailing economic, \*social, and environmental\* outcomes**

The interviewees reported that municipalities are currently in the process of generating a new tailored procurement strategy outlining SMART environmental, social, and economic goals. This could be in the form of a procurement policy, action and/or outcome plan. It seems that these municipalities follow a top-down approach where they start by setting their goals and subsequently provide ways/activities how they plan on achieving those goals. Ergo it is “more goal specific rather than procurement manual specific”. Measuring output turned out to be challenging and outcome even more so as it tends to be more abstract. For example, measuring output could be in terms of estimating the amount of carbon emissions saved, while the outcome could be cleaner air or a more circular economy. Guo et al. (2020) concurs with the difficulties of measuring green procurement performance. Arguably, this also applies for measuring social procurement performance. For example, a social output could be estimating the number of increased secured employments and skill learning opportunities, while outcome could be a more equal, innovative, and creative society.

#### **Activity 9: Innovate and create new entrepreneurs and goods and services**

Regarding Public Procurement of Innovation (PPI), municipalities aim for broader performance-based rather than rigid technical specifications. Market maturity (i.e. suppliers’ capacity) to develop new goods, services and works, as well as, the municipality’s capacity to implement PPI initiatives are the key influencing factors. Innovation is vital for economic growth and progress and by introducing PPI initiatives can enable market growth and development and support SER.

#### **Activity 10: Promote consortia working**

Murray (2009) highlighted that cooperative purchasing can aid maximising economies of scale. However, this intervention turned out to be quite challenging for both municipalities and businesses alike. Consortia working is typically more common in large infrastructure projects but

otherwise it is quite rare for businesses to come together to develop joint bids for procurement opportunities and jointly deliver projects. Businesses may lack capacity and skills to work as consortia, whereas municipalities may struggle with finding procurement opportunities and synergies due to legal compliance. Caldwell et al. (2007) remarked that “if the policy aim is to stimulate local SMEs, but the value of the contract is high or would impose distress upon a single supplier’s or subcontractor’s productive capacity, this could force the government agency to use multiple suppliers, although single sourcing would be preferred for efficiency reasons”. Procurement context plays a key role. For example, procuring uniforms would not lend collaborative working, whereas repair and maintenance services would.

**Activity 11: \*Use environmental criteria to save energy, resources, and carbon emissions\***

It turned out that environmental criteria received relatively less emphasis compared to social criteria in the social value policy and subsequently potential suppliers filling in a tender placed less thought and effort on environmental considerations. Ergo one respondent suggested to add an additional intervention to the Urban Agenda’s list dedicated to the environment during the commissioning stage. The use of environmental considerations and criteria can be an essential way of saving energy, resources, and carbon emissions by making it a requirement for relevant procurements. This is important because it will contribute towards addressing the critical environmental challenges. Ensuring environmental sustainability supports SER. Once again, the type of commission matters.

**Overview of the updated interconnected PP cycle and activities**

An updated version of the PP cycle including activities is presented in figure 9.

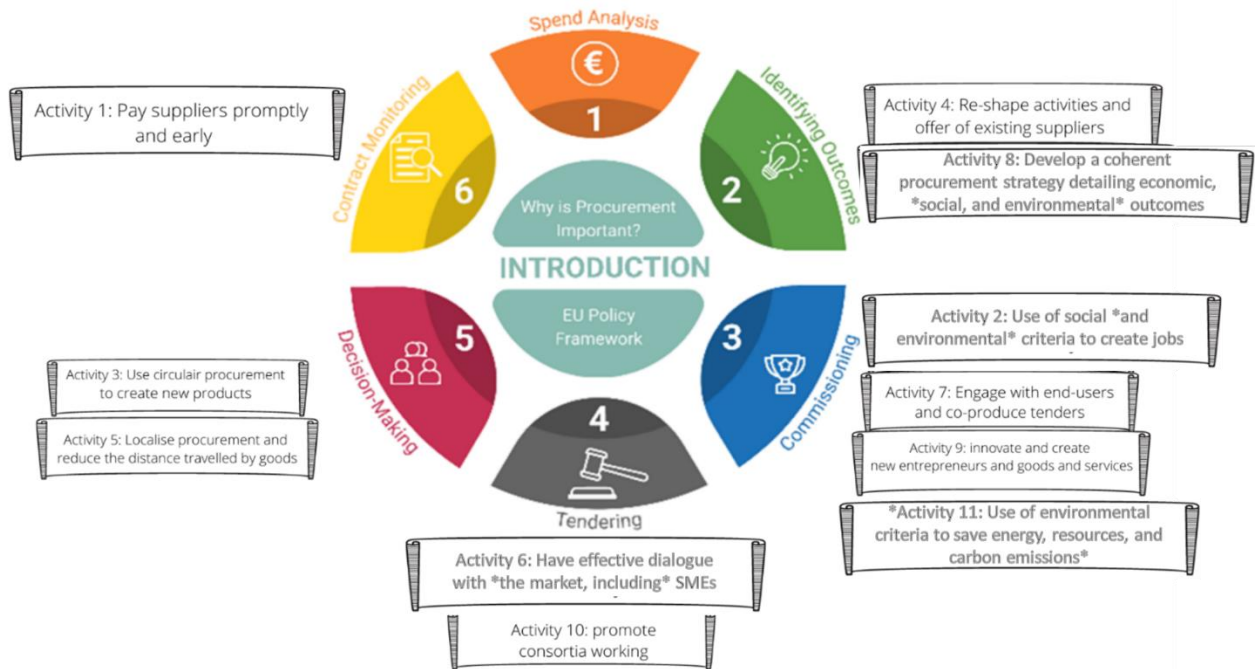


Figure 8: updated PP cycle with respective activities (adjusted based on Urban Agenda, 2022)



### **6.1.3 Successful (combinations of) MPIAs and factors**

First it is important to keep in mind that the MPIAs occur in different stages of the PP cycle, each MPIA functions differently, and implementation depends on the municipality's and procurement context.

In a standard PP procedure, well-established municipalities engage with end-users; have effective dialogue with the market, including SMEs; use social and environmental criteria within appropriate and applicable procurements; and pay suppliers promptly and early. If feasible and appropriate, Circular and PPI initiatives are also implemented.

From an academic perspective, configurational studies are keen on finding configurations / recipes for successful /desired outcomes. However, from a practical perspective, it does not make much sense for municipalities to strap certain MPIAs together and brainstorm what the potential / anticipated impact could be. Instead, their actions are based on the decision-makers priorities / high-level goals and subsequently think about actions to achieve those goals (i.e. top-down approach). Another dilemma is that SER will have a different meaning per individual, municipality, and country. Each municipality will have different priorities / goals and outcomes which makes measuring SER challenging. Also keeping in mind that measuring output is challenging and outcome even more so as its more abstract / intangible/ unquantifiable. It is okay to have non-quantifiable measures for SER contribution outcomes as long as the outputs can be measured in some way.

Municipalities aim to maximise impact through their procurement, however, this does not necessarily mean that using more MPIAs is always better. Factors based on the municipality's context, procurement context and maturity, and objectives combined play a critical role in implementing SER initiatives. (The MPIAs and these three categories of factors are aligned / interconnected). For example, wealth and commitment are crucial to fulfil sustainability goals set by their politicians or policymakers. Incorporating social and environmental clauses in tenders depends on the procurement context.

Results implicate that elements from the municipality's context, procurement maturity, and objectives indeed jointly influence a municipality's decision to implement the MPIAs. Ideally, Social-, environmental-, and economic-related initiatives will jointly create optimal synergy. However, synergies between all three sustainability pillars is not always feasible. SER does not seem to be the main goal in general. Each municipality has more specific sustainability goals rather than SER goals, although these are referring to the wider strategic goals & outcomes.

## 6.2 Practical Implications

This subchapter provides an overview of what municipalities can learn from this research.

It all starts with a clear vision of the political leader, which sets standards, values, and behaviours to achieve this vision. This is crucial as it influences the organisational culture. Furthermore, this vision needs to satisfy strategic procurement practices as it should positively impact the economy, community, and the environment. To get started, it is recommended to establish a mission as an organisation and try to incorporate this into the organisation. It is important to know where the organisation currently stands and where it is heading. Thus setting clear but realistic goals (better yet SMART targets) is crucial and knowing what (small) steps the organisation can do to get there. The directors and politicians', decision-makers', or budget holders' commitment, awareness / sense of urgency are crucial to make positive changes. This will influence the entire organisation's mindset. An important remark is that managers, directors/board members/politicians/ decision-makers, and policies may change in relatively short timeframes, which could affect the political priorities and commitment. Hence, continuity needs to be emphasised. The market also needs to be aware that these kinds of innovation and sustainability projects are not just temporarily significant but also in the long run.

The organisational culture must inspire individuals to work persistently toward their goals and objectives. Ideally, an organisation's culture is one that is innovative, creative, and risk-taking. It is also important to give the workers or the people who actually carry out the interventions have the freedom, space, trust, and mandate to do it without putting too many barriers as an organisation. Thus an organisational culture that has more flexibility and less bureaucracy is preferred. For proper public procurement, the entire organisation needs be in right mindset. Not just the procurers / civil servants executing the public procurement should be open to, for example, innovation, social responsible public procurement, and CPP. Training, knowledge, awareness, and know-how on such topics are crucial. The procurement professionals need to be aware of all information of public procurement or at least the ways and know what and how it can be done. With CPP, for example, it is best to start with an ambition map. Secondly, organise buyer-meet-supplier events to have effective dialogues with the market before publishing the tenders to get to know the market early and get a sense of the market maturity. This also raises market awareness of procurement opportunities. Thus it is important that the market dialogues are open to all suppliers, that there is enough publicity of the procurement opportunities, and that it is an fair, equitable, and transparent process. Public procurement should be more than just buying cheap products at a cheap price in the short-term and instead should focus on long-term solutions and try to incorporate more sustainable criteria in the public procurement process. PPI or innovative public procurement, CPP, and creating social value are increasingly getting more and more significant. Get to know the market. And instead of prescribing detailed specifications, aim for performance-based specifications, thus giving the market the freedom and creativity to come up with innovative solutions. Furthermore, ensure that all bidders have full access to information.

An important remark is that some politicians may want what is best for the area, however, sometimes this can be at risk of discrimination, non-transparency, and inequality. It is therefore crucial to know the limitations of the law.

Learning from other organisations is recommended to municipalities that are just starting on this road of implementing interventions. Thus get in touch with the cities acknowledged as successful and find out what they did and see if it is applicable in the locality. It is important to keep in mind that every location is different. What works in one location is not necessarily going to work anywhere. Municipalities in close proximity from each other can have different goals and objectives, let alone different countries. Start with small pilots/experiments/initiatives, evaluate to see what works in practice, and then use that for the future and expand. Another recommendation is pooling resources, especially for smaller municipalities due to their smaller procurement power to work towards more sustainability goals. To actually change the economic system, it will be important for cities and governments to pool their resources and create legislation and to actively try to change the supplier's view on what they need to deliver, transitioning from a consumption-driven economy to a more sustainable one. The EU and EC have the power to create legislation and can provide a platform for cities or organisations to work together to make a difference. Time and resources in terms of money, people, and competence are crucial. For starters, it may be a time-consuming process in the beginning, but in the end, it might be more cost-efficient in the long-term. Furthermore, the government has an exemplary role. If the PP sector buys sustainable products and services, it will encourage the private procurement sector to also take sustainable development goals and circular procurement more seriously. Another important lesson is that it is sometimes best to first focus on product categories that are more advanced when it comes to addressing sustainability objectives. Product categories such as food, clothing, and furniture have sustainable options available whereas medicine revolves around the price.

The SER definition provided by the Urban Agenda partnership - “enabling businesses to return to developing and growing financially, but also in a manner that enables the wider-ranging local economic, social, health, and environmental challenges emerging from crises to be addressed” – allows for broad interpretations when it comes to measuring SER outcomes. Depending on the municipality’s context and priorities, the wider strategic goals could include lowering carbon emissions and increasing secure employment and skill development. However, measuring the performance of these SER outcomes turned out to be challenging and there are no specific performance reports produced on these outcomes.

Before municipalities start using PP as a strategic tool to deliver value in various ways, conducting a spend analysis helps to understand how much and where the money is spend. Following a top-down approach, the first step as a municipality is to identify which overarching economic, environmental, and social goals and outcomes are appropriate. Developing a tailored procurement strategy outlining these goals and providing initiatives to achieve these goals is crucial.

Municipalities are currently developing a new tailored procurement strategy, emphasising their own overarching themes and related objectives and outcomes. Municipalities may want to consider producing and publishing (annual) performance reports, highlighting their spend analyses and best practices, presenting the results of their action taken to address their set objectives and the results of their top suppliers. These success stories can inspire other municipalities to scale up and accelerate strategic procurement for local SER.

Through the interviews, it can be concluded that in practice, rather than initially focussing on interventions, it all starts with the goals/ ambitions of the municipality and then set how they plan to achieve those ambitions through interventions / actions.

### **6.3 Limitations & Suggestions for future research**

This research ends with the design of the configurational model as an end-artifact. Based on this model and the insights provided in this research, in a follow-up study, a survey could be designed and conducted, posing questions that measure how municipalities act and perform on the attributes on a large scale, and using QCA as part of the configurational theory to identify recipes of attributes that can result in desired SER outcomes. By conducting the actual configurational analysis, insights can be obtained in regards to the three key tenets of the configurational theory namely: conjunction, equifinality, and asymmetry. The findings of this research might be promising for future research, however, to ensure certainty about the findings, follow-up research is recommended. Appendix B provides some notes for future research.

Another limitation is that this research focused on interviewing Northern and Western European countries. Ergo future research can conduct a similar study on Southern and Eastern Europe to compare results.

### **6.4 Closing comment**

This research acknowledges that strategic procurement is a crucial policy in the modern world as public procurement can be utilised as a strategic tool to deliver value in various ways. Circular Procurement has increasingly gained emphasis. Although it is not always feasible to implement circular initiatives depending on the type of commission, if the opportunity lends itself then it is encouraged that municipalities do not try to impose everything on the market, but rather focus on the wider goals to achieve such as circularity. The people from the procurement department face challenges when it comes to convincing the financial department to invest and work on circularity, because they tend to see only the first costs instead of the cost and waste savings when considering the life cycle. Ergo it is crucial for a procurer or manager to bring people in the value chain or the organisation/municipality/city together to ensure that everyone is on the same page and aware of the significance of circular procurement.

This research aimed to address the question: *Which attributes are expected to jointly influence sustainable economic recovery in response to crises by means of public procurement?* Associated, a configurational model comprised of various potential attributes that may influence SER was developed. The insights acquired and the configurational model could be used to further utilise the public procurement's potential. The proposed attributes are based on evidence from policy and research, as well as, the opinions of public procurement experts. The thesis reports key insights for strategic procurement leaders and future research. It would be a valuable addition if this study could be extended and verified by other researchers.

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## Appendices

### Appendix A: Interview questions

1. What does your municipality/organisation do regarding sustainable economic recovery and does public procurement feature much in it?
  - a) What are the high level goals of sustainable economic recovery?
  - b) What type of companies need support the most? How do you support SMEs? How do you help local companies during crises?
2. Which intervention activities are used and why?
  - a) How do you put this/these into action?
  - b) Any best practice examples?
  - c) Other interventions used that are not included in the Urban Agenda Action Plan?
3. Who is involved in delivering interventions and what is your role?
  - a) Any documentation that you can share about the procurement set up and strategy? (specifically, public procurement for sustainable economic recovery)
  - b) How advanced would you say is your municipality's/organisation's procurement?
4. What factors affect your organization's ability to do SER?
  - a) Depends on municipality's context, procurement context, objectives and/or nation's regulation/legislation / governmental policies?
  - b) Depends on other (type of) factors that should (not) be present for success to be attained? Which ones?
5. Which intervention activities are used in combination and why?
  - a) Which intervention activities are not used and why?
  - b) Which ones do you think work well together or ones that do not?
  - c) What impact/advantage/benefit is sought from implementing the intervention(s)?
  - d) What are the effects on sustainable economic recovery?
6. What barriers and enablers affect ability to achieve objectives/performance?
  - a) Barriers to implement interventions / good performance?
  - b) Enablers to implement interventions / good performance?
  - c) Would you like to use other ones in the future? Which ones?
7. Were the anticipated outcomes/benefits and/or challenges realized?
  - a) How can you tell if it is achieved? / How would you recognize success? / Does it feel like it has been successful?
  - b) Any challenges to measuring/ monitoring/ evaluating/ reporting impact/performance?
  - c) Any unanticipated benefits / challenges?
8. Were the high level goals of sustainable economic recovery realized?
  - a) How can you tell if it is achieved? / How would you recognize success? / Does it feel like it has been successful?
9. What are your takeaways from these events?
  - a) What do you do differently now, or would you like to do differently?
  - b) What would you recommend to other municipalities/organisations that plan on implementing the interventions (that are just starting out on this road)?

## **Appendix B: Notes for follow-up research**

To make an impact, there is a need to investigate which interventions are appropriate in various situations. Hence, the need to look at the configuration of variables, thus which combinations of variables are associated with good outcomes (e.g. for this kind of municipality, these kinds of interventions lead to these good outcomes).

To develop the model and potentially design a survey based on this model, there is the need to think about which variables are significant/ meaningful. There are various different sets of variables that apply to this research. First, various variables can describe a municipality, unrelated to purchasing but instead in the context of a municipality. For example, there are different features of municipalities (e.g. rural, urban, wealthy, less wealthy). Furthermore, there are a set of variables that describe the quality of purchasing at a municipality. For example, the extent of municipality experience in terms of its purchasing (e.g. mature organisation using advanced purchasing techniques or an organisation relatively inexperienced and basic at purchasing and councillors of municipalities are not really interested in better purchasing). Additionally, there are variables of SER needs and the motivation for doing this. For example, the nature of the need for SER in municipalities (e.g. in this area, these are the kinds of companies that need support and this is the policy agenda for municipalities). On top of that, there is also which interventions municipalities actually use. In the end findings, it might be that from the ten interventions, only five get implemented in practice or there should be a crucial eleventh intervention on that list. Moreover, there are variables of the perceived impact/benefits/advantages for implementing those interventions. This is important because which activities matter more likely depends on which have more impact/ benefits. Accompanying, there are variables of how the perceived impact/benefits/advantages are measured. This is also crucial to know how municipalities determine whether the interventions work or not, whether they are considered effective. For example, a scorecard to keep track and measure performance.

In the end, it could be the case that from the ten compiled MPIA, which already come from experts, that actually only five of those activities based on this research's empirical evidence are significant and relevant as differentiating one kind of municipality strategy from another municipality strategy or there could be an eleventh activity that should have been on the list. Additionally, it might be that other five factors/variables are actually very important for understanding how one municipality differs from another in terms of its context. Thus, the outcome might suggest that rather than looking at all ten activities, there's these five that are the most meaningful for differentiating municipalities and their strategies and then there are these five variables which help to understand the different contexts.

Based on the findings of the final configurational model, a survey could be designed and disseminated across Europe as a potential follow-up research project to check which configurations actually work.

The reason why it is needed to explore the requirements/barriers/challenges is to understand what are relevant factors for the model and not already implying that financial resources should always be present for example. Thus, it is only explored to understand which factors might be (not) relevant to understand the context for the model and potential survey. The perceived impact is also important, because which of the activities matter more than others likely depend on which have more perceived impact/benefits/advantages. The way the perceived impact is measured is also very important, because otherwise there is no way to determine whether the interventions are effective or not from a municipality perspective.

The interviews provide insights into how municipalities bring the procurement activities together, gathering evidence on which municipalities do what, validating the ten activities, gaining an (in-depth) understanding by talking to experts on what is relevant in terms of the contextual factors of a municipality for deciding what they want, what their goals are when it comes to SER. Thus profiling by talking to experts, what municipalities are seeking, what they do, and collecting information on what works and what does not. Reasons for which ones the PP professionals combine might be influenced by various possible drivers (e.g. history of that particular municipality, financial resources available, procurement maturity, and the need of the community the municipality serves). Thus, there could be various types of reasons why there would be different configurations of these ten procurement activities. Hence, it would be interesting to examine the configuration of these activities. As there are these ten intervention activities, there are many variables which describe what differentiates one municipality from another, as well as, seeking different performance outcomes due to different challenge priorities. To sum up, the context, motivations and objectives of a municipality, on top of the interventions makes sense to examine which configuration of variables are more or less effective at achieving desired outputs rather than just looking at the correlation alone.

An expectation when the survey is conducted is that some of the municipality intervention activities are complementary to one another. Thus, by implementing a certain combination with one another, synergies are created between them.