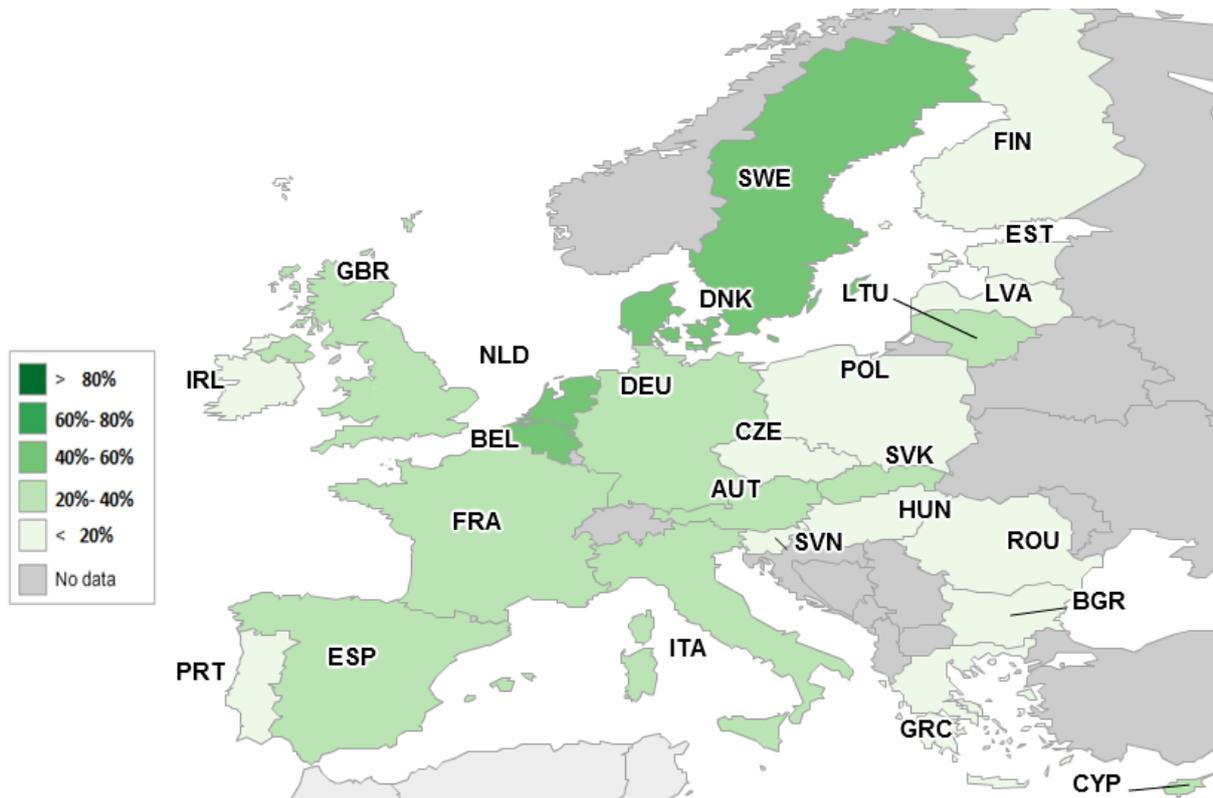


Analysis report of procurement standards and procurement praxis in Bulgaria

Introduction

In 2011 the amount of public procurement in Republic of Bulgaria reached 5,78 milliards Leva; this represents nearly 8% of GDP. In spite of the trend for application of criteria for green public procurement the share of this procurement is quite low. As it can be seen in the picture below, Bulgaria is among the European countries with the lowest share of green public procurement.



Uptake of EU GPP in the EU 27 (share of last contracts by number)

The Bulgarian institutions put efforts for stimulating the green public procurement, but there is still a lot to be done to overcome the barriers towards a wide-scale implementation of GPP.

Current national procurement legislation

The legislation in Bulgaria in the field of GPP is conforming to the requirements of Directive 2004/17/EC and Directive 2004/18/EC. This legislative framework includes also orders for GPP.

The authorities responsible for the implementation and incentives for green public procurement are:

- Ministry of Environment and Water (MEW) – carries out the national policy on protection of the environment and water resources;
- Ministry of Economy and Energy (MEE) – coordinates the suggestions for the

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development of the legislative framework in the field of public procurement and the elaboration of plans, programmes and strategies in this field;

- Public Procurement Agency (PPA) – supports the Minister of Economy and Energy at the implementation of the national policy in the field of public procurement and disseminates good practices in this field;
- Ministry of Regional Development and Public Works – is responsible for the implementation of measures for energy efficiency in buildings and constructions;
- Sustainable Energy Development Agency (SEDA) – participates in the elaboration and the execution of the National Action Plan for Energy Efficiency and the National Action Plan for Energy from Renewable Sources.

In Bulgaria are developed and passed the main package of legislative acts that regulate the activity on management of almost all fields concerning the protection of the environment. A high level of harmonization with the European Law is reached.

The fundamental law that determines the rules for assigning public procurement is the “Law for the Public Procurement” (LPP).

This law determines the principles, the terms and the order of assigning public procurement for the purpose of providing efficiency in spending the budget and non-budget funds, as well as of resources related to implementation of activities of public importance defined by the law.

The public procurement shall be assigned by way of the procedures stipulated by this law, in compliance with the following principles: publicity and transparency, free and loyal competition, equality and non-admission of discrimination.

Objects of public procurement are:

- the delivery of goods, which are being carried out by virtue of purchase, renting, leasing;
- providing services;
- construction and refurbishment/renovation activities.

Contracting authorities of public procurement are:

- the bodies of state power,
- the public organisations;
- the public enterprises and their associations and the traders or other persons, who are not public enterprises, where they carry out one or several activities connected with natural gas, heating or electric power, delivery of drinking water, transport services and universal post services.

The procedures given in this law shall apply obligatorily in assigning public procurement with a subject of the following cost without VAT:

- for construction – such exceeding 264 000 BGN, and where the procurement has a place of fulfilment outside the country – such exceeding 1 650 000 BGN;
- for deliveries, services and a project competition – such exceeding 66 000 BGN, and where the procurement has a place of fulfilment outside the country – such exceeding 132 000 BGN;

Contracting authorities may apply the simplified rules provided in this law, where the public

procurement orders with a subject of the following cost, VAT exclusive:

- for construction – higher than 264 000 BGN and up to 2 640 000 BGN, and where the procurement has a place of fulfilment outside the country – higher than 1 650 000 BGN and up to 6 600 000 BGN;
- for deliveries, services and a project competition – higher than 66 000 BGN, and where the procurement has a place of fulfilment outside the country – higher than 132 000 BGN.

Contracting authorities may not conduct the procedures given in this law, but they shall be obliged to apply the terms and conditions and the procedures for public invitation in case of public procurement orders with a subject the cost of which, VAT exclusive, is:

- for construction – from 60 000 BGN to 264 000 BGN, and where the procurement has a place of fulfilment outside the country – from 670 000 BGN to 1 650 000 BGN;
- for deliveries or services – from 20 000 BGN to 66 000 BGN, and where the procurement has a place of fulfilment outside the country – from 66 000 BGN to 132 000 BGN.

Public procurement is assigned by way of holding an open procedure, a limited procedure, competitive dialogue and procedures of negotiation.

Laws and regulations stimulating green procurement:

Law for Protection of the Environment – the aim of this law is to reduce the negative impact of the consumption and the production on the environment, the health, the climate and the natural resources. It applies directly the system EMAS.

Law for Energy Efficiency – regulates the public relations connected to the implementation of the national policy for improvement of the energy efficiency at end user energy consumption and supply of energy services. According to this law, the National Assembly pass a “National Strategy for Energy Efficiency of the Republic of Bulgaria”, that defines the national target for energy savings, the stages, the means and the measures for its implementation.

Instructions for application of requirements for energy efficiency and energy savings at public procurement for supply of equipment, goods and vehicles, in order to reach minimal levels of costs during their life cycle are elaborated by PPA and SEDA according to the Law for Energy Efficiency. These instructions are not compulsory. They are applied at public procurement of the following product groups:

- office IT equipment;
- air-conditioning and ventilation devices;
- household appliances;
- office and street lighting;
- vehicles.

The instructions are applied under the following considerations:

- the characteristics of the needs of goods and services of the procurer with exactly defined functionalities;
- the available budget for satisfying this specific need;
- the specific conditions related to the market for these concrete goods and the possibility of potential participants to meet the requirements of the procurer;

- the need to reach a maximum efficiency from energy point of view, expressed in the following:
 - low energy consumption at usage of the goods;
 - use of environmental friendly technologies at production of goods, more specifically:
 - technologies consuming energy from renewable energy sources;
 - technologies that do not lead to pollution of the environment, or are with very low impact on the environment;
 - technologies that guarantee a minimal consumption of energy at production of goods.
 - the lack or very low content of harmful for the environment substances at the exploitation of goods, reached through lower consumption of energy and/or fuels;
 - realization of savings, as result of efficient operational costs and/or costs for maintenance and exploitation during their life cycle.

At performing procedures for assignment of public procurement, the procurers should include in the technical specifications requirements for eligibility that oblige the participants to offer products conform to minimal requirements for energy efficiency. The requirements are formulated through indication of: minimal requirements that the goods should meet, standard or energy class showing a given level of energy consumption or efficiency.

The procurers can use as indicators for evaluation of the offers requirements for energy efficiency. This approach is recommended at elaboration of methods for assessment based on the future amount of costs for exploitation and maintenance. In this case, offers with lower costs during the exploitation period of the goods should be higher evaluated.

Law for energy from renewable sources – implement the following incentives for stimulating the production of electricity from RES:

- priority connection of the producers of electricity from RES to the transfer and/or distribution grid;
- mandatory buying out of the produced electricity from RES;
- feed-in tariffs for buying out the produced electricity from RES.

Regulation No 3 for the National scheme for eco-labelling of the Ministry of Environment and Water

Current national / regional practice

At assignment of public procurement the institutions follow the requirements of the legislative framework in force in the country.

Requirements for green procurements are included in the Law for Public Procurement and are related to:

- technical specifications;
- conditions for realization of the order;
- qualification, technical capacity and personal condition of the participants;
- criteria for assignment of public procurement and

- system for management of the quality for preservation of the environment.

Besides this are applied instructions for using of criteria for energy efficiency and energy savings developed by PPA and SEDA.

Requirements for mandatory and voluntary application of criteria for green procurement are included in the National Action Plan for Stimulating Green Public Procurement for the period 2012-2014.

National Action Plan for Stimulating Green Public Procurement for the period 2012-2014. – defines the activities that should carry out the responsible authorities in the frame of their competence for increasing the number of assigned green public procurement in the country, in accordance with the policy of EU for sustainable development and assignment of public procurement with environmental requirements.

The main objectives of the Action Plan are:

- Increasing the knowledge of the involved actors about the benefits of assignment of green procurement, with stress on the life cycle of the products;
- Encouraging the procurement of goods and services with higher “social value” from preservation of the environment, improving the social conditions and encouraging innovative solutions points of view;
- Including of compulsory requirements that, without limiting the participation and the competition, support a further implementation of green procurement.

Specific objectives and activities included in the National Action Plan for Stimulating Green Public Procurement for the period 2012-2014 are:

- Reaching the necessary administrative capacity for the realization of the compulsory and voluntary objectives for the defined in the Action Plan groups of products;
- Elaboration of methodical instructions for assignment of green public procurement;
- Dissemination of information about good practices for green procurement;
- Training of participants in the process of green public procurement;
- Implementation of financial mechanisms for supporting and encouraging the involvement of companies in the scheme for eco-labelling and the scheme for management of environment and audit - EMAS in Bulgaria.

The main task of the National Action Plan is to define the product groups for which should be included specific and measurable indicators.

The following product groups are defined:

- Copying and graphic paper
- Office and IT equipment
- Lighting
- Air-conditioners
- Cleaning products and services
- Vehicles and transport services.

For procurers from the central administration the use of criteria for green procurement of products, from the groups listed below, and the respect of the targets for the respective year is mandatory.

For procurers from public organisations and regional authorities the use of criteria for green

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procurement of products, from the groups listed below, and the respect of the targets for the respective year is voluntary.

Compulsory targets for 2014:

Group products	Central administration	Public organisations and regional authorities
Copying and graphic paper	90%	60%
Office and IT equipment	100%	80%
Office lighting	100%	70%
Air-conditioners	100%	90%
Cleaning products and services	50%	60%
Conventional vehicles	94%	94%
Electrical vehicles	6%	6%

The criteria for the groups of products in the National Action Plan are according only to the main criteria defined by EC in the Handbook for green public procurement. They set minimal requirements that can be used by any procurer.

The procurers in Bulgaria are supported by the Handbook for green procurement translated in Bulgarian.

Despite the harmonization of the legislative framework with the Directives of EC and the efforts of the institutions for the application of criteria for green procurement, this approach is rarely used by the procurers.

In most cases the procurers apply “safe” standard criteria based on the lowest price.



At public procurement of goods and services related to the improvement of the energy efficiency of buildings and constructions there is a positive trend to application of higher criteria for the energy characteristics of the products and the services, but the LCC approach is rarely used.

Recognised barriers

- Lack of available capital for investments which hinders purchasing goods with higher initial costs.
- The perception that “green” products are more expensive.
- Lack of knowledge about energy savings, preservation of the environment and environmental impact of the use of products.
- Lack of training of procurers on green procurement, lack of knowledge about the application of LCC approach as criteria, this is due to a certain level to the lack of interest or time (LCC assessment is perceived as additional work), or lack of possibilities from the participants.
- Lack of tools and know-how how to use the criteria for green procurement.
- Lack of support from the responsible managers, especially when the green procurement is

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voluntary.

- Low level of recognition of eco products.

Opportunities

In Bulgaria there are several programmes for financing projects for energy efficiency and RES:

Energy Efficiency Fund (EEF, <http://www.bgeef.com>) supports investment in energy efficiency and RES. It offers free technical support and credits at lower interest rates than these on the market. Eligible for financing are projects between 30 000 Leva and 3 millions Leva and pay-back period of the investment 5 years.

Credit line for energy efficiency and renewable energy sources (<http://www.beerecl.com>) offers to private companies free technical support and subsidies up to 15% of the principal of the loan. The credit line finances a wide range of projects in the field of energy efficiency and RES.

The Programme “Energy Efficiency” of the European Investment Bank and the international fund Kozloduy supports the development of energy efficiency and RES in Bulgaria. The Programme offers loans and 20% subsidies, as well as technical support for the preparation and the realization of projects. The projects should be in the range of 40 000 to 25 millions Euros. (<http://www.eib.org/products/loans/kids/index.htm>).

The initiative European Local Energy Assistance (ELENA) of EC and European Investment Bank grants funds to local and regional authorities for preparation of investment programmes for energy efficiency and RES. ELENA secure technical support for the structuring and the accomplishment of the projects in such way, that they can get additional funding. The support from the Initiative can cover up to 90% of the costs for technical preparation of investment programmes, where eligible are the costs for preliminary studies, programme structuring and business plans, for audits, procurement procedures and agreements, establishment of management groups for the project, VAT, if the beneficiary cannot claim it. Beneficiaries are local and regional authorities, public organizations, or group of public organizations under the condition that the respective investment programme will support the European targets „20-20-20“.

Training courses for application of criteria for green procurement are organized by the Public Procurement Agency and other organizations.

Relevant sources of information

Public Procurement Agency: www.aop.bg

National Action Plan for Stimulating Green Public Procurement for the period 2012-2014r.:
http://www.aop.bg/fckedit2/user/File/bg/novini/GPP_Final_13_07_11.pdf

Handbook on Green Public Procurement:

http://www.aop.bg/fckedit2/user/File/bg/practika/buying_green_handbook_bg.pdf

Instructions for application of requirements for energy efficiency and energy savings:

http://www.aop.bg/fckedit2/user/File/bg/practika/Ukazaniq_LAST1.pdf

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Ministry of Environment and Water: <http://www.moew.government.bg>

Ministry of Economy and Energy: <http://www.mee.government.bg>

Sustainable Energy Development Agency (SEDA): <http://www.seea.government.bg>

Green Public Procurement in Europe: http://ec.europa.eu/environment/gpp/index_en.htm