

Analysis report of procurement standards and procurement praxis in Hungary

Introduction

In Hungary the National Energy Efficiency Action Plan and the National Renewable Energy Utilisation Action Plan aim to put the “20-20-20” targets into strategic measures. Both programs involve the public sector, which should set an example in working towards these goals, that is why the energy consumption of public buildings and public procurement policies in general are target areas of energy efficiency.

One of the fundamental goals of the currently effective Public Procurement Act¹ was to articulate environmental aspects more strongly, but the executive decree on green procurement is still under preparation at the time. This is one of the reasons why it is important to provide information on green procurement – with special regards to energy efficiency in the long run – that gives a clear overview of the goals and the organisational solutions facilitating them.

Current national procurement legislation

The public procurement legal system is under complete reconstruction in Hungary. The first step was the creation of the new Public Procurement Act that came into effect on 12 January 2012. As the act is a framework legislation, there are executive decrees connected to it in several areas, which the contracting entities must take into account.

During the creation of Act CVIII of 2011 on public procurement, the primary legal policy goals were the following:

- making public procurement procedures more flexible and simpler, creating clearer regulations for certain procedure types;
- facilitating the participation of micro-, small and medium enterprises in public procurement, decreasing the possibility for infringements and corruption, introducing regulations to diminish and fight interrelated debts, and ensuring payments to subcontractors that are mostly from the micro- and small entrepreneurial circle;
- decreasing administrative burdens;
- more articulated representation of environmental protection criteria and green public procurement;
- establishing a favourable legislative environment so that protected employers can gain more headway.

The new act is focused on transparency and easier usability in its structure, therefore it attempts to handle related issues at the same place in lieu of the former divided scheme. According to section (1) of article 182 of Act CVIII of 2011 on public procurement, the Government is authorized to regulate the detailed rules that can be set for the environmental, sustainability and energy efficiency requirements of all the stages of the public procurement process, along with the compulsory cases and methods of representing the environmental, European Project “Buy Smart+”.

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sustainability and energy efficiency requirements pertaining to budget bodies, public foundations managed or supervised by the government or state-owned business entities.

The new Public Procurement Act aims explicitly to pay attention to green public procurement, and according to the government’s intention a wide range of contracting entities will have to apply the related provisions. However, bidders also have great responsibility in terms of providing sufficient information to the other party to facilitate selection and adequate procurement announcement.

Thankfully there are tangible signs that green public procurement have an effect on bidders: they realized that failing to comply with the requirements of environmental protection will be harmful for their competitiveness. Also, more and more contracting entities acknowledge that they can achieve numerous long-term benefits if they favour green public procurement.

Current national / regional practice

The following table provides a good overview on Hungary’s green public procurement.

	Europe	Hungary
Ratio of public procurement with environmental considerations	36%	26%
Ratio of local governments conducting intensive green procurement practice	19%	0%

Green public procurement in Europe and in Hungary, 2006.¹

Later on, the Hungarian public procurement environment started developing in this area, although the term sustainability had not been in the text of the act before the new Public Procurement Act came into effect in 2012, and even in that it is only listed among the goals and is not included among the governing principles.

All this cannot be an obstacle to the increasing realisation of green public procurement, however. Announcing this type of procedures was – as we have mentioned earlier – possible in compliance with the former act as well within the usual procedural framework.

The above figures have improved greatly by 2012 in Hungary as well, although we are still in the lower segment of the middle range, and results of a recent survey show that the ratio of green public procurement is still under 20% in proceedings of the Hungarian contracting entities, therefore it is of utmost importance that the public sector be sufficiently motivated in this area.

¹ Source: <http://europa.eu.int/comm/environment/gpp>

Recognised barriers

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Green public procurement is still in an early phase in Hungary, the reasons for which can be summarized in the following beliefs, concerns:

- green products and services are often more expensive than their traditional counterparts;
- the period of return is longer for green public procurement, therefore their financial benefits are also usually observed in long-term contracts, whereas the public sector normally thinks in terms of 12-24 month contract terms due to the scarcity of financial resources;
- the contracting entities do not have sufficient information on the market of green services and products, including possible solutions, and the bidder sector does not provide great help to achieve that either;
- the contracting entities' side often lacks professional knowledge, and public procurement experts usually prefer traditional, established procurement techniques; it is very rare that public procurement expertise and environmental protection expertise meet on the contracting entities' side;
- no professional materials are available for the public on the topic.

Opportunities

A well-designed and widely applied executive decree on green public procurement (that is developed at the time of this study) can be a very efficient instrument for the improvement of the above displayed proportions. This legislation:

- can provide effective legislative assistance to contracting entities on: who sustainability and environmental protection conditions should and can be applied for specific products;
- would help in incorporating sustainability and energy efficiency considerations into practice at an increasing rate;
- would enhance the development of the green economy and boost the economy.

It would be also necessary for promoting and increasingly realizing green public procurement that the executive decree to be created contain **binding provisions** of a certain degree.

Relevant sources of information

Hungarian Public Procurement Institute

www.kozbeszerzesiintezet.hu

Hungarian Public Procurement Authority

www.kozbeszerzes.hu

Act CVIII of 2011 on Public Procurement

http://www.kozbeszerzes.hu/static/uploaded/document/PPA%202012_011.pdf

Energy efficient public procurement, Center for Environmental Studies, Budapest, 2006.

European Project "Buy Smart+".

Visit www.buy-smart.info for more information.

www.comune.vareseligure.sp.it (in Italian)

Eco Friendly Product Nonprofit Org.

www.kornyezetbarat-termek.hu

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