

AUSTRIA¹ - ASFINAG

Context

At the beginning of 2010 the Austrian road financing agency (ASFINAG), the Austrian Touring Club and the Technical University of Vienna established a working group to find ways to encourage construction firms in the area of road reconstruction while traffic is maintained, to be creative and present alternative solutions when they participate in open procurement procedures. Starting points were the necessity to shorten construction periods, enhance the safety of drivers and reduce the impact on the environment. The working group worked on the assumption that bidders have a stronger motivation to submit alternative offers in a procurement procedure if they get partial remuneration.

The project is part of the compliance management system of ASFINAG.

Objectives

The essential tasks of the working group were the development of recommendations concerning the choice of procedure and the creation of a framework for general and concrete measures to achieve:

- The establishment of an incentive system for submitting alternative offers, which grants partial remuneration for economically sound alternative offers, even when these are not selected.
- The development of additional award criteria for the reduction of the construction period, the availability of road sections, the safety for road users and the impact on the environment.
- The establishment of an additional phase for optimising the project between the award of the contract and the actual execution of the works.
- The development of a bonus system for construction firms, which optimises the design/planning of the project, in order to transfer a share of the economic benefits generated by their design.
- Based on these conditions, the establishment of practical measures to promote the creativity of bidders for the reconstruction of the “Kaisermühlen” tunnel in Vienna.

Implementation process

Between February and December 2011 the working group developed a four-pillar model. Since the beginning of 2012, a project team (1.5 full-time equivalents) formed by experts from different departments of the company, like engineering and procurement management, has been working on the first pilot project, a tunnel reconstruction on a city highway. The project value is approximately EUR 80 million annually.

The first pillar is an incentive system based on the assumption that bidders are more willing to develop alternatives during the competition phase if the additional calculation costs are partly covered. Thus, the calculation costs of the two cheapest suitable alternative offers (one per bidder) which required additional calculations are remunerated according to a model calculation scheme. The model calculation also allows exceptional remuneration (with a capped amount) of especially innovative alternative offers.

The second pillar concerns the establishment of award criteria, which display the availability of traffic zones, the safety of road users and the impact on the close environment. The criteria are based on the assumption that the combination of the targets of the contracting authority (satisfaction of the

1. Case study submitted by the Austrian Federal Chancellery.

clients, quality, economically sound results) with those of the clients (availability and safety) and those of the bidders (rentability and safety of employees) should optimally contribute to achieving the criteria. The weighting of the criteria follows a model calculation scheme (matrix) and a recommendation to integrate different stakeholder representatives (from public authorities, traffic associations and business associations) into the bid evaluation board.

The bonus system for design optimising is the third pillar and aims at improving the economic efficiency of the design/planning of the project during the preparation of the execution phase or the construction phase under the condition that the quality is equal to the originally awarded contract. The system is based on the hypothesis that if economic efficiency is a common target of the contracting authority and the contractor, construction firms will be motivated to work in this direction. The contractor is therefore obliged to technically optimise the execution of the works while respecting the economic interest of the contracting authority. The contracting authority has, however, to transfer 50% of the savings achieved through the optimised planning in comparison to the original offer.

Value engineering (additional project improvement phase) constitutes the fourth pillar. Whereas the third pillar focuses on fine-tuning the design and planning of a project, the additional project improvement phase aims at optimising the planning of working routines and methods on the construction site, including scaffoldings, transport of construction materials, etc., while maintaining the quality and agreed volume of work. There is no remuneration scheme foreseen for this phase, it serves to benefit from the time between the award of the contract and the actual start of the construction works.

Impact and monitoring

So far, there are no figures or preliminary experiences available, because the first project (A 23 highway Inzersdorf) of this new model is in the planning phase.

Challenges and risks

Introducing new aspects into procurement procedures is often met initially with resistance from the part of the concerned businesses. It is therefore important to present the benefits of the new model to businesses to encourage the submission of innovative alternative offers. As past figures show, procurement procedures where alternative offers are admissible bear a higher risk of complaints, because it is difficult to define minimum requirements for the comparability with the official tender.

Another difficulty is achieving economic optimisation (value engineering) by accepting alternative offers while guaranteeing the technical equivalence of the suggested alternative solutions with the originally required level of quality.

Key lessons learnt

Economic necessity and unsatisfying experiences in practice (construction firms are reluctant to submit alternative offers in open procurement procedures) create the need to find innovative solutions, which require active participation of the concerned businesses and stakeholders.

It is important to respect the legal constraints and the principles of transparency and non-discrimination. Projects are carried out within the compliance management system, which requires close co-operation with all responsible departments.

AUSTRIA¹ - ÖBB Infrastruktur AG

Context

In 2008, the management board of ÖBB Infrastruktur AG (ÖBB Infra), the Austrian state-owned railways infrastructure company, decided to implement an environmental management system (certified according to ISO 14001) as a major pillar for the sustainable development of the company. A co-ordinator was nominated in July 2009 to deal with sustainability on a corporate scale, notably to develop guidance on sustainable procurement, as procurement was identified as one of the key areas related to the sustainability performance of the company. Given that ÖBB Infra's annual investment expenditure amounts up to EUR 2 billion (approximately 1% of Austrian gross domestic product), procurement is deemed as an important lever for the development of sustainable economic operations throughout the enterprise, so as to reduce the consumption of energy and resources. A guidance note on sustainable procurement was published in 2011.

Objectives

The sustainable procurement strategy aims at raising procurement officers' awareness for the integration of socio-economic criteria into the procurement process with a step by step approach in order to contribute to the following tasks:

- reducing the consumption of resources, utilities and energy
- avoiding waste and pollutant emissions
- increasing quality
- protecting biodiversity
- reducing internal and external environmental costs (e.g. costs for disposal or transport)
- increasing the transparency and plausibility of costs
- fostering innovation
- fair working conditions and income
- creating “green jobs”
- winning suppliers as strategic partners.

The strategy builds on the availability of information about sustainability criteria and internal guidance on specific opportunities as well as marketing the idea among stakeholders.

Implementation process

In early 2009 a working group was established to analyse the potential of sustainable procurement for the company, which led to setting sustainable procurement as a permanent target within the environmental management system.

1. Case study submitted by the Austrian Federal Chancellery.

With the support of external partners (*Institut für Bauökologie* and *Beschaffungsservice Austria*, the Austrian Institute for Building Biology and Procurement Service), the work focused on the integration of socio-economic aspects into the procurement of consumable goods and infrastructure projects and resulted in a guidance note, which was published in 2011.

The guidance note contains a short description of the general background of sustainable procurement concepts and the reasons for them, sums up initiatives and strategies in the field, points at the legal requirements and most importantly lists existing national and international eco-labels and their specific relevance for ÖBB Infra (and other infrastructure businesses) with an evaluation scheme. Criteria underlying the labels are explained and made transparent. The guidance note concludes with two practical examples concerning rail infrastructure construction, to provide a more concrete picture of how sustainable procurement could be realised.

In 2011 the management board adopted a decision with the following content:

- ÖBB-Infra AG commits itself to the principles of sustainable procurement
- procurement staff is instructed to integrate these principles into the procurement procedures
- check and if needed adapt the internal regulations concerning contracting and procurement
- approve the guidance note on sustainable procurement as a supporting document for procurement staff (integration into the management system).

A workshop was organised with external experts for procurement officers. Sustainable procurement is now an integral part of internal training programmes (for example “rail – ecology” seminars) and practical exercises serve to gain practical experience, especially in the field of construction materials and tension weights.

Impact and monitoring

Awareness for sustainability aspects has increased, together with the specific knowledge of participants, notably the procurement officers. Practical information is easily available. Sustainability is also set as a procurement principle for purchasing and materials management in the guidelines of the Austrian state-owned Railways Holding company.

Specific monitoring measures were planned for 2012 with a focus on the use of materials (concrete) and weights, for which no fixed performance parameters or standards exist.

Challenges and risks

A common phenomenon is the lack of resources in terms of staff to thoroughly monitor and evaluate the measures taken. In the field of construction materials, the establishment of technical standards is particularly complex and requires the adaptation of contract specifications. This increases the workload for procurement officers. It is therefore necessary to make positive effects visible through continuous dialogue and share best practices.

It is also important to develop standardised methods to calculate the total costs of ownership, as they are often neglected in practice.

Key lessons learnt

The success of a project requires the involvement and constant information of all essential persons at all stages. For this particular project, co-operation with recognised organisations (the Austrian Institute for Building Biology and Procurement Service) and suppliers was especially helpful.

One of the key findings is that as long as external costs and the costs-by-cause principle are not integrated into economic assessments on an obligatory basis, procurement by the lowest costs principle will dominate in practice. In this regard, precise legal requirements could be effective to promote “green” objectives and ensure that sustainable procurement is a standard rather than an exceptional procurement method.

Practice also shows that it is easier and more effective to integrate socio-economic criteria early in the procurement procedure, in the description of the subject of the contract and technical specifications.

The National Action Plan for Sustainable Public Procurement (which is not binding for ÖBB Infra) is a substantial step forward. Similar guidelines for sectors not included in this action plan are needed. Incentives like tax schemes for sustainable procurement would also promote green solutions.

For further information see:

www.oebb.at/infrastruktur/de/5_0_fuer_Generationen/5_2_Verantwortung_Umwelt/index.jsp.

AUSTRIA¹ - Vienna ÖkoKauf programme

Context

Public procurement expenditure of the city of Vienna amounts to EUR 5 billion annually, of which approximately 50% is spent on supplies and 50% on works and services. The Vienna ÖkoKauf programme was set up in 1998 to use this large purchasing volume to support the procurement of ecologically sound products and services and contribute to climate protection.

ÖkoKauf is a leading programme within the framework of the first climate protection strategy of the city of Vienna (“*KliPWien*”). It aims at focusing Vienna city administration procurement towards climate protection aspects while respecting legal requirements and achieving value for money. In 2009, the programme was extended until 2020 to enforce the reduction of emissions of the administration of the city of Vienna.

Objectives

The main target of ÖkoKauf is to identify potential ecological performance aspects of products and services purchased by the city of Vienna and its services and develop eco-friendly procurement requirements, to feed into the technical specifications of such products and services. Apart from the ecological assessment, economic efficiency (value for money) as well as maintenance and improvement of the usability of the goods and services are taken into account.

High priority is given to immediate feasibility and legal compliance. ÖkoKauf focuses more on standards for defining the subject matter of the contract (“what is purchased”) and less on award criteria or contract performance clauses. The key tools of ÖkoKauf are tender documents, catalogues of criteria and other procurement-related requirements.

Apart from achieving technically measurable results, ÖkoKauf also aims at raising the awareness of the city’s employees, private households and businesses towards buying ecologically sound goods and services. It publishes its results on a publicly accessible website.

Implementation

Within the administration of the city of Vienna, ÖkoKauf is an organisation-wide programme encompassing all the services of the city. It is operated in the city construction directorate by a programme leader and two deputies with the support of a steering team, which takes all the relevant decisions. The work is organised in 26 thematically different working groups attended by 200 employees from all divisions of the city’s administration. Additionally, two committees were established for legal aspects and public relations and two assistant units for budgetary advice and international activities. Each working group and the leaders of the committees and units are members of the steering team. In addition to existing organisational resources (staff and facilities), ÖkoKauf receives an annual budget of EUR 300 000, which is mainly spent on external support, e.g. studies, research and experiments. ÖkoKauf regularly organises and participates in relevant conferences.

Work is carried out in the aforementioned working groups. They develop, evaluate and update ecological criteria that describe the goods and services to be purchased in the following categories: paper and printing, electric and electronic devices, construction and facility management, vehicles, food, events, disinfection and cleaning agents, textiles, furniture, lighting, etc. The results are cross-

1. Case study submitted by the Austrian Federal Chancellery.

checked with the legal compliance committee and then published. The publication is accompanied by public relation activities to promote the use of the criteria on a broad basis inside and outside of the city's administration.

Since 2003, all services of the city of Vienna are obliged, per ordinance of the director general of the administrative services, to take the results of ÖkoKauf into account. Thus, the responsible procurement officer integrates the relevant texts from ÖkoKauf into the tender documents and makes sure that the ecological requirements become part of the contract.

Impact and monitoring

Since its establishment in 1998, ÖkoKauf has developed around 130 successful results for the goods and services under it. Estimates show that the city of Vienna achieves annual savings of EUR 17 million and 30 000 tonnes of CO₂ emissions with the support of ÖkoKauf.

So far, only few of the results have been subject to individual evaluation, due to their technical complexity and lack of resources. The following examples show concrete results:

- Use of recycled office and hygienic paper preserves resources and reduces environmental impact in terms of waste water and energy consumption.
- The production of organic food emits less CO₂ in comparison to products from conventional agriculture. Through the procurement of organic food using ÖkoKauf criteria, the city of Vienna avoids up to 20 000 tons of CO₂ emissions annually.
- Switching to energy-efficient office and household devices, lighting, electronic equipment, etc. saves energy and reduces CO₂ emissions.
- Simple changes of processes can considerably influence environmental impact. For example, cleaning staff received a special training on the use of microfiber, which resulted in an essential decrease in the consumption of cleaning agents.
- In the construction area there is a variety of methods and materials that can reduce harmful emissions, energy consumption and increase the life of the buildings. "Wiener Wohnen", a city-owned undertaking for housing manages and maintains around 220 000 flats using such methods.

Another impact can be observed in the market: in some areas, products and services which did not comply with ÖkoKauf requirements have completely disappeared from the market.

So far, ÖkoKauf does not have a full-fledged monitoring system. It is a self-regulated process through the continuous work of the 26 different working groups, using feedback from practice for self-improvement.

Challenges and risks

When ÖkoKauf was set up in 1998, the main challenge was to raise awareness of the importance and feasibility of ecologically sound procurement at the level of policy and decision makers, who can influence the availability of resources for the project, in terms of staff and budget, and its continuity. The political support of the City Councillor for Environment helped to initiate the project and overcome the belief that ecologically sound, or organic, products and services are more expensive than

conventional offers. It was possible to refute this prejudice in many areas, with the exception of the procurement of organic food, which led to an increase in costs.

One of the challenges is the professionalisation of the current system in terms of monitoring, verifying and mainstreaming results. ÖkoKauf functions as a self-regulated system through feedback to the working groups and the continuity of their work. As the respective employees do not work full-time for the project, horizontal administration of the results (monitoring application, measuring impacts, etc.) is not strong. To maintain and enhance high standards, ÖkoKauf would benefit from establishing a permanent evaluation and administration system, which improves the monitoring of the results in terms of environmental impact and economic efficiency.

Key lessons learnt

In addition to the high-level political support, two of the initial decisions were key factors for successfully implementing the ÖkoKauf project:

- focusing the work on the development of standards to define and describe ecologically sound products and services instead of defining qualification and award criteria and contract clauses helped to achieve buy-in by procurement staff and the uptake of solutions
- the establishment of the legal committee boosted the acceptance of the results of the project, as legal compliance plays an important role in procurement practice.

Tangible results, in particular economically measurable advantages, sell by themselves. It is also important to constantly consolidate results and professionalise the project in terms of expertise and organisational adaptation to avoid outdated standards and blockages.

For further information see: www.oekokauf.wien.at.

AUSTRIA¹ - Vienna thinks future

Context

In 2006, the city of Vienna started a comprehensive strategic process titled “Vienna thinks future” to support developing a knowledge-based society, as attracting knowledge and intellectual resources were seen as key factors to position Vienna as a competitive business location. The Viennese strategy for research, technology and innovation (RTI Strategy) was published in 2007 and identifies five relevant fields of action, one of which is to make Vienna a “greenhouse” for research and innovation. Given the volume of public purchases in Vienna, procurement was chosen as a strategic tool to stimulate innovation.

The public procurement-related objectives in the context of the RTI Strategy were assigned to “ZIT Zentrum für Innovation und Technologie GmbH” (the Centre for Innovation and Technology, an agency owned by the Business Agency “Wirtschaftsagentur Wien” of the city of Vienna), accompanied by funding guidelines. The ZIT established an expert working group on public procurement and innovation which developed the “WienWin” initiative in 2009.

Objectives

WienWin aims to position Vienna as a business location by using its purchasing power, through promoting the development of innovative products and services and supporting innovative businesses. Procuring authorities are meant to function as pioneer users and create a lead market for innovation.

WienWin sets up a framework for systematic exchange of information between public purchasers in Vienna, innovative companies and the ZIT.

The project provides public purchasers in Vienna with an overview of innovations available in the market. To encourage a public procurement culture which promotes innovation, know-how is built up through continuous dialogue and quality input.

Implementation process

The WienWin initiative consists of four main tools:

1. Internet platform

A website (www.wienwin.at) was set up to collect examples of innovation in Vienna. WienWin.at presents only products and services that were either developed with funds from a regional, national or European funding institution or where the level of innovation has been subject to evaluation by an expert jury. Innovations are presented in a uniform way.

2. City talk and individual dialogue

In individual discussions with members of the administration of the city of Vienna (including enterprises that are owned or managed by the city), the ZIT experts survey innovation in the city and provide information on solutions from Viennese companies. If there is an interest, businesses are invited to present their innovations personally in city talks, where opportunities are offered for both potential users to check the innovative solutions as well as for innovative companies to convince users

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of the benefits of their solutions. Procurement procedures after city talks should comply with public procurement legal requirements.

3. Making WienWin situations visible

If an innovation developed by a Viennese undertaking is taken up by the city of Vienna, the ZIT proceeds to science and media communication to show where and how the innovation is used. It issues reports to present the respective businesses so as to motivate others to invest in innovation.

4. Concepts for innovation-oriented procurement

WienWin primarily aims at offering procurement managers a market overview of available innovations, but also focuses on life-cycle costs and their calculation, incentive systems for procurement of innovation, pre-commercial procurement and development of innovative city technologies.

WienWin is handled by the ZIT, which employs 26 people. Since March 2011, WienWin is co-financed by EU regional funds and has an annual budget of approximately EUR 440 000 and 5 employees (3.5 full-time equivalents). They analyse fields of application of innovations, develop standardised presentation models for innovations and organise workshops. WienWin services around 450 purchasers of the Vienna city administration.

Impact and monitoring

WienWin aims to achieve impact in the following areas:

- Public services are tailored to local requirements.
- The public sector helps local SMEs. SMEs are motivated to invest in research, development and innovation, aiming to enter the public sector market.
- The use of technology-based innovations for public services has an impact on the image of a city and attracts innovation.
- Co-operation between the city and local business increases local “ownership”.

So far WienWin has organised 121 dialogues with decision makers of the city administration and businesses to identify areas that require innovative solutions and planned joint follow-up actions. Undertakings presented innovative products and solutions to potential users in 18 city talks.

WienWin.at currently covers more than 200 innovative solutions in 12 different areas (e.g. construction, education, tourism, health, environment, etc.).

In 24 cases, WienWin achieved co-operation between the Vienna city administration and innovative undertakings.

Challenges and risks

There is a gap in innovation policy between research push and market pull and thus it is difficult to market innovative solutions. To bridge this gap, various funding schemes are provided at

international, national and regional level to strengthen research. An increasing number of expert groups recommend complementing public funding for research and innovation by new measures to strengthen the market pull for innovation.

To evaluate the impact of the WienWin measures taken so far, a continuous monitoring process has been set up. Studies are foreseen to check obstacles and good practices for the public procurement of innovation.

Key lessons learnt

WienWin is one of the pioneer activities fostering innovation through public procurement in practice. WienWin helps to bridge the gap between public promotion and the funding of innovative projects on the one side and public procurement on the other. Awareness for cultural differences in these fields of public administration is a key condition for success.

For further information see: www.wienwin.at.