

PUBLIC PROCUREMENT STRATEGY – POLICY REMARKS AND CHALLENGES FOR THE REPUBLIC OF CROATIA

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Abstract

Public procurement is a mechanism that allows governments to secure the procurement of goods, works and services they need to function, while at the same time observing principles like transparency and equal opportunities. As well as being a necessary function and part of the public sector, public procurement can also be a generator of economic activities in its own right. If we consider the fact that public procurement makes up 14% of GDP at European Union level (European Commission, 2017a), it is evident that it represents a huge market which is, as a rule, predictable and generates enough advance information for efficient planning and management. It is beyond doubt that public procurement is recognised as a tool that governments use to guide and develop certain sectors within the economic policies that they implement. Also, it is no wonder that a number of strategic goals of the European Union are targeted

at strengthening administrative capacities within the public sector that can use public procurement to boost employment, economic growth, investments and to stimulate the development of an economy that is innovative, energy-efficient and socially inclusive in the long run.

The aim of this paper is to use recent domestic and foreign literature, documents and legal rules and regulations to analyse 1) the position of the Republic of Croatia in respect to the fulfilment of the strategic goals of the European Union; 2) the capacities it possesses to reach those goals and 3) make recommendations for the improvement and upgrading of the existing system.

Key words: *public procurement, public management, strategic planning, influence of public procurement on economy, administrative capacities*

JEL Classification: E61, H57

1. INTRODUCTION

The financial and economic crisis “has wiped out years of economic and social progress and exposed structural weaknesses in Europe’s economy” (European Commission, 2010a) as well as worldwide and intensified global strategic challenges. With the launch of the Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth, sustainable and inclusive economic development have been recognised as key elements for Europe’s long-term competitiveness (more on Strategy: European Commission, 2010a; Marlier and Natali, 2010). As governments are expected “to do more with less”, public procurement has witnessed considerable reform activity towards the pursuit of various socio-economic goals. It has been recognised that demand coming from the public purse can significantly affect and strengthen markets for innovative, environmentally and socially responsible goods, services and works (European Commission, 2015a). As Defra (2006 in: Yeow, Uyarra and Gee, 2011b) notes, “the sheer size of public sector demand, particularly in environmentally sensitive areas such as transport, energy, food and paper confers obvious potential for impact.” The introduction of new EU-wide public procurement rules aims at strategic use of public procurement in achieving common societal goals, in particular in terms of increasing public resource efficiency, promoting innovation, employment and environmental responsibility (Čusek-Slunjski, 2016; Grandia and Meehan, 2017). Grandia and Meehan (2017) also highlight the importance of reducing long-term unemployment, improving the working conditions across the (inter-

national) supply chain, fostering innovation, creating opportunities for small and medium-sized enterprises and local businesses, and stimulating sustainable goods and services markets, thereby making public procurement an important public sector management tool. To achieve the goals of generating a single procurement market, public procurement legislation in the EU is governed by the basic principles of equal treatment and non-discrimination, transparency, proportionality and mutual recognition (European Commission, 2015a). In early 2014, three new directives on public procurement were adopted, two revising existing directives on general procurement and procurement in the utilities sector and one new directive on concession contracts. While the tenets of public procurement regulation have remained mostly unchanged, the 2014 directives have had important implications for the strategic use of public procurement, and the introduction of strategic objectives has promoted proactive approaches in various areas of the legal framework. The changes are aimed at: 1) Simplifying the procedures and reducing the administrative burden for all public procurement participants, 2) Increased use of the most economically advantageous tender (MEAT) criteria, 3) Greater involvement of small and medium-sized enterprises, 4) Innovation in procurement, 5) Consideration of environmental and social aspects; and 6) Requirements in terms of monitoring of public procurement procedures (European Commission, 2015a). Public procurement is therefore an important tool of the European Single Market (representing 14% of the EU GDP), which makes it a fundamental element of the Investment Ecosystem (European Commission, 2017a). The single market strategy has facilitated the development of more transparent, efficient and accountable public procurement systems of EU Member States. This requires a shift from a predominantly administrative approach to a strategic approach driven by real (crucial) needs (European Commission, 2017a; European Commission, 2015b). Smaller more transparent administrations may be more flexible and network governance may make it easier to bundle demand to a scale that makes it worthwhile for suppliers to innovate, so it is a really good opportunity for small countries (see: Georghiou et al., 2010). The mentioned share of the EU GDP in expenditure each year clearly indicates that public procurement can contribute to address many of Europe's major challenges, especially in creating sustainable growth and jobs (thereby supporting the transition to a circular economy).

A comprehensive review of the field and (international) comparative studies into the effectiveness of public procurement as a policy tool are critical gaps in

the research landscape and key to understanding the full potential and effectiveness of public procurement as a policy tool. The field has not been sufficiently explored and represented in academic (or professional) circles, and, as pointed out by Grandia and Meehan (2017), public procurement lacks strategic “maturity”, and its impact on economic growth has not been sufficiently explored/is underexplored. Given the fact that public procurement is a specific area that is directly dependent on the policies of the countries in which they are carried out and because of the significant differences between the institutional framework and actual activities, they also emphasise the need for further research on public procurement and its potential. The methodology adopted in this paper involved a review of public procurement literature to provide a background for this study which allowed us to recognise the issues in public management, in particular in the Republic of Croatia, and identify areas requiring further research.

2. STRATEGIC APPROACH OF THE EUROPEAN UNION TO PUBLIC PROCUREMENT

“Public procurement of innovative products and services is vital for improving the quality and efficiency of public services at a time of budget constraints. Yet little public procurement in Europe is aimed at innovation, despite the opportunities under the EU procurement directives” (Europe 2020, Innovation Union Flagship Initiative in: Georghiou, Li, Uyarra, and Edler, 2010)

Public procurement aims at ensuring that public funds are spent in an economically efficient way and at guaranteeing the best value for money for the public buyer. According to Bovis (2007 in: Haugbølle, Pihl and Gottlieb, 2015), “the expectation has been that the regulation of public procurement could provide substantial savings through three effects: 1) a direct trade effects as a result of lower prices, 2) a competition effect through improving the competitiveness of enterprises, and 3) a restructuring effect due to changes in the business structure”. The high purchasing power in the EU Member States and the importance of public procurement procedures for any market have raised awareness of the use of public procurement in achieving social and environmental objectives, in addition to the economic ones (Šikić and Turudić, 2017; Luttenberger and Runko Luttenberger, 2015; Brammer and Walker, 2011; Carter and Jennings, 2002; Grandia, 2015) and its role as a strategic instrument in the public sector management toolbox. Man et al. (2014) argue that effectiveness is the main

objective of the institute of public procurement, and that it should be managed by providing better services to the public at a lower price than it is possible to achieve by the public sector. According to Georghiou et al. (2014), public procurement is increasingly seen as an attractive and feasible instrument for furthering the goals of innovation policy. The EU public procurement rules seek to promote transparency and competition in procurement markets (European Commission, 2017c). Sustainable public procurement aims at striking a balance between the economic, social and environmental dimensions when making a procurement choice. A smart use of public procurement can help address global challenges such as climate change and resource scarcity or aging society. It supports social policies and accelerates the transition to more sustainable supply chains and business models, which can improve competitiveness of small and medium-sized enterprises and facilitate their access to public procurement opportunities (European Commission, 2017a). “Sustainable procurement offers the Government the opportunity to lead by example and to use its purchasing power to influence suppliers and the products they develop and design, for the wider benefit of others in the economy” (NAO, 2009 in: Yeow, Uyerra and Gee, 2011b). As Abernathy and Clark (1985 in: Yeow, Uyerra and Gee, 2011b) note, such effects are not restricted to high-tech sectors, but may apply to mature sectors and even kick-start a process of reversal or renewal of industry development or “dematurity”. Yeow, Uyerra and Gee (2011a), see sustainable procurement as capable of delivering significant environmental benefits while achieving better value for money in public services, and find that it has gained interest among practitioners, policy-makers and academics in recent years. Transaction costs in public sector are connected with organization and administration of public, competitions, compensation of independent experts, legal knowhow of contracts, public tender re-establishing, costs arising from the delay in the implementation of public contracts, and lawsuit (see more in: Man et al., 2014 according to: Pavel, 2004). In the private sector, we can define processing applications, obtaining a qualification requirement, security deposit, and lawsuit. It is important to note that a strategic approach to public procurement is also used by other international organizations that actively pursue broader policy goals through green procurement (the public sector needs to act as an “ecological client”, see more in: Yeow, Uyerra and Gee, 2011b), procurement of innovation, and support to small and medium-sized enterprises in the public procurement processes (OECD, 2013; UNDP, 2015). However, as Walker and Brammer (2009, in: Yeow, Uyerra and Gee, 2011a) note, “organisationally, the financial

viability of ‘green’ solutions, which are often perceived as being expensive (or requiring a big capital investment), internal attitudes, incentives and pressures for sustainable procurement are potential barriers”.

The key forms of strategic public procurement are green public procurement, socially responsible public procurement and public procurement of innovation (European Commission, 2015a). Green public procurement is defined as a process whereby public authority 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 (European Commission, 2008). Socially responsible public procurement includes social aspects, so a list of social considerations that could be included in tender processes was developed in 2010 (European Commission, 2010b). This included employment opportunities, decent work, compliance with social and labour rights, social inclusion (including persons with disabilities), equal opportunities, accessibility and design for all, considering sustainability criteria, ethical trade issues, and wider voluntary compliance with corporate social responsibility. Public Procurement of Innovation (PPI) or Public Procurement of Innovative Solutions refers to the contracting authority procuring innovative goods and services that are not yet commercially available to create demand and facilitate economic growth and competitiveness. In late 2015, the European Commission (2015a) published a study whose goal was to take stock of 10 Member State (Austria, France, Latvia, the Netherlands, Poland, Portugal, Slovakia, Spain, Sweden and the United Kingdom) experiences in integrating green, social and innovative considerations in public procurement policy, process and practice. An additional goal was to estimate the level of uptake and to propose measures for stronger uptake of strategic public procurement. Conclusions of the study suggest that the main challenges in implementing strategic public procurement are related to the following elements:

1. “Too expensive” - Strategic public procurement requires greater up-front expenditure as opposed to conventional procurement. Even though the overall long-term costs of strategic public procurement are often lower, short-term decision-making and annual nature of public budgets prevail.
2. “Too risky” - A crucial challenge for the uptake of strategic public procurement is related to the greater risks it involves. Risks can be related to greater exposure to lawsuits, which are costly and time-consuming.

3. “What’s the value-added/benefit” - Beyond the potentially greater up-front costs of strategic public procurement, resistance from practitioners stems from the perceived lack of clear benefits.
4. “More work” - Strategic public procurement represents a greater workload for public procurers, as it requires a strong assessment of needs before the initiation of the tender processes as well as the use of either more complex procedures or the application of sophisticated technical criteria.

In addition, the study highlights the importance of: 1) skills and know-how because the implementation of strategic public procurement requires a relatively sophisticated level of know-how and competency. For instance, GPP and PPI may require the use of Total Cost of Ownership / Life Cycle Costs (TCO/LCC) costing, which are relatively complex to implement (for more information see also: Edler and Yeow, 2016); 2) monitoring and evaluating (a common weak point in similar systems), the framework conditions (the legislative background, the degree of centralisation, autonomy or devolution that applies in public bodies for particular types or sizes of purchase, for more information, see: Georghiou et al., 2014) and “rigid application of tendering procedures for low-value items regardless of non-costs” (Erridge and Nodi, 1994 in: Yeow, Uyarra and Gee, 2011b); 3) maturity of the market. There is a possibility that, even if public buyers are willing to introduce strategic criteria, the supply side is not ready to provide the corresponding products, services or works; in less developed Member States, there a risk that strategic public procurement could restrict requirements too much) but also “too many suppliers”; 4) knowledge of the market from public buyers (greater engagement with market as well as allowing more flexibility would ensure that full benefits are reaped from the procurement process). We could add here “building in the requirements of innovation alters both the practice and the mindset of procurers and those they work with” (Georghiou et al., 2014); “lack of commitment and ownership of procurement strategies by senior management and political leaders” (Yeow, Uyarra and Gee, 2011a); or “public sector culture which is risk averse and resistant to change” (Erridge and Greer, 2002 in: Yeow, Uyarra and Gee, 2011b). Through a survey of enterprises covering all EU28 Member States and qualitative case studies (European Commission, 2017c) experts investigated the factors which influence the propensity for procurement to take place across borders and came to the following conclusions:

1. 'High competition from national bidders' (40%);
2. 'Perceived preference among contracting authorities for local bidders' (39%);
3. 'Unfamiliar legal context or formal requirements (e.g. contract, labour law, certificates to provide such as special permits necessary for offering services abroad etc.) leading to market entry barriers in the awarding country' (32%);
4. 'Additional costs due to geographic distance (i.e. implementation of contract is more expensive compared to delivery of contract close to own location)' (30%);
5. 'Language barriers' (23%).

The European Commission (2017a) underlines that implementing smart public procurement systems which are fit for the 21st century requires commitment and determination to modernise, digitalise and professionalise. It therefore encourages and invites all stakeholders (the Commission, national, regional and local authorities, companies, industries, professional associations, and other interested parties) to improve the functioning of public procurement practice. In view of the above, the implementation of public procurement strategy will be a considerable challenge for many Member States in terms of goal achievement.

3. PUBLIC PROCUREMENT IN THEORY AND PRACTICE WITH KEY CHALLENGES FOR THE REPUBLIC OF CROATIA

Numerous projects and individual initiatives show that a balanced, sustainable and integrated approach to addressing various challenges is both possible and feasible. Since, in the context of the European Structural and Investment Funds (ESIF), Member States have to meet the preconditions on procurement, which should guarantee that the basic framework conditions for efficient and effective investments co-financed by the funds are in place, public procurement plays a key role in achieving these goals, as it includes innovative, green and socially responsible procurement practices (European Commission, 2017a). However, the study notes that these positive developments often remain isolated good practices and need to be embedded in a wider movement, encouraging

others to join and to learn from these experiences. Several indicators show that strategic opportunities of procurement are still underused. 55% of procurement procedures at the EU level still use the lowest price as the only award criterion. The public procurement directives leave public buyers entirely free to opt for purchases based on cost-effectiveness or quality-based criteria. Yet, most economically advantageous tenders based on a cost-effectiveness approach which may include social, environmental, innovative, accessibility or other qualitative criteria are still underused (European Commission, 2016a). When used, the contracting authority exercises considerable discretion in designing the scoring rules and selecting quality criteria, although the principles of supplier selection are prescribed by law (Lundberg and Bergman, 2017).

In 2011, with yearly purchasing valued at 3.5% of the GDP of EU, economic significance of public procurement in EU is considerable (Man et al., 2014). The main results of Public Procurement Indicators from 2015 show that almost all EU Member States increased their government expenditures on works, goods and services, excluding utilities, except Cyprus and Croatia (-5%) (for more information see: European Commission, 2016b). Herz and Varela-Irmiya (2017) use a data set of 1.8 million contract awards that have been matched to geo-locations to estimate a gravity model of procurement flows between European NUTS3 region pairs and then documented evidence of very substantial intra- and international border effects in European public procurement. For example, they concluded that a firm located in the same NUTS3 region as the contracting authority, is more than 900 times more likely to be awarded a contract compared to a foreign firm and the results are similar for goods, services and construction procurement and for different types of public procurement procedures and award criteria. The new Public Procurement Act of the Republic of Croatia (hereinafter: the RoC) (Official Gazzette, 2016), which was adopted in 2016, does not allow the contracting authority to use the price or cost as a sole criterion in tender selection. Under the previous act, the contracting authorities could mainly use the lowest price criterion in the procurement of goods, works and services. A review of statistical annual reports on public procurement for the period 2012-2016 reveals that, in comparison to the lowest price criterion, the MEAT criteria were used the most in 2016 (in 2.5% of procurement procedures), which, according to the European Commission study (2016a), is significantly below the average percentage recorded in EU Member States (44.52% in the same period). This is confirmed by the public procure-

ment policy performance indicator for 2016 reported in the latest European Commission's report (2017b), which puts the RoC among few Member States in terms of the percentage of contracts awarded based on the lowest price criterion. In addition, it shows that, at least according to data covering the last three years, the trend has not changed. The studies conducted by Čusek-Slunjski et al. in 2016 examine the level of awareness and understanding of the legislative framework established in the new directives, the provisions related to the application of the MEAT criteria, and the possibilities for applying green, social, innovative and sustainable procurement. Although the results show solid or very good knowledge of the provisions, the data from the statistical reports suggest the lack of experience and competences in the public procurement system in terms of application of the MEAT criteria. In addition, the National Action Plan (NAP), adopted by the Government of the RoC in 2015, highlights the inclusion of some of the measures for green public procurement in 50% of public procurement procedures as one of the goals for the period 2015 - 2017, with a 2020 horizon (Čusek-Slunjski et al., 2016). According to the annual statistical reports on public procurement, the green criterion was used in 24 contracts in 2015, and in 2016, it was used in 57 contracts. All of this indicates inadequate administrative capacity, which coincides with the results of the study conducted in 2016 (European Commission, 2016a), whose conclusion includes a recommendation for improvements in knowledge. The conclusion is that Croatian procurement experts are faced with administrative capacity issues, partly because new employees are needed, and partly because it is challenging to retain the existing ones, but mostly due to the lack of adequate staff training. In their research on preferential treatment in the award of public procurement contracts in the construction sector in the Republic of Croatia, Podumljak and Dávid-Barrett (2015) found that there is a paucity of qualified individuals (typically only one accredited certified procurement officer (CPO) in many contracting authorities). This means that there is nobody else in the organisation qualified to check or oversee the CPO's work. This increases the risk of corruption. In its Report on Croatia (European Semester 2018), the European Commission (2018) highlights the need for effective risk control in public procurement, especially by contracting authorities with weaker control mechanisms. Podumljak and Dávid-Barrett (2015) also emphasise the need to increase accountability in the public procurement process by improving the monitoring of contract implementation. This would help to ensure that contracts achieve good value

for money and deliver the works, goods or services intended to an appropriate quality standard.

When it comes to the construction sector, i.e. the procurement of works, it is particularly interesting that the criteria of the most economically advantageous tender, according to publicly available data (Electronic Public Procurement Classifieds, on-line), were practically not used. It should be noted that the value of works in the period 2012-2016 ranged from 30 to 38 percent of the total value of published contracts, which represents a significant share in total public spending. This piece of information demonstrates the importance of developing a system of criteria for procurement of works, which will meet increasingly stringent requirements in terms of environmental and social responsibility in the future. This is also supported by some of the main recommendations put forward in the study conducted by Čusek-Slunjski and others (2016), focusing on the use of the selection criteria (i.e. the condition of qualification of the bidder) and strengthening of the practice and the use of the MEAT criteria (including whole life costs of the procured goods, quality criteria, functionality, availability, environmental and sustainability criteria, social characteristics, and the like) in a more effective way. One of the ways to improve the situation can be through wider use of the Innovation Partnership procedure. This tool, whereby market players are invited to bring innovative solutions, has been set-up by the 2014 directives to meet the specificities of innovation procurement, as well as to increase the legal certainty and reduce the innovation inherent risks (European Commission, 2017a). When it comes to public procurement of innovation (PPI), analyses show that their application is hampered by various barriers, as is evident in the European Commission's (2015a) study conclusions, some of which have already been outlined in this paper. As Georghiou et al. (2014) note, the use of public procurement as an instrument of innovation policy has posed fresh challenges to policymakers. Edler and Yeow (2016), according to many scientific researchers, noted that public procurement of innovation has climbed up the ladder of policy and academic attention considerably in the last 5–10 years. Public procurement is a “tool for innovation policy” (Geroski, 1990 in: Edler and Yeow, 2016) and a “fundamental driver for the uptake of crucial technologies” (Ghisetti, 2017); it also makes public services more efficient and effective. Public procurement of innovation, according to Edquist and Zabala-Iturriagagoita (2012, in: Edler and Yeow, 2016) “is not primarily done to enhance the development of a new product, but to target functions that satisfy a

human need or societal problems”. Geroski (1990 in: Ghisetti, 2017) concludes that “there is very little question that procurement policy can stimulate industrial innovativeness, and more than a vague suspicion that it can be a far more potent stimulus than a policy of generalised R&D subsidies”. Public procurement of innovation needs an intermediation structure (better known as design principles: impartiality and neutrality, accessibility and trustworthiness but also access to the sources of expertise and knowledge) that is appropriate to support public bodies across the various procurement situations and their corresponding challenges (Edler and Yeow, 2016; see also: Georghiou et al., 2014).

4. INSTEAD OF A CONCLUSION – LIMITATIONS AND PERSPECTIVES FOR THE REPUBLIC OF CROATIA

An innovation champion is a “charismatic individual who throws his or her weight behind an innovation, thus overcoming indifference or resistance that the new idea may provoke in an organization”

(Rogers, 1995, p.414 in: Yeow, Uyarra and Gee, 2011a)

Public procurement is recognised as a strategic instrument within economic policies across the European Union. Given the overall procurement spending, there is a significant interest in continuous development and improvements, which ultimately is the reason for transposing strategic goals set in the directives into national legislation to ensure a uniform system across the EU (nevertheless, a “small country syndrome” should be considered, see more in: Georghiou et al., 2010). The European Commission’s public procurement strategy focuses on six strategic policy priorities defining the objectives that Member States need to incorporate in their policies and practice. Clearly, some Member States have achieved greater progress in the implementation of the defined objectives because of the higher degree of expertise and greater experience. However, there is still room for improvement. On the other hand, some countries lack the capacity or there are no preconditions there for the implementation of these objectives. There are numerous problems in public procurement and public-sector management. Often, public procurement is still considered as a mere administrative procedure by which public authorities purchase the basic products, services or works required for their operations, rather than as a pow-

erful instrument that can foster a country's economic development. Clear and consolidated procurement data are often not available. There is no EU-wide consensus on which data need to be collected and for what purpose. In many Member States, central authorities are unable to indicate the exact size of public procurement spending in their country, despite the huge amounts of money involved. In such cases, public scrutiny is largely absent, there is no possibility for a data-driven policy-making and even budgetary control is hampered. In the same way, the digital transformation of public procurement is slow. This is confirmed by the results of the 2016 European Commission (2017a) survey that reveal that only four Member States rely on digital technologies for all major steps of the procurement process (e-notification, e-access to tender documents, e-submission, e-evaluation, e-award, e-ordering, e-invoicing, e-payment). Based on their research, Čusek-Slunjski et al. (2016) conclude that there is a growing need to enhance training for practitioners and the use of the European Single Procurement Document (ESPD) and e-Certis database in the Republic of Croatia. Furthermore, contracting authorities are rarely buying together, as only 11% of procedures are carried out by cooperative procurement. Joint procurement often leads to lower prices and provides contracting authorities with an opportunity to exchange experiences and obtain higher quality (more in: Mitea, D. et al., 2017). Although not all types of procurement are suitable for aggregation, the low overall aggregation rate points to the missed opportunities. Therefore, the contracting authorities are encouraged to engage in joint procurement arrangements. According to this indicator (European Commission, 2017b), there is a positive trend that puts the RoC among the top-ranking Member States in terms of performance. Procurement procedures are still too complex and suffer from an excessive administrative burden, even after the major reform and simplification of EU rules undertaken in 2014. This is exemplified by an increasing number of transnational infrastructure projects which, by their very nature, are not standard as they involve various actions to be implemented in different Member States. The real degree of complexity depends also on how the rules are applied in practice and the extent to which the new tools are used. Procurement can be further streamlined by standardising processes, sharing best practices among authorities and through the professionalization of public procurement. However, reducing administrative barriers and facilitating access to bidding cannot produce results if the key public procurement stakeholders do not keep abreast of changes in the public procurement system and do not invest in their knowledge (Čusek-Slunjski et al., 2016; Edler and Yeow, 2016).

The European Commission's public procurement strategy (European Commission, 2017a), adopted in October 2017, aims to improve EU public procurement practices in a collaborative manner by working with public authorities and other stakeholders. Six priority areas were identified where clear and concrete action can transform public procurement into a powerful instrument in each Member State's economic policy toolbox, leading to substantial benefits in procurement outcomes. These include:

1. Ensuring wider uptake of strategic public procurement in central and local governments and, consequently, a more extensive use of the most economically advantageous tender mechanism as well as procurement of innovative solutions, requires not only a highly competent pool of public procurers but, above all, policy vision and political ownership;
2. Professionalising public buyers because the changing culture and the increased use of strategic public procurement require a wider use of flexible practices, knowledge of markets and innovative tools;
3. Increasing access to procurement markets, in particular for small and medium-sized enterprises;
4. Increasing transparency, integrity and standardization and reliability of data, which should enable the dialogue with civil society and hold governments more accountable;
5. Boosting the digital transformation of procurement; and
6. Cooperating to procure together.

In view of the fact that, in terms of the size of the public sector, the Republic of Croatia is comparable to Greece, Denmark, France, Sweden, Portugal and the UK (!) (16,2% share of sector's demand in total use in 2010, for more information see: European Commission, 2017c), one of the biggest challenges for Croatia will be establishing the MEAT instrument that can be implemented in practice considering the existing legislation on public procurement and habitual practices of both contracting authorities on the demand side and bidders on the supply side. In doing so, the attention of interested parties will be focused on defining the evaluation criteria and their applicability in procedures. Research shows that there is insufficient capacity to implement the MEAT criteria (although the reports state otherwise). More precisely, despite the good level of knowledge and information, there is serious lack of practical experience and

viable solutions. On the other hand, changes in public procurement entailed some new practices whose implementation in day-to-day procedures is hampered by the lack of knowledge. Terms such as “whole life costs” and “innovation in public procurement” are still relatively new to contracting authorities and require a substantial level of knowledge and skills for full operational application. For example, the “value for money” philosophy referred to in the new act has acquired a completely new meaning in the procurement of works because whole life costs do not only relate to individual works but rather comprise several connected entities of a much larger enterprise in which works are only one of the phases. If you consider any of the aspects of sustainability and their application in practice, procurement of works becomes quite challenging in terms of the results that need to be achieved and will most likely become a focus of attention in the coming period. Given the complexity of the requirement as well as the experience of other countries, the key risks to the implementation of the strategic goals are administrative capacity for implementation. There is still a shortage of competent experts and other participants in the system and this represents a major obstacle to achieving the desired outcome. Summarizing the conclusions from the literature and the research carried out as well as the relevant documents and equally important practical experience, it can be concluded that the EU is still seeking the right path to achieving sustainable and efficient public procurement policies. The RoC follows the agreed rules and strategies; however, one should bear in mind that it is necessary to create the conditions for the effective implementation of strategic requirements. The data presented in the research referred to in this paper raise new questions and suggest that the new Public Procurement Act has largely tackled the issue of the lowest price (for more information see research conducted by Georghiou et al. (2014)) because of the challenge, which is the efficient public procurement. The real reason for this is the lack of capacity for implementation, and the solution can be found in capacity building across the public procurement system. This implies much wider systematic training, whose scope and topics covered extend beyond the basic familiarisation with the rules in the field of public procurement, and definitely includes a wider range of participants, in addition to those specialised in public procurement procedures, such as bidders, beneficiaries, engineers and other interested parties, as well as middle- and top-level management as key stakeholders in the process as they are the ones that plan the operation at strategic and operational levels, manage it and make strategic (development) decisions.

Apart from the questions of education and administrative capacities, this paper emphasises the opportunity of upgrade of the processes of public procurement within national borders. In the case of the Republic of Croatia the mentioned example of public procurement of works shows that public procurement has to offer several applicative solutions in procedures and not one universal solution for all public procurement types. In regulatory sense one should consider the option of developing public procurement as a tool of public management, not only in the framework of law and transposition of universal rules within the EU, but also in the framework of separate subject-matters of procurement (goods, works and services) according to their specificities in order to ensure continuous implementation of good practices, and what is more important exchange of bad practices. Also in organisational sense, apart from dissemination of good practices, it is necessary to find a way for faster and more flexible interaction with the market and to encourage contracting authorities to a strategic approach in planning of public procurement (even to the level of separate transactions) in order to successfully achieve the strategic goals or commitments on the national level. The mentioned remarks target at stimulation of innovative solutions within the mechanism of public procurement. In this sense it is an open call for the academic community to act proactively in their research and development of public procurement. This is also a call for policy makers to provide support and finance projects in this field as well as for all stakeholders to take part in a constructive dialogue so that public procurement could in the end be of better quality and more complex but at the same time more effective in realization of public policies.

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