

# Policy by Public Procurement: Opportunities and Pitfalls

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**Abstract**

In **Paper [I]**, we theoretically assess green public procurement (GPP) as an environmental policy instrument and its ability to lead to the achievement of environmental objectives. Central to our analysis is the extent to which polluting firms choose to adapt to the public sector's environmental requirements and to invest in greener technologies. Our main finding is that the potential of GPP to function as an objective-effective instrument of environmental policy is limited and can actually be counterproductive. From an environmental policy point of view, it is crucial that GPP aims for environmental standards beyond just the technology of the polluting firms and that it is designed with reference to defined environmental objectives.

In **Paper [II]**, we use data on Swedish public procurement auctions for internal regular cleaning service contracts to provide novel empirical evidence regarding GPP and its effect on the potential suppliers' decision to submit a bid and their probability of being qualified for supplier selection. We find only a weak effect on supplier behavior, and this suggests that GPP, as used in practice, does not live up to its political expectations. However, several environmental criteria appear to be associated with increased complexity, as indicated by the reduced probability of a bid being qualified in the post-qualification process. As such, GPP appears to have limited or no potential to function as an environmental policy instrument.

In **Paper [III]**, I examine how GPP is organized in Sweden and how the potential suppliers respond to varying buyer market shares using data on Swedish public procurement auctions for internal regular cleaning service contracts. The level of GPP stringency is found to vary systematically across authority types, buyer market share, and political coalition in the relevant council or in Parliament. The results also indicate quite a substantial dispersion in GPP stringency, suggesting a low degree of coordination among contracting authorities when implementing the policy. After controlling for GPP stringency and other covariates, increased buyer market share is associated with a significant increase in the probability of potential suppliers submitting a bid.

The European Commission encourages public authorities to split procurement contracts into multiple contracts in order to increase the competitiveness of small and medium sized enterprises (SMEs). In **Paper [IV]**, I use data from Swedish public procurement auctions for internal regular cleaning service contracts to study the effect of contract size and number of contracts on SME participation and probability of winning. The results indicate that SME participation is negatively related to both contract size and the number of contracts in the procurement. A possible interpretation is that reduced contract size in order to stimulate SME participation is counteracted by reduced incentives for them to enter into procurements with multiple contracts. Medium-sized firms are also more successful when bidding for smaller contracts relative to large firms. Nevertheless, the results indicate that the award rate for SMEs is positively correlated with the number of contracts in the procurement.

**Keywords**

Public Procurement Auction, Environmental Policy, Regulation, Sustainability, Competition, Compliance Cost, Endogenous Entry, Supplier Incentives, Buyer Market Share, Split Award, Small and Medium Sized Enterprises

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