

OECD Public Governance Reviews

# Strategic Public Procurement and Professionalisation Initiatives in Estonia

Diagnostic Report



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OECD Public Governance Reviews

# **Strategic Public Procurement and Professionalisation Initiatives in Estonia**

**DIAGNOSTIC REPORT**

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**Please cite this publication as:**

OECD (2025), *Strategic Public Procurement and Professionalisation Initiatives in Estonia: Diagnostic Report*, OECD Public Governance Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/56e03f80-en>.

ISBN 978-92-64-82580-2 (print)

ISBN 978-92-64-66143-1 (PDF)

ISBN 978-92-64-79764-2 (HTML)

OECD Public Governance Reviews

ISSN 2219-0406 (print)

ISSN 2219-0414 (online)

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# Foreword

Given growing expectations for public service delivery, and sustainable development, under increasingly tight fiscal conditions, public procurement has emerged as a critical policy lever for governments. The OECD 2015 Recommendation on Public Procurement calls upon countries to take a balanced approach to the use of procurement to achieve economy, efficiency, and strategic policy objectives. The European Union also encourages Member States to use procurement to help achieve policy priorities outlined in strategic documents and policy frameworks. For example, the 2024 European Commission report *The future of European competitiveness* highlights the need for leveraging strategic procurement to reinforce EU's market power regarding decarbonation and competitiveness.

In Estonia, public procurement plays a significant role in the national economy, accounting for 15.3% of GDP and nearly 35% of government expenditure in 2023. Recognising its strategic potential, Estonia is increasingly using public procurement to support broader objectives such as tackling climate change, fostering innovation, and promoting economic growth and recovery, as presented in national strategies. To that end, Estonia has set ambitious targets for strategic procurement. By 2035, 20% of all procurement procedures — representing 30% of total public procurement spending — are expected to include green criteria, which are already mandatory for certain product categories. For socially responsible procurement, the targets are 10% of contracts by number and 20% by value by 2035. Estonia also aims for innovation procurement to account for 2% of all procurement by 2027.

To create the basis for the strategic use of public procurement, a skilled public procurement workforce is essential with expertise in various disciplines, including environmental/social science, cost-benefit evaluations, procurement regulation and legal provisions governing public contracts. In response, Estonia has partnered with the European Commission and the OECD to strengthen the capacity of its procurement professionals. This report is part of the project *"Promoting the uptake of strategic public procurement in Estonia through professionalising the public procurement workforce,"* funded by the European Union via the Technical Support Instrument and implemented by the OECD in co-operation with the Reform and Investment Task Force (SG Reform) of the European Commission.

The report assesses the current state of both the uptake of strategic public procurement and the professionalisation of the procurement workforce in Estonia from regulatory, operational, organisational, and technical perspectives. It provides tailored recommendations and practical actions to enhance the professional capacity of procurement officials and promote the uptake of strategic procurement across the public sector. Developed in close co-operation with Estonian authorities, the report supports the country's long-term goals under the Estonia 2035 strategy, the European Union's priorities on digital and green transition, and the Estonian Recovery and Resilience Plan.

# Acknowledgements

This report was prepared by the OECD Public Governance Directorate (GOV) under the leadership and oversight of Elsa Pilichowski, Director, János Bertók, Deputy Director of GOV, and Paulo Magina, Acting Head of GOV's Infrastructure and Public Procurement (IPP) Division. It was co-ordinated and drafted by Masayuki Omote and Costanza Caputi, Policy Analysts in IPP, with the support of Erika Bozzay, Acting Deputy Head of IPP. Sandra Jugo, Sára Kende and Risa Terada also contributed to this report. Dovile Bogusyte provided editorial assistance.

The report was funded by the European Union via the Technical Support Instrument, and implemented by the OECD, in co-operation with the Reform and Investment Task Force (SG Reform) of the European Commission. The OECD expresses its gratitude to the European Commission for their support for this project, particularly Mr. Kjartan Björnsson, Head of Unit, Governance and Public Administration, Ms Alexandra Papatheodorou and Ms. Aleksandra Marchewka Dias Chiapetta, Policy Officers and co-ordinators of the project in SG Reform.

This report would not have been possible without the support of the Ministry of Finance of Estonia. The team is particularly grateful to the Ministry staff for their assistance in collecting data and information, organising fact-finding missions for the OECD team in Tallinn, and providing feedback throughout the development of the report. The OECD particularly expresses its gratitude to Ms. Estella Pöllu, Ms. Maarika Tork, Mr. Tarmo Porgand, Ms. Karin Sehver, and Ms. Karolis Nilus from the Ministry of Finance.

Engagement and consultation with key stakeholders were critical for the successful completion of this report. In particular, the OECD would like to thank the Ministry of Climate, the Ministry of Economic Affairs and Communications, the Ministry of Social Affairs, and the State Shared Service Centre for their support during the development of the report. The team would also like to thank all contracting authorities, economic operators and other stakeholders who provided key insights into the Estonian public procurement system.

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# Executive summary

Public procurement accounted for 15.3% of GDP and 34.9% of total general government expenditures in Estonia in 2023. Although public procurement is widely recognised in Estonia as a strategic tool to support the green and digital transitions and social sustainability, the uptake of strategic public procurement remains limited.

This diagnostic report provides a comprehensive analysis of the use of strategic public procurement and public procurement professionalisation initiatives in Estonia.

## Key findings and recommendations

### ***Legal and regulatory enablers***

- While Estonia's legal framework for public procurement allows for the strategic use of public procurement, a lack of legal clarity remains a barrier. Estonia could ensure that contracting authorities have full confidence in what is legally permissible in terms of strategic procurement. In addition, Estonia could provide contracting authorities with further practical guidance on provisions that enable strategic public procurement (e.g. prior market consultations, implementation of selection and award criteria, etc.) to alleviate legal uncertainties.
- Some public procurement officials see the lack of long-term budget visibility as hampering the use of strategic procurement, particularly innovation procurement and the use of life-cycle costing (LCC). Estonia could consider providing increased budget visibility to facilitate the use of strategic procurement.

### ***Monitoring implementation and compliance***

- Estonia is well advanced in monitoring the strategic use of public procurement, but there is room for improvement in obtaining more accurate data. The monitoring of strategic procurement may be limited by the current e-procurement system, which implemented e-forms in the summer of 2024, where the public buyers need to indicate the strategic aspect of the public procurement process manually. There is thus a risk of undercounting, as some buyers may not label some procurement procedures as strategic (i.e. green, social or innovative) in the system. Estonia could enhance the monitoring system of strategic procurement by:
  - improving the definitions of green public procurement (GPP), socially responsible public procurement (SRPP) and innovation procurement and clearly communicating them to contracting authorities to ensure accurate measurement of strategic public procurement.
  - developing tools or standard templates to help procurers automate the monitoring the implementation of strategic procurement; and
  - measuring the impacts of strategic public procurement, for example, through regular surveys to assess the performance of strategic procurement.

- The lack of compliance with mandatory GPP criteria remains a challenge in Estonia. Estonia could improve the monitoring of compliance with the existing GPP criteria and set up ways to address lack of compliance by:
  - increasing transparency around compliance, such as benchmarking, identifying frontrunners, and ‘naming and shaming’.
  - introducing incentives to go beyond the mandatory requirements.

### ***Raising awareness and ensuring buy-in***

- Although most contracting authorities (88%) are aware of the Public Procurement Strategic Principles adopted by the Government in 2023, lower levels of awareness were observed in the private sector. Estonia could raise awareness of the Strategic Principles, particularly in the private sector.
- The buy-in for strategic public procurement amongst senior leaders of Estonian public entities is highly mixed and the notion that strategic procurement could lead to higher purchasing prices is still prevalent. Estonia could raise awareness among leaders and practitioners of the benefits of strategic public procurement, notably highlighting how it can be used to support existing government policies (including national security) by:
  - developing case studies in partnership with universities and research institutions to demonstrate the added value of green procurement, such as increasing Estonia’s competitiveness in green industries, and comparing the cost of green procurement versus non-green procurement, etc. and
  - sharing success stories based on good practices.
- Estonian businesses are generally willing to participate in strategic public procurement procedures and have an overall positive view of the attractiveness of public procurement markets. However, businesses, especially small and medium-sized enterprises (SMEs), face many barriers to participation in strategic public procurement, particularly during tender preparation. Estonia could obtain more buy-in from the private sector by:
  - improving contracting authorities’ practices regarding the use of most economically advantageous tender (MEAT) criteria, market engagement, ensuring sufficient time for bid preparation, and time taken to evaluate bids.
  - introducing sector dialogues, taking inspiration from evolutions in the information and communications technology (ICT) industry, to focus on quality in tender development.

### ***Professionalisation***

- Estonia does not have a stand-alone policy to professionalise the public procurement workforce but recognises the relevance of doing so. Estonia could consider developing a stand-alone public procurement professionalisation strategy, including actions such as establishing a certification framework, introducing incentive mechanisms and collaborating with knowledge centres.
- Estonia developed a competency model for the public procurement workforce, but no typical job profiles related to public procurement have been specified. To reap the full benefits of the competency model, Estonia could consider specifying typical job profiles related to public procurement and match them with the required proficiency levels of each competence in the model.

### ***Capability building***

- Estonia could consider designing tailored capacity-building initiatives for the identified top-priority competences such as innovation procurement, socially responsible public procurement, risk

management, green public procurement and market consultation. In particular, Estonia could consider developing training programmes for topics that:

- are currently unavailable (e.g. market consultation, needs assessment, procurement strategy, contract management) or;
- need updating (e.g. more comprehensive coverage of LCC for GPP, actual cases for socially responsible public procurement and innovation procurement)
- When publishing the competency model, a portal or document should be created to ensure the training and materials for each competence are freely and easily available.
- While Estonia has collaborative programmes with knowledge centres in the context of academic theses and occasional internship opportunities, there is great potential to enhance collaboration. Estonia could further promote collaborative approaches with knowledge centres such as developing procurement courses and degree programmes.

# 1

# Using public procurement as a strategic policy tool

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This chapter presents strategic public procurement as a policy tool and locates it in the context of the 2014 EU Directives on public procurement and the 2015 OECD Recommendation on Public Procurement. The chapter also discusses the frequency and magnitude of strategic public procurement use in Estonia.

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## 1.1. The importance of strategic public procurement

Accounting for 12.9% of GPD in the OECD in 2021, public procurement provides governments with a powerful lever to achieve policy goals, such as economic, environmental and social progress, if used strategically (OECD, 2023<sup>[1]</sup>). The 2015 OECD Recommendation on Public Procurement provides a comprehensive framework for the strategic use of public procurement, as highlighted in particular by the principle of 'Balance'. (OECD, 2015<sup>[2]</sup>)

### Box 1.1. Principle of Balance, OECD 2015 Recommendation on Public Procurement

- i) Evaluate the use of public procurement as one method of pursuing secondary policy objectives in accordance with clear national priorities, balancing the potential benefits against the need to achieve value for money. Both the capacity of the procurement workforce to support secondary policy objectives and the burden associated with monitoring progress in promoting such objectives should be considered.
- ii) Develop an appropriate strategy for the integration of secondary policy objectives in public procurement systems. For secondary policy objectives that will be supported by public procurement, appropriate planning, baseline analysis, risk assessment and target outcomes should be established as the basis for the development of action plans or guidelines for implementation.
- iii) Employ appropriate impact assessment methodology to measure the effectiveness of procurement in achieving secondary policy objectives. The results of any use of the public procurement system to support secondary policy objectives should be measured according to appropriate milestones to provide policy makers with necessary information regarding the benefits and costs of such use. Effectiveness should be measured both at the level of individual procurements, and against policy objective target outcomes. Additionally, the aggregate effect of pursuing secondary policy objectives on the public procurement system should be periodically assessed to address potential objective overload.

Source: (OECD, 2015<sup>[2]</sup>)

Typically, strategic public procurement is used to support green objectives (green public procurement), social inclusion and responsible business conduct (socially responsible public procurement) or innovation (innovation procurement), though other specific policy objectives may be pursued, too (e.g. circularity). Specifically, public procurement can be used to purchase goods and services with a reduced environmental impact, thereby contributing to green objectives. Furthermore, public procurement can also contribute to social responsibility and deliver social outcomes. Public buyers can for instance promote employment opportunities, decent work, social inclusion, accessibility, design for all, ethical trade, and seek to achieve wider compliance with social standards. For some goods, works and services, the impact can be particularly significant, as public buyers command a large share of the market in sectors such as construction, healthcare, and transport. Public procurement also offers an enormous potential to stimulate innovative products and services. It can help governments boost innovation at both the national and local level and ultimately improve productivity and inclusiveness.

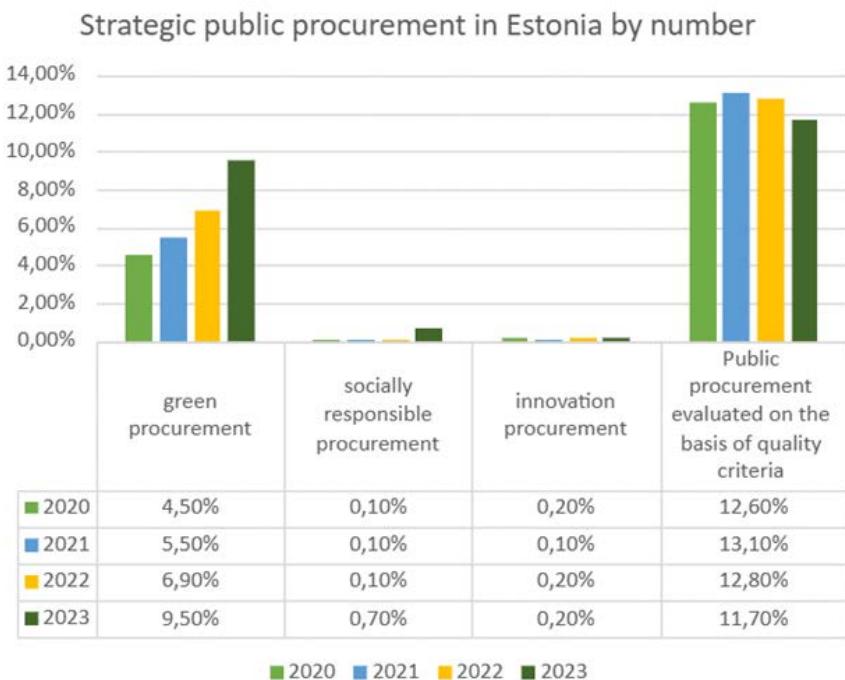
The legal framework established by Directive 2014/24/EU empowers Member State governments to utilise their 'purchasing power' to advance strategic policy goals, such as social, environmental, and innovation objectives when procuring goods, services, and works. The Directive sets out that contracting authorities shall award public contracts to the most economically advantageous tender, and may use qualitative criteria, such as social, environmental and innovative characteristics to determine what is most advantageous. In addition, the 2017 Commission Communication "Making public procurement work in and

for Europe", clearly specified "Ensuring wider uptake of strategic public procurement" as one of the six priority areas to transform public procurement into a powerful instrument, together with other five priorities: professionalising public buyers, improving access to procurement markets, increasing transparency, integrity and better data, boosting the digital transformation of procurement and cooperating to procure together. (European Commission, 2017<sup>[3]</sup>) Thus, the European Union aims at achieving its priorities on digital and green transitions (the twin green & digital transition, the EU). Furthermore, the EU supports Member States to implement strategic public procurement policies by providing guidance and best practice sharing frameworks on including strategic criteria in public tenders.

## 1.2. Strategic public procurement in Estonia

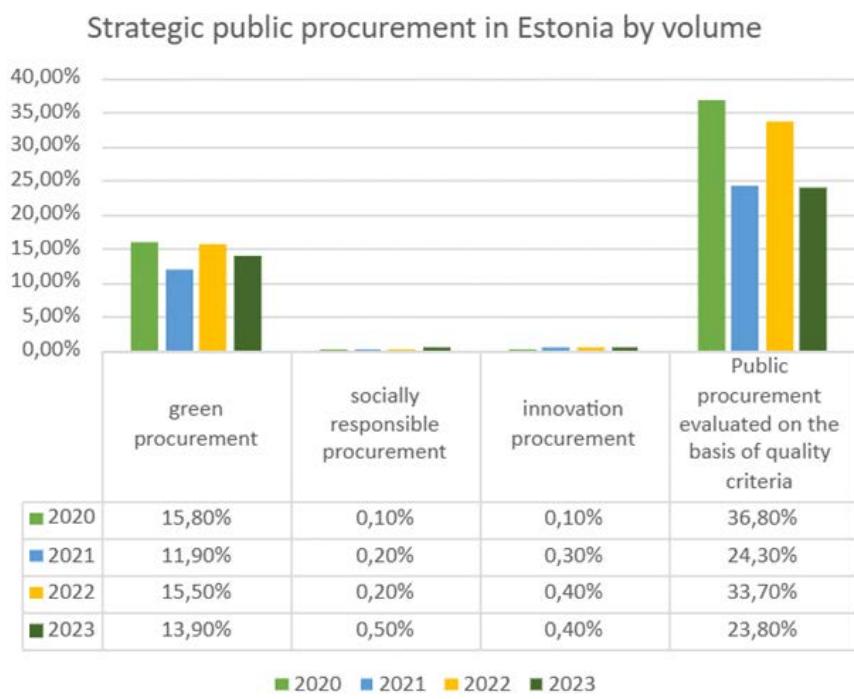
In Estonia, public procurement accounted for 15.3% as a share of GDP and 34.9% as a percentage of total general government expenditures in 2023 (OECD, 2025<sup>[4]</sup>). Estonia widely recognises public procurement as a strategic tool to support the green and digital transition and to contribute to social sustainability. However, the uptake of strategic public procurement is still limited in the country: in 2023, 9.5% of the total procurement (by number of procedures) was considered as green public procurement, 0.7% as socially responsible procurement, and 0.2% as innovation procurement (Ministry of Finance, 2024<sup>[5]</sup>).

**Figure 1.1. Strategic public procurement by number of public procurement procedures**



Source: Ministry of Finance, 2024

**Figure 1.2. Strategic public procurement by volume**



Source: Ministry of Finance, 2024

The data shows that there is potential to improve the strategic use of public procurement in Estonia. The strategic use of public procurement, however, requires skilled public procurement workforce and capable institutions, alongside with other enablers. In this regard, in 2019, Estonia piloted the testing of the European competency framework for public procurement professionals (ProcurComp<sup>EU</sup>). The pilot confirmed the need for further work on the professionalisation of the procurement function and for developing capability-building mechanisms to facilitate the uptake of strategic public procurement.

The present diagnostic report provides a comprehensive analysis of i) the use of strategic public procurement in Estonia, and ii) public procurement professionalisation initiatives. It takes stock of the current landscape of strategic public procurement and professionalisation in Estonia to provide the Government of Estonia with recommendations on further actions. The report is organised as follows: Chapter 2 analyses the use of strategic public procurement by applying an analytical framework that takes into account the enabling environment for such procurement to occur. Chapter 3 discusses the actual practices of strategic use of public procurement in Estonia, based on the OECD survey carried out to grasp the perceptions of public procurement officials in Estonia on strategic public procurement. Chapter 4 analyses the current state of play of professionalisation initiatives in Estonia. Lastly, Chapter 5 wraps up the analysis by presenting the action plan for the way forward for enhancing strategic public procurement and professionalisation.

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# 2

## Enabling elements for strategic public procurement

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This chapter comprehensively reviews Estonia's enabling environment for strategic public procurement. The elements of the enabling framework include the regulatory and institutional framework, strategy, market readiness, buy-in from stakeholders, capability-building activities, monitoring and risk management system. Surveys were conducted with contracting authorities, institutional leaders and suppliers regarding their perceptions and experiences with strategic public procurement. Each of the elements of the enabling environment is analysed in turn with a gap analysis methodology, and supporting data is presented from the surveys.

---

The implementation of strategic public procurement requires a comprehensive enabling environment. While certain aspects are necessary preconditions (i.e. the legal framework needs to allow certain provision for strategic public procurement to happen), other elements need to be in place, too. This includes whether a strategy supporting strategic public procurement is in place, whether institutions are supportive of strategic procurement practices, to what extent the market is ready to deliver goods that are green, socially sustainable or innovative, among others. The capacity of procurement practitioners is another critical factor for the success of strategic public procurement, since public buyers need a broad range of skills to deal with the increased demands that strategic public procurement may pose.

To gather an in-depth understanding of Estonia's enabling environment for strategic public procurement, this report uses the following analytical framework to gather a full picture of relevant dimensions. With an enabling environment in place, governments can take advantage of the potential of public procurement as a strategic governance tool. In contrast, gaps in the enabling framework may make it difficult to implement strategic public procurement effectively. (See Annex A for more details on the analytical framework)

**Figure 2.1. Enabling elements of strategic public procurement**



Source: Author's elaboration

Specifically, the analytical framework covers the following dimensions that are critical to the uptake of strategic public procurement:

- **Regulatory Framework:** Examines the legal rules and regulations governing public procurement, creating an overview of how national rules are supportive of strategic public procurement.
- **Institutional Framework:** Assesses the organisational structures involved in Estonian public procurement, including responsibilities with respect to strategic public procurement.
- **Strategy:** Evaluates the overarching goals and objectives guiding public procurement activities, aligning them with broader policy objectives.
- **Buy-in from stakeholders:** Measures the level of support and commitment from stakeholders, including government agencies, suppliers, and the citizens.
- **Market Readiness:** Analyses the readiness of suppliers to meet the demands of strategic procurement objectives, including their capacity and willingness to participate.

- **Capacity-building System:** Reviews the mechanisms in place to enhance the skills and capabilities of procurement professionals and stakeholders.
- **Monitoring System and Risk Management:**
  - Assesses the effectiveness of systems for tracking and evaluating procurement performance, ensuring accountability and transparency; and
  - Identifies and mitigates potential risks associated with strategic procurement activities, safeguarding against adverse outcomes.

In the following section, each dimension is analysed. A gap analysis is provided for each dimension to recommend steps to take to improve the strategic use of public procurement. These dimensions are analysed to provide a comprehensive understanding of the strengths, weaknesses, opportunities, and threats in the strategic use of public procurement, informing policy decisions and driving improvements in the procurement process.

The analysis relies on publicly available documentation, in-person consultations with stakeholders (policymakers, contracting authorities, economic operators, audit authorities) as well as survey data. Specifically, three surveys were conducted to substantiate the analysis:

- **Survey of contracting authorities:** 143 procurement officials replied to a survey about their attitudes towards strategic public procurement. The survey was conducted as part of the ProcurComp<sup>EU</sup> self-assessment.
- **Survey of business representatives:** 330 businesses responded to a survey about attitudes and practices around strategic public procurement from the supplier perspective.
- **Survey of institutional leaders:** 46 top managers with Estonia's public sector responded to a brief survey about their awareness of strategic public procurement.

## 2.1. Assessment of Estonia's enabling environment

### 2.1.1. Regulatory framework

#### *General public procurement legal framework*

The field of public procurement in Estonia is regulated by the Public Procurement Act and supplemented by regulations of the Government of Estonia. The Ministry of Finance is the responsible institution for public procurement policy, drafting the law, and providing supervision and consulting. Estonia, as a member of the European Union, is obliged to follow the EU's policy and legal framework relevant to public procurement.

The Public Procurement Act of Estonia, passed in June 2017, provides the rules of public procurement, the rights and obligations of persons involved in public procurement, the rules of exercising state supervision and administrative supervision, review procedure, and the liability for violation of this Act. The Act was amended several times until 2024.

To create a level playing field for businesses across Europe, EU Directives<sup>1</sup> set out minimum harmonised public procurement rules. These rules govern the way public authorities and certain public utility operators purchase goods, works and services. They are transposed into national legislation and apply to tenders whose monetary value exceeds a certain amount.

Rules of public procurement in Estonia are broadly divided into three degrees of complexity that depend on the value of the procurement. For tenders of lower value, only national rules apply. Nevertheless, these national rules also have to respect the general principles of EU law.

Overall, the legal framework appears sufficiently clear to stakeholders considering the relatively low numbers of procurement challenges (remedies). Specifically, in 2022, there were a low number of public procurement disputes. While it is common for 1.8% to 2% of public procurement in Estonia to be challenged, only 1.79% of public procurement was challenged in 2023, i.e. 161 of the 8,975 public procurement procedures launched. The low number of disputes may indicate that the legal framework is clear and understandable. However, it is the large public procurement contracts that are more contested. The share of contested public procurement has been the highest in 2020, when 2.7% of public procurement was contested (Ministry of Finance, 2024<sup>[1]</sup>).

### *Provisions supporting strategic public procurement*

Given that Estonia complies with the respective EU Directives, it has introduced the main provisions that enable strategic public procurement as part of its legal framework. Table 2.1 provides an overview of these provisions.

**Table 2.1. Provisions related to strategic public procurement**

| <b>Theme</b>       | <b>Specific legal provisions relevant for strategic public procurement</b>  |
|--------------------|---|
| PPA purpose        | § 2 (2) Social considerations, implementation of innovation and of eco-friendly solutions are taken into account when planning and carrying out public procurement.   |
| General principles | § 3 (5) the authority or entity uses funds economically and expediently, awards the public contract based on the best price-quality ratio, and carries out the public procurement within a reasonable time.   |
| Exclusion criteria | § 95 (1)<br>2) convicted of enabling an alien who is unlawfully staying in Estonia to work here or of enabling a breach of the conditions for an alien's employment in Estonia, including of payment of a salary below the statutory rate;<br>3) convicted of illegal use of child labour or of an act related to the trafficking of human beings<br>§ 95 (4)<br>2) Breach of environmental, social or labour law duties arising from law or from a collective agreement ( <i>optional exclusion ground</i> )   |
| Selection criteria | § 101. Technical and professional ability<br>(1) In order to verify where the technical and professional ability of the tenderer or candidate meets the selection criteria, the contracting authority or entity may require submission of the following information and documents, depending on the nature, quantity and manner of use of the supplies, services or works purchased under the public contract:<br>[...]<br>5) information on the supply chain management and tracking systems that the tenderer or candidate will be able to apply when performing the contract;<br>7) environmental management measures to be applied when performing the public contract  |
| Award criteria     | § 85. Establishment of award criteria<br>(3) When identifying the most economically advantageous tender, the contracting authority or entity takes into account the best price-quality ratio that includes qualitative, ecofriendliness or social criteria in accordance with subsection 8 of this section, the tender price or cost, including costs that are likely to be incurred in performing the public contract and life cycle costs in accordance with § 86 of this Act.<br>(5) In an innovation partnership and in a competitive dialogue, the contracting authority or entity takes into account only the best price-quality ratio when identifying the economically most advantageous tender.<br>(6) Where software solutions are being purchased, the contracting authority or entity, when identifying the most economically advantageous tender, takes into account life cycle costs in accordance with § 86 of this Act in addition to the tender price or states the reasons for disregarding such costs in the procurement documents.<br>(7) The contracting authority or entity may determine the price or cost of the public contract in the procurement documents and assess tenders solely based on qualitative, ecofriendliness or social criteria.<br>(8) The qualitative, ecofriendliness or social criteria may be, above all, the following:<br>1) quality, including the technical merit, aesthetic, functional, environmental, social and innovative characteristics, accessibility, and trading conditions;<br>2) specific and proven organisation, qualification or experience of persons directly involved in performing |

|                            |   |
|----------------------------|---|
|                            | <p>the public contract, where the quality of performance of the public contract directly depends on it;</p> <p>3) after-sales service and technical assistance, as well as terms and conditions for delivery and installation.</p> <p>§ 86. Life-cycle costing</p> <p>(1) 'Life cycle' means all consecutive or interlinked stages of provision of supplies, services or works, including research and development to be carried out, production, trading and its conditions, transport, use and maintenance, from raw material acquisition or generation of resources to disposal, clearance and end of service or utilisation.</p> <p>(2) When performing life-cycle costing, the contracting authority or entity takes in part or in full into account the following:</p> <ol style="list-style-type: none"> <li>1) costs, borne by the authority or entity or by third parties, such as costs relating to acquisition, costs of use, maintenance costs, end-of-life costs;</li> <li>2) cost imputed to environmental externalities, provided their monetary value can be determined and verified.</li> <li>(3) The contracting authority or entity indicates in the procurement documents the method which the authority or entity uses to determine the life-cycle costs and the documents to be submitted by the tenderer for determining the costs.</li> <li>(4) The method used for the assessment of costs imputed to environmental externalities must be publicly available and be based on verifiable and non-discriminatory criteria that do not restrict competition. The data and documents required for determining the costs can be provided with reasonable effort by normally diligent tenderer.</li> </ol> |
| Technical specification    | <p>§ 87 (2) The list of requirements applicable to supplies or services may include, among other things, the following:</p> <ol style="list-style-type: none"> <li>1) ecofriendliness criteria;</li> <li>(4) Requirements for works may include, among other things, the following:</li> <li>1) ecofriendliness criteria and structural requirements, including accessibility for disabled persons;</li> </ol>  |
| Functional specifications  | <p>§ 88. Issue of technical specifications</p> <p>(1) Where there is no technical regulation in the respective field, the contracting authority or entity issues technical specifications as a description of the characteristics of use or as functional requirements for the subject matter of the public contract, which may include ecofriendliness requirements and must be sufficiently precise so that the tenderer could identify the subject matter of the public contract and the contract could be awarded, or using the method mentioned in subsection 2 of this section or by combining the two.</p>   |
| Eco-labels/social criteria | <p>§ 89 (2) Where the technical specifications are based, among other things, on ecofriendliness, social or other special characteristics, the contracting authority or entity may require a specific label as means of proof that the supplies, services or works correspond to the required characteristics, provided that:</p> <ol style="list-style-type: none"> <li>1) the label requirements only concern criteria which are linked to the subject matter of the public contract and are appropriate to define characteristics of the supplies, services or works;</li> <li>2) the label requirements are based on objectively verifiable and non-discriminatory criteria;</li> <li>3) the label is established in a procedure in which all interested parties and organisations may participate;</li> <li>4) application for a licence to use the label is publicly accessible to all interested parties;</li> <li>5) the label requirements have been set by a party over which the economic operator applying for the label cannot exercise a decisive influence.</li> </ol>   |
| Prior market consultations | <p>§ 10. Market consultation and prior involvement of economic operator in preparation of public procurement</p>  |

Source: (Parliament of Estonia, 2017[2])

In addition to provisions above that are necessary legal preconditions for implementing strategic public procurement, Estonia has introduced additional rules that promote strategic public procurement.

Green Public Procurement has been mandatory at the national level for some products groups. Indeed, the Regulation no. 35 of the Minister of the Environment, in force from 1<sup>st</sup> January 2022, specifies four product groups where contracting authorities must include environmental criteria. The product groups for which national GPP criteria have been developed are furniture, computers and monitors, coping and graphic paper and cleaning products and services. Regulation no. 6 adopted on 16th February 2023 sets out environmental public procurement criteria for road vehicles. For other product groups, such as road lighting and traffic signals, toilets and urinals, sanitary tapware, imaging equipment, consumables, and

print services, GPP criteria are currently under development. However, when supplying all other product types, environmental criteria remain voluntary. While it is possible to integrate environmental considerations into a tender, it is not compulsory to do so, hence the choice is made by each public entity.

The Ministry of Climate has also drafted a new Climate-resilience economy law, which touches upon public procurement (see Box 2.1)

### **Box 2.1. Draft Climate Resilient Economy Act**

The Ministry of Climate is currently developing a Climate Resilient Economy Act, which entails specific provisions related to public procurement and the public sector at large:

#### § 33. Objectives of the Public Sector

(4) By 2030, environmentally friendly public procurement shall constitute at least 25% of the total number of procurements and 40% of the total procurement volume, including the assessment of the greenhouse gas footprint of new major infrastructure projects.

#### § 38. Promotion of Greenhouse Gas Emission-Reducing Technologies

**(1) *Public sector procurements must, to the greatest extent possible, promote the development of green technologies and circular economy, including giving preference to products with low carbon footprint and high energy efficiency, and contribute to the achievement of the objectives of this Act.***

Note: This law is still at the draft stage

Source: Ministry of Climate

No specific legal provisions have been introduced for innovation procurement, although a dedicated programme by the Government Office has been set up to support this policy initiative and innovation procurement is mentioned in Action 3.5 of the Research and Development, Innovation and Entrepreneurship Strategy 2021 – 2035. In addition, Estonia has set a national target of 2% for innovation procurement until 2027.

With respect to socially responsible public procurement, some specific provisions have been introduced aiming at reducing unlawful labour practices in vulnerable sectors such as the construction industry. A specific provision introduces additional mandatory exclusion grounds, which apply also for subcontractors (Box 2.2).

### **Box 2.2. Grounds for exclusion related to socially responsible conduct in Estonia's Public Procurement Act (PPA)**

Estonia's Public Procurement Act (PPA) provides for mandatory and optional grounds for exclusion from tenders. These grounds are in line with the provisions of the EU's Public Procurement Directive. Estonia's PPA also sets a mandatory exclusion criterion that goes beyond the EU Public Procurement Directive's exclusion grounds. This mandatory exclusion ground is that the contracting authority cannot award a public contract to a tenderer who has been convicted of enabling a migrant worker who is unlawfully staying in Estonia or of enabling a breach of the conditions for a migrant worker's employment in Estonia, including of payment of a salary below the statutory rate.

When compared to the EU's Public Procurement Directive, the Estonian PPA applies more stringent exclusion grounds, as the EU Directive does not name the enabling of illegal migrant workers and their below statutory rate payments as grounds for exclusion from a tender.

Furthermore, these exclusion grounds also apply to subcontractors in Estonia. In the EU's Public Procurement Directive, the verification of subcontractors against the exclusion grounds is not mandatory, hence the Estonian rules are stricter in this regard.

Source: (Parliament of Estonia, 2017<sup>[2]</sup>)

Additional provisions are aimed at avoiding low salaries and tax avoidance in works contracts and concessions. Box 2.3 details the specific measures introduced.

### **Box 2.3. Fair wages and reducing tax avoidance in works contracts and works concessions**

Estonia's Public Procurement Act (PPA) requires economic operators bidding for a works contract or works concession above EU thresholds to provide information about the average salaries paid out during a specified reference period. If average salaries paid out to employees are below 70% of the average salary paid out in the industry, the contracting authority may reject the bid as abnormally low. This measure is meant to ensure that the construction industry pays fair wages to employees and subcontractors and reduces tax avoidance.

To operationalise this provision, the Estonian Tax and Customs Board designed a dedicated certificate that economic operators must submit with their bid. The certificate can be easily obtained through a self-service environment in Estonia's e-government space. The certificate specifies the average salary paid by the tenderer and the average salary of each subcontractor named in the tender during the reference period (6 months prior to contract award). Foreign suppliers are allowed to present equivalent information issued by competent authorities.

Estonia's Public Procurement Act specifies that any subcontractors mentioned in the tender are required to undergo these procedures. This is more stringent than the EU's Public Procurement Directive, which leaves the transparency measures optional for subcontractors.

Presenting the certificate, as an administrative measure, in all works contracts and works concessions above the procurement threshold has proved beneficial as the Tax and Customs Board has witnessed an increase in payment of taxes as a result. The relevant clauses entered into force on 01. 01. 2018.

Source: (Parliament of Estonia, 2017<sup>[2]</sup>)

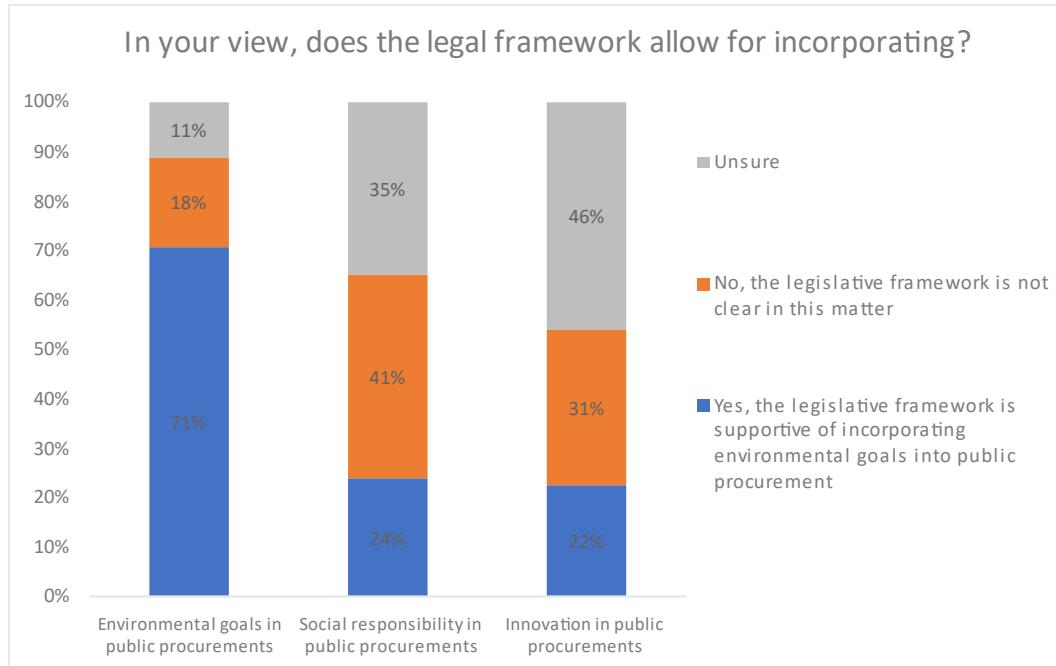
### *Gap analysis*

As outlined above, the main provisions in support of strategic public procurement are in place, following the EU Directives. In this sense, Estonia's public procurement legal framework is fully aligned with available approaches and tools for the strategic use of public procurement, and it is allowing contracting authorities to set appropriate tender criteria and technical specifications, choose proper procedures, as well as engage with the market (e.g. through prior market consultations). In addition, Estonia has made the use of certain GPP criteria mandatory and introduced a scheme to support innovation procurement.

Despite these developments, lack of legal clarity is considered a barrier to strategic public procurement for contracting authorities surveyed under this project. Limited legal clarity is considered the greatest challenge for socially responsible public procurement and innovation procurement, with 57% and 26%,

respectively. The lack of legal clarity does not appear to affect GPP as strongly (11% of respondents mentioned it as biggest challenge). Stakeholders are also not fully confident in their ability to engage with the market as part of the preparatory phase of the procurement. This is a critical step in any kind of public procurement, but especially for tenders with strategic criteria as contracting authorities need to understand which criteria can be realistically met by the market. It is important for contracting authorities to have full confidence in what the law does or does not allow them to do in this matter (beyond having awareness of the importance of the role of the preparatory stages of public procurement).

**Figure 2.2. Perception of the suitability of the legal framework for strategic public procurement**



Source: OECD (2024) Survey of contracting authorities

Whilst legal clarity is less of an issue with GPP, lack of compliance with mandatory criteria still presents a challenge in Estonia. During the OECD fact-finding mission, stakeholders reported that only half of procurers use the GPP mandatory criteria. A potential explanation may be that contracting authorities do not have a clear overview of which criteria are mandatory and which are voluntary. Furthermore, applying environmental criteria introduces additional complexity for the procurement official, especially when the procurement value is low, and since knowledge and experience is limited (Kaidi Kaaret, Evelin Piirsalu and Magdalena Machlowska, 2022<sup>[3]</sup>). The biggest compliance gaps might occur in small municipalities, partly due to lack of awareness of the new regulation, but also partly due to limited manpower. In fact, these contracting authorities have faced the greatest challenges and may benefit from collaboration formats to implement GPP rules. Municipalities typically also prefer to conduct procurement on their own, rather than going through a CPB, which typically has more capacity/know-how. As such, providing practical guidance to contracting authorities on provisions that enable strategic public procurement (e.g. prior market consultations, implementation of selection and award criteria, etc.) could help alleviate some legal uncertainties.

At the same time, there do not seem to be any consequences for failing to introduce mandatory GPP criteria, which may provide an incentive to contracting authorities to keep the *status quo*. Investigating lack of compliance with GPP criteria could help change the practices of some contracting authorities, including transparency about failure to comply (benchmarking, identifying frontrunners). This should be implemented

in conjunction with other, more positive actions such as introducing incentives to do more than what is mandatory with the goal of a long-term improved monitoring of compliance.

Additional difficulties related to the regulatory framework affect strategic procurement, although the difficulties pertain more to the budget cycle rather than the procurement framework itself. Namely, strict budget rules pose a barrier to risk-taking and innovation in public procurement in Estonia. If only price-based tenders are prioritised, there is little space for innovation. Similar concerns apply for GPP and the use of life-cycle costing. The lack of long-term budget visibility does pose a hurdle to decision-makers for committing bigger budgets to procurement with a strategic impact (see section on Buy-in from stakeholders). Dedicated funds for innovation procurement are meant to offer a solution to this challenge, but still prove difficult to gain traction. Furthermore, controls performed on procurement funded by EU funds may increase the risk-aversion of procurement officers when it comes to strategic procurement. Providing increased budget visibility for certain types of public procurements if strategic public procurement is envisaged could be beneficial.

### **2.1.2. Institutional framework**

#### *Description*

The Estonian institutional framework in support of strategic public procurement is composed of several policy-making bodies, implementing agencies (CPBs), and oversight authorities. In fact, the overall mandate for procurement policymaking belongs to the **Ministry of Finance of Estonia** (MoF) with the State Ownership Policy and Public Procurement Department. The Ministry of Finance is responsible for state supervision (supervision of compliance with the public procurement act), drafting procurement related regulations, providing guidance and advice, as well as taking care of procurement professionalisation. It also promotes the overall public procurement strategy of the country in cooperation with relevant line ministries and other actors. Not least, it has responsibilities for organising public procurement trainings.

Line ministries have the lead on respective green, socially responsible and innovation-related procurement policies. Specifically, the **Ministry of Climate** is responsible for developing the green public procurement (GPP) of Estonia. The Ministry of Climate hosts a GPP informational website with contact information for those with questions. It also provides a handbook for Green Public Procurement. Trainings on the use of environmental criteria are held sporadically, providing advice for procurers where needed and developing and integrating green criteria into the online procurements' platform.

Responsibilities for innovation procurement are shared among the **Ministry of Economic Affairs and Communications** and the **Government Office**. Innovation procurement is part of its demand-driven innovation policy toolkit of the Ministry, which has the overall mandate to increase the competitiveness of Estonian companies. The Government Office is responsible for coordinating the preparation, implementation and amendment of the strategy "Estonia 2035" in cooperation with the Ministry of Finance. With respect to innovation procurement, the Government Office manages a budget of EUR 60 million available to contracting authorities that wish to undertake innovation procurement projects.

Socially-responsible public procurement falls under the remit of the **Ministry of Economic Affairs and Communications** since 2023, which has the overall mandate for addressing the state's social issues and ensuring equal chances to live in dignity, including compliance of labour law and standards, gender equality and equal opportunities. Previously the responsibility around socially responsible public procurement lied with the Ministry of Social Affairs.

The Estonian institutional framework for public procurement is also composed of central purchasing bodies (CPB). The **State Shared Service Centre (RTK)<sup>2</sup>** is a government agency under the administration of the Ministry of Finance with over 400 employees. In addition to offering centralised procurement, the agency offers support services utilised by most of Estonian central government units, such as state accounting

and payroll, as well financial services. Furthermore, it plays a role in administrating and grant disbursements and performs the function of Managing Authority for EU structural funds and cross-border programs. The RTK has practical experience of implementing strategic public procurement, notably it has included social criteria in approximately 10% of its tenders. These criteria were mostly related to accessibility. Procuring via the SSSC is mandatory for some governing areas and voluntary for other government entities, which can choose to outsource their procurement function to RTK (any purchases except IT). Since January 2024, the RTK is responsible for the administration of the e-procurement platform including maintaining the procurement reporting system.

The **Estonian IT Centre (RIT)** is the only mandatory central purchasing body (CPB) for the IT sector. There are additional voluntary public CPBs for other specialised areas.

Other important stakeholders in strategic public procurement include oversight bodies. In fact, limited awareness or knowledge of strategic public procurement among auditors could be a deterrent for its uptake, as contracting authorities may fear that the use of various strategic criteria may not be considered compliant with procurement regulations. In the Estonian context, **Riigikontroll** is the national audit office, and as such verifies whether public funds have been used efficiently and lawfully. Furthermore, the **Auditing Activities Oversight Council (AAOC)** is the audit authority for funds from the European Union.

Review bodies are also part of the institutional framework for public procurement and hence may play a role in reviewing cases related to strategic aspects of the procurement. In Estonia, the **Public Procurement Review Committee** is an extrajudicial body for settling disputes that carries out the review procedure set out in the Procurement Act. The main duty of the Review Committee is carrying out reviews, including requests for reviews and requests for compensation of damage according to the procedure set out in the law. A tenderer, candidate or economic operator interested in participating in public procurement may contest the actions of the contracting authority or entity by filing a respective request for review with the Review Committee if it finds that an infringement of the Public Procurement Act by the contracting authority or entity infringes its rights or adversely affects its interests.

To ensure policy alignment around strategic public procurement, a dedicated inter-ministerial group was set up in 2022. This entity brings together the Ministry of Finance, along with respective line ministries (Ministry of Climate, Ministry of Economic Affairs, State Office). Having a dedicated policy group allows for a coherent implementation of strategic public procurement.

### *Gap analysis*

Policy-making responsibilities are clearly divided among relevant actors, without duplications or overlaps in responsibilities. Coordination among the Ministry of Finance and line ministries appears to run smoothly.

From interactions with stakeholders, it can be observed that some areas of strategic public procurement are more advanced than others. In particular, RTK is considered the least “mature” area with respect to policy-making, in particular regarding the opportunities that public procurement offers to advance Estonia’s social or gender agenda. Awareness about responsible business conduct practices throughout international supply chains also appears limited both from a policy and practical perspective. On the other hand, Estonia is quite advanced with respect to monitoring the local supply chain (second or third tier subcontractors) when it comes to violations of labour laws.

#### **2.1.3. Strategy**

##### *Description*

In November 2023, the Public Procurement Strategic Principles were adopted by the Government of Estonia, which put forward the following strategic public procurement principles for public procurement in

line with ‘Estonia 2035’ strategy and the Public Procurement Act: reliable, environmentally friendly, supporting innovation, socially responsible, reducing security risks, and reasonable. An action plan was designed to promote each principle and to achieve the set goals and it was adopted in November 2024. This comprehensive plan contains 63 measures covering different areas of action such as guides, trainings, IT developments, updates to legislations etc. The measures also target different audiences such as contracting authorities, suppliers, policymakers etc. The action plan was updated to the new webpage launched by the Ministry of Finance in December 2024 to promote the use of strategic public procurement. In addition to the action plan, the webpage explains each strategic principle in detail and contains useful links for the public buyer. (Ministry of Finance of Estonia, 2024<sup>[4]</sup>)

The strategic goals of public procurement are multifaceted, aiming to ensure the transparent, practical, and economic use of funds while promoting equal treatment of all stakeholders and effective competition. Additionally, social considerations, innovation, and eco-friendly solutions are integral components in the planning and execution of public procurement. Strategic management of public procurement is also geared towards achieving economic, social, and environmental objectives, aligning with the principles of sustainable development. Furthermore, public procurement serves as a tool to support both the organisation itself and wider societal objectives, contributing to the eradication of poverty, ensuring good health and well-being, promoting gender equality, and addressing environmental concerns among other goals.

In pursuit of these goals, targets have been set to measure the performance and impact of public procurement. One such target involves the procurement of innovative solutions, with a goal of 2% of all public procurements being innovation procurements by 2025. This ambitious target reflects the focus on fostering innovation and accepting the risks that come with it. In terms of GPP targets foresee 20% uptake by number and 50% by volume by 2035. The targets set for GPP are based on expectation of implementation of currently existing GPP criteria (see Section 2.1.1). Similarly, targets for SRPP uptake by 2035 are set at 10% by number and 20% by volume.

Additionally, targets include reducing the administrative burden of public procurements on contracting authorities, measured through indicators such as time spent on open and simple procedures, and the average proportion of public procurements evaluated against quality criteria. These targets align with the broader objectives of public procurement, emphasising efficiency, innovation, and the attainment of societal and environmental benefits.

Another important aspect of Estonia’s Strategic Principles lies in the fact that it links public procurement to national security objectives. Estonia’s National Security Concept identifies the confrontation in economics, industry, and the use of technology with countries that do not share democratic values and that use economic operators aligned with their interest as their weapons.

The main responsible entity for the fulfilment of the strategy is the Ministry of Finance. Other listed responsible entities are the Ministry of the Climate, the Government Office, and the Ministry of Economic Affairs and Communications. The goal of improving public procurement is under the overall aim of development of state administration. The aim is for Estonia to be an ambitious and democratic digital state with high-quality, predictable and accessible public services in every region, guaranteeing people’s fundamental rights. The indicator for the aim is satisfaction with public services and local government services.

Contracting authorities are well aware of the Strategic Principles of Public Procurement, as shown by the survey results (See Figure 2.3).

**Figure 2.3. Awareness of Strategic Principles**



Source: OECD (2024) Survey of contracting authorities

Strategic public procurement is underpinned by additional government strategies across government, namely:

- Estonian Energy and Climate Plan for 2030
- Estonian Research and Development, Innovation and Entrepreneurship Strategy 2021 – 2035<sup>3</sup>
- Estonia's National Artificial Intelligence Strategy or Kratt Strategy for 2022–2023<sup>4</sup>

The *Estonian Energy and Climate Plan for 2030* includes Green Public Procurement (GPP) based on the requirements of the EU Energy Efficiency Directive. Specifically, it introduced the obligation for central government to renovate 3% of floor government buildings per year and to procure energy efficient products, services and buildings. Furthermore, the Estonian programme for environmental protection and uses of environmental resources for 2021–2024 includes a section dedicated to GPP. The Estonian Circular economy action plan 2023<sup>5</sup> also includes green public procurement.

The *Research and Development, Innovation and Entrepreneurship Strategy 2021–2035* sets actions to achieve its priorities. Among those actions, the first focuses on the promotion of knowledge transfer, with the goal of 'Strengthening the societal and economic impact of R&D and innovation'. As part of this objective, a specific action point is dedicated to increasing the competence and role of the state, including local authorities, in commissioning R&D and driving innovation, including through innovative public procurement (Action 3.5).

The *National Artificial Intelligence Strategy* provides an overview of the activities planned to increase the use of AI in Estonia and thereby increase the user-friendliness and accessibility of e-services and the efficiency of the state. It takes into account public procurement as part of its implementation, notably with respect to:

- The establishment of practical training courses and guides will aim to raise awareness of sustainable implementation, procurement, and project management of projects with an AI component, and thereby support the implementation, deployment, management, awareness of cybersecurity requirements, awareness of implementation, dissemination of results, and benefits. (Activity 1.4)
- Provision of advice and support for project planning and procurement preparation in the context of 'Provision ongoing support for the launch, implementation, and management of AI projects' (Activity 1.11)

### *Gap analysis*

Estonia's long-term vision for the strategic use of public procurement is a relatively recent development, given that no overarching strategy such as the 'Strategic Principles' was in place prior to 2023. Furthermore, several EU countries have in place targeted actions plans, such as for instance a National Action Plan for GPP. Nevertheless, Estonia had already strategic activities ongoing before the introduction of the Strategic Principles. For instance, Estonia had already a national target of 2% innovation procurement for 2023-2027. The Strategic Principles give overall coherence to public procurement and lay out clearly the government objectives and set targets for public procurement, as well as the links with other government policies. To this end, an action plan for strategic public procurement has also been adopted in November 2024, and close monitoring of this action plan should be undertaken to ensure that strategic targets are met.

Furthermore, Estonia could have further raised the strategic profile of GPP by including it in their Recovery and Resilience plans (RRP) as a means to green economy, as other EU countries had the opportunity to do so (Kaidi Kaaret, Evelin Piirsalu and Magdalena Machlowska, 2022<sup>[3]</sup>).

Regarding SRPP, stakeholders consider that the Strategic Principles do not currently sufficiently prioritise specific actions in the field of social policy. It is not clear to procurement practitioners which policy priorities the Ministry of Economic Affairs and Communications would like to advance through the use of socially responsible public procurement, given the wide array of goals that can be supported (e.g. long-term unemployment, vulnerable groups, gender, accessibility, etc.) In part, this may be linked with the fact that the Ministry only recently has taken over the responsibility for SRPP. To this end, the Ministry has recently decided on the prioritisation of specific SRPP objectives, and as such, clear communication on these priorities to the buyers would therefore be beneficial to increase their awareness on these policies.

A further weakness of the Strategic Principles includes limited details about the governance and implementation framework as the strategy is currently conceived. Finally, there is room for improvement on the dissemination front, in particular with the business sector. In fact, based on the OECD's survey of 330 business sector representatives, there is relatively low awareness about the strategy, as 54% of survey respondents are not aware of it, 30% are somewhat aware, and only 8% consider themselves familiar with Estonia's Strategic Principles in Public Procurement. Involvement of suppliers in the development of the strategy appears minimal according to survey respondents (0.6%). Contracting authorities, on the other hand, are broadly aware of the Strategic Principles, hence dissemination efforts could focus on the business sector.

#### **2.1.4. Buy-in from stakeholders**

##### *Description*

Buy-in for strategic public procurement is an essential element to ensure that policies are turned into reality on the ground. At every level, buy-in is necessary, i.e. it involves policy-makers ensuring a favourable policy framework, leaders within organisations supporting new practices, procurement officials with capacity and willingness to implement strategic public procurement, as well as buy-in from the market to deliver greener, socially responsible or innovative goods and services, and oversight bodies that also take ownership of these policies.

This section focuses on the views collected from institutional leaders as a key stakeholder group that are able to promote strategic public procurement within their purview. It also discusses buy-in and perception of strategic public procurement from the perspective of public procurement officials. The section "market readiness" will focus on supplier views.

Institutional leaders within the public sector play a key role in shaping how contracting authorities conduct their public procurement. They are able to decide whether or not to focus on certain strategic goals, or to invest in strategic public procurement for the organisation (e.g. additional training for staff or paying a premium for e.g. greener or innovative goods). They also bear responsibility for any additional risks (and the opportunity) that may be incurred with adopting new practices. Without support from the leadership, it is difficult to conceive of procurement officials advancing this agenda on their own. As such, it is critical that institutional leaders are convinced of the benefits of strategic public procurement for their organisation and as a government priority.

The OECD surveyed 46 institutional leaders across key government entities. In addition to the survey, it conducted one-on-one interviews with several leaders to get an in-depth understanding of their perspectives and decision-making.

Overall, Estonian institutional leaders appear familiar with the concept of strategic public procurement but have no practical experience with it (37%). In contrast, only 11% of respondents are fully familiar with the concept and have already collected experience within their organisation. Some awareness with limited practical experience was reported by 30% of respondents. No awareness was reported by 22% of respondents.

Public procurement's main function is understood to be primarily to deliver value for money for the public sector (54%) or as a necessary administrative function (28%), while only a small share of respondents views public procurement as a strategic management tool that enables the achievement of important political goals (11%). Prevention of corruption and transparency are also mentioned as important goals of public procurement.

Nevertheless, strategic public procurement appears to be gaining traction among organisations and their strategies. In fact, according to 25% of survey respondents, concrete steps are already being taken to implement strategic procurement in their organisations. In addition, while 5% of respondents have already included goals in their organisational strategies, 33% expressed interest in incorporating such objectives in their organisational strategies. On the other hand, a significant share of respondents report that strategic procurement is not part of their organisational strategy (37%).

**Figure 2.4. Strategic public procurement as part of organisational strategies**

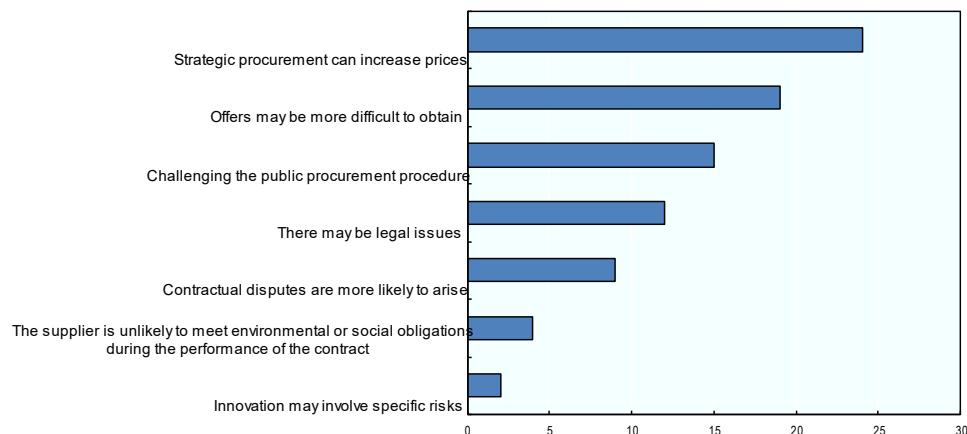


Source: Survey of institutional leaders, OECD (2024)

Importantly, higher risks are associated with strategic public procurement for more than half of respondents (59%). On the other hand, 41% do not view strategic public procurement as inherently riskier. In terms of which risks seem more relevant for strategic public procurement, institutional leaders consider potential price increases as the main factor of risk, followed by difficulty to obtain offers, and an increased risk of appeal of the procedure (Figure 2.5). In contrast, the risk of suppliers not being able to deliver environmental or social obligations during the contract is considered relatively minor.

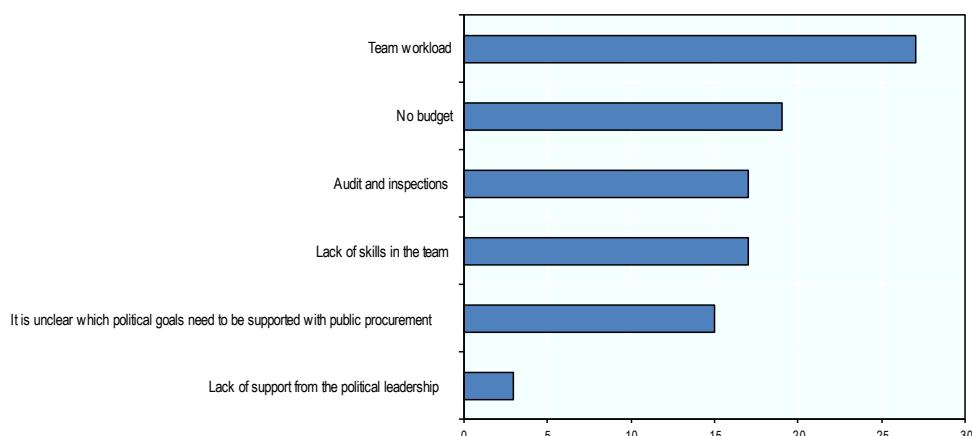
In terms of challenges for implementation of strategic public procurement, the overwhelming response is related to the workload of the team as the main factor that would impede such practice. Other significant challenges include lack of budget, fear of audits and inspections, lack of skills, as well as lack of clarity regarding which goals should be supported through public procurement (Figure 2.6).

**Figure 2.5. Risks of strategic public procurement**



Source: Survey of institutional leaders, OECD (2024)

**Figure 2.6. Main challenges to prioritising strategic public procurement**

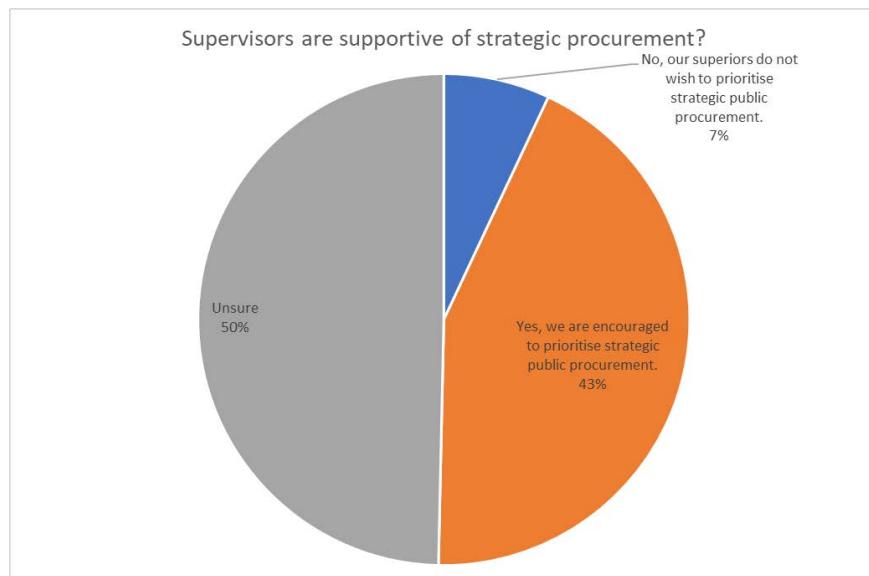


Source: Survey of institutional leaders, OECD (2024)

When asked whether citizens or civil society would be supportive of strategic public procurement practices, it appeared that only few institutional leaders had clear insights, whether negative or positive. The vast majority (61%) of respondents was unsure about the answer, whereas 22% of respondents considered that external parties would support such practices, and 17% of respondents believe external parties are not supportive of strategic public procurement.

The survey of procurement officials, on the other hand, shows a mixed picture when asked whether they believe their supervisors are supportive of public procurement practices. Namely, 43% respond that they are encouraged to carry out strategic public procurement, while only 7% state that strategic public procurement is not a priority. At the same time, 50% remain unsure, indicating a lack of clear prioritization of strategic public procurement (Figure 2.7).

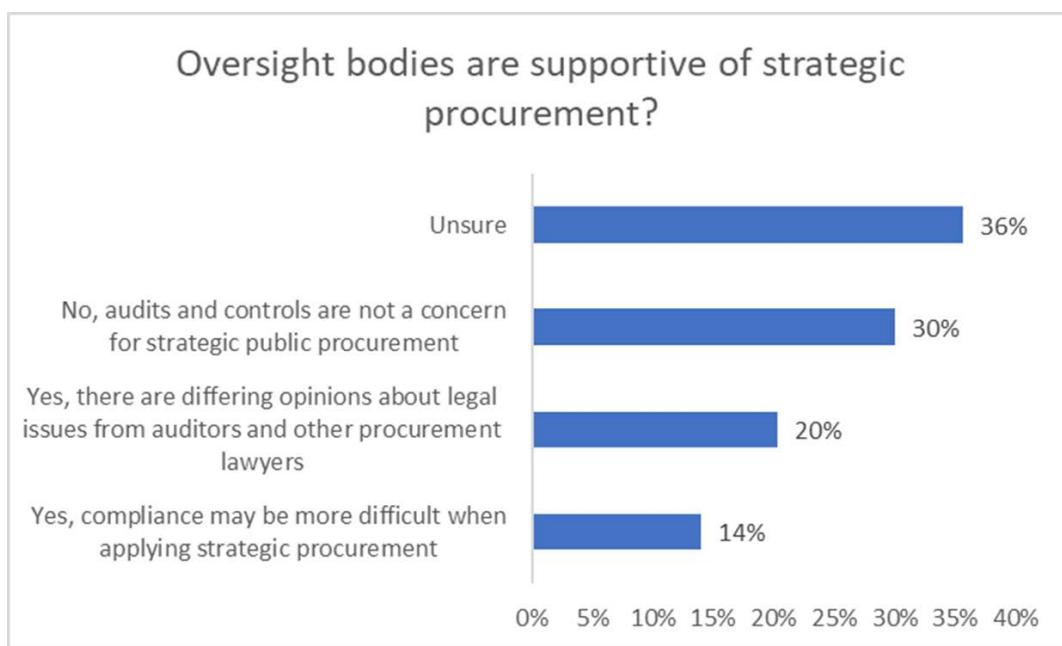
**Figure 2.7. Management support for strategic public procurement**



Source: Survey of contracting authorities, OECD (2024)

Similarly, procurement officials do not have full clarity on whether oversight bodies are supportive of strategic public procurement or not. In fact, 36% of surveyed practitioners are unsure of the answer. 20% of respondents notice different legal opinions coming from auditors versus other procurement officials, and 14% consider compliance more challenging in the case of strategic public procurement. Conversely, 30% of respondents clearly state that audits are not a concern for strategic public procurement (Figure 2.8).

**Figure 2.8. Oversight bodies' support for strategic public procurement**



Source: Survey of contracting authorities, OECD (2024)

#### *Gap analysis*

It appears that the overall picture for buy-in of strategic public procurement amongst senior leaders within the Estonian public sector is highly mixed. Certain indicators point towards support of this policy direction, while other data and observations point towards skepticism. Without the support of senior leaders, it is difficult to mainstream strategic public procurement.

The main arguments brought against strategic public procurement rest on the fact that acquisition prices may be higher with such practices. Traditional approaches, in particular using the lowest price criterion, are considered the tried-and-tested method, which is also well-known to Estonian suppliers. Several procurement practitioners also share this view. Instead, introducing strategic criteria would mean increasing the complexity of the procurement process, which is already perceived as burdensome by some. Furthermore, the benefits of strategic public procurement in support of an existing government agenda do not appear shared by all institutional leaders.

Being faced with higher prices is particularly challenging for leaders, as they are confronted with a tight fiscal environment, in which long-term budget security is not guaranteed. Furthermore, the geostrategic context, in which Estonia finds itself at present, is an additional major challenge for institutional leaders. Leaders are concerned with ensuring visibility over their supply chain in order to protect national security interests. Security concerns are often prioritised compared to sustainability-related challenges.

Some leaders view positively the impact that public procurement could have on the market for sustainable goods and services, i.e. bringing down prices and mainstreaming certain environmentally-friendly goods and services. They understand the need to be a pioneer in certain markets to make sure that over time competition increases as demand increases, and prices come down. However, the pioneering role still brings operational risks, which may not be considered acceptable to organisations in their current fiscal environment.

Specific concerns about capability are also part of the considerations of leaders when faced with the choice of embarking in new approaches vs. using the traditional ones. This includes the capacity to use more complex procurement procedures, e.g. those involving negotiation.

Therefore, it would be beneficial to increase awareness among leaders and practitioners about the benefits of strategic public procurement, notably highlighting how this tool can be used in support of existing government policies (including national security). Demonstrating the impacts of strategic public procurement is also considered important to justify potentially higher investment costs for a strategic procedure. Initiatives such as rolling out success stories based on good practices, or organising awareness campaigns for both leaders and contracting authorities can help change the risk-aversion culture regarding strategic procurement. In the Philippines, for example, conscious of the potential reluctance of certain stakeholders to consider environmental issues in public procurement, the government has developed an environmental public procurement roadmap with a list of distribution channels that can be used to raise awareness among stakeholders (see Box 2.4).

#### **Box 2.4. Dissemination channels for awareness-raising on green public procurement in the Philippines**

The Philippines GPP Roadmap recognises that “the first-time introduction of GPP is usually confronted with scepticism and various concerns. A well-designed approach that is sensitive to these sentiments and is carefully aware that issues have to be solved, is necessary.” The Roadmap outlines arguments that respond to stakeholders’ concerns: GPP is a measure of prudence; VfM is the guiding principle; suppliers’ readiness is a largely fulfilled condition; more capacity and better awareness has to be created; and verification of green supplies is no different than verification of conventional supplies.

The Roadmap sets out a list of outreach channels that can be leveraged to raise the wider public’s awareness and buy-in of GPP, including:

- Print media through press articles and media kits that convey stories and testimonials on the advantages and benefits of green purchasing for the wider public, and broadcast media through occasional broadcast plugs or press releases;
- Meetings with particular audiences or media briefings on specific themes;
- Internet promotion on relevant websites as an interactive medium to disseminate information and gather data and feedback;
- Informational materials (e.g. posters, newsletters, brochures), audio-visuals, and e-mails to reach as many stakeholders as possible.

Source: (OECD, 2024<sup>[5]</sup>)

#### **2.1.5. Market readiness**

##### *Description*

Strategic public procurement relies on the market to deliver goods, works and services with higher green, social or innovation-related performance. As such, it is essential to understand the market’s capacity when engaging in strategic public procurement. This can help tailor criteria that can be met by the market or allow the market sufficient lead time to respond to public sector demand.

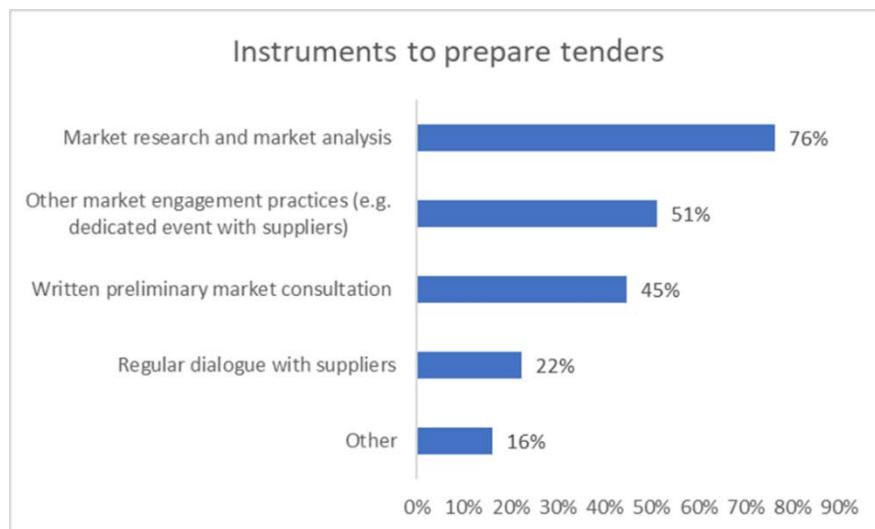
The overall health and competitiveness of procurement markets is a positive indicator also for strategic procurement practices. The EU Single Market Scoreboard provides 12 KPIs on public procurement

performance. Overall, Estonia, performed to satisfactory level in 8 out 12 indicators in 2022<sup>6</sup>. However, some important dimensions related to competition are not as strong. Namely, 32% of contracts awarded in Estonia had a single bidder. 11% of procurement procedures were negotiated with a company without any call for bids. In contrast, the mean decision-making period, i.e. the time between the deadline for receiving offers and the date the contract is awarded, amounted to 52 days, which is well below the 120 days considered satisfactory across the EU (European Commission, 2023[6]).

Several techniques can be helpful to contracting authorities for understanding market readiness during the tender preparation stage, in particular related to green, socially-responsible, or innovative procurement. Contracting authorities may engage in strategic discussions with potential suppliers to enhance market dialogue and facilitate tender implementation preparation. Formalised market dialogue procedures between contractor and supplier remains less common. Tenderers occasionally communicate within their sector through roundtables, a practice observed in the ICT field.

Specifically, surveyed contracting authorities appear to frequently make use of market research and market analysis to prepare tenders (76% of respondents). Dedicated event with suppliers and written market consultations, while less frequently, are still used by a number of contracting authorities (51% and 45%, respectively). In contrast, regular market dialogue with suppliers is only considered as a tool to prepare tenders by 22% of respondents (Figure 2.9).

**Figure 2.9. Instruments to consult with the market in preparation of a tender**



Source: Survey of contracting authorities, OECD (2024)

From the perspective of contracting authorities, lack of market readiness is considered a bigger challenge for the implementation of SRPP and GPP, compared to innovation procurement.

The supplier survey shows a healthy participation rate in public procurement, although the sample may present a strong self-selecting bias. Indeed, the survey sample may include mostly companies that already have contracted with the public sector or are interested in doing so. Nonetheless, participation trends for the past three years are fairly stable according to the surveyed 330 suppliers. Namely, on average between 2021 and 2023, 82% of respondents declare having been awarded a public procurement contract, while 12% have not participated in public procurement. 7% of companies did participate but were not able to secure a contract. The largest share of surveyed companies are micro-enterprises (44.2%), i.e. companies with an annual turnover ≤ 2 million euros, followed by small enterprises (29.2%) (annual turnover ≤ 10 million euros), medium-sized companies (14.5%) (annual turnover ≤ 50 million euros), large international

companies (6.4%) (annual turnover > 50 million euros), and finally large domestic companies (5.5%). In addition, the survey reveals that small and medium-sized enterprises are relying most heavily on the public sector for their business, with more than 40% of these companies reporting that the share of public procurement out of their turnover lies between 30% to above 50%.

In terms of participation to public procurement procedures with strategic criteria, the majority of companies report not having participated in such tenders (61.2%). Nevertheless, a sizeable group of companies have participated to tenders with strategic criteria (38.8% or 128 companies). This result shows a fairly widespread use of such criteria, and some exposure by suppliers to strategic public procurement practices. It is interesting to note that participation to strategic public procurement practices appears to favour large companies (domestic and international), whereas smaller companies and especially microenterprises are less responsive to procurements with strategic criteria (Table 2.2). When asked whether they would participate in procurement procedures with environmental, social or innovation requirements, suppliers responded overwhelmingly positively (63%). On the other hand, a third of suppliers was not sure about the answer. Overall, these results seem to suggest a cautious, but positive attitude towards strategic public procurement.

**Table 2.2. Participation to strategic public procurement**

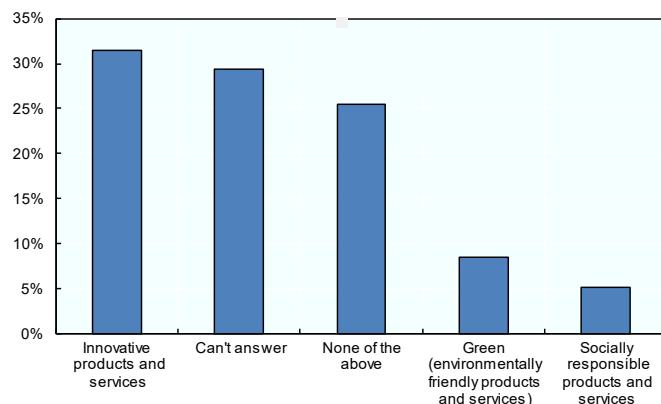
| In the last five years, have you participated in a public procurement that included strategic criteria? |            |               |
|---|------------|---------------|
| No  | 202        | 61.2%         |
| Large company (domestic) (annual turnover > 50 million euros)   | 8          | 2.4%          |
| Large company (international) (annual turnover > 50 million euros)                                      | 11         | 3.3%          |
| Medium-sized company (annual turnover = 50 million euros)   | 25         | 7.6%          |
| Micro-enterprise (annual turnover = 2 million euros)  | 99         | 30.0%         |
| Small (annual turnover = 10 million euros)  | 59         | 17.9%         |
| <b>Yes</b>  | <b>128</b> | <b>38.8%</b>  |
| Large company (domestic) (annual turnover > 50 million euros)   | 10         | 3.0%          |
| Large company (international) (annual turnover > 50 million euros)                                      | 10         | 3.0%          |
| Medium-sized company (annual turnover = 50 million euros)   | 23         | 7.0%          |
| Micro-enterprise (annual turnover = 2 million euros)  | 47         | 14.2%         |
| Small (annual turnover = 10 million euros)  | 38         | 11.5%         |
| <b>Grand Total</b>  | <b>330</b> | <b>100.0%</b> |

Source: Supplier survey (2024)

The public sector is also broadly perceived as an attractive client for businesses. In fact, 40% of respondents consider the public sector as a very attractive client, and 32% rate it as somewhat attractive. Only 8% have negative views about the attractiveness of the public sector as a client and 13% have neutral views. The bidding process is viewed as largely clear by 72% of respondents, which also implies that there is room for improvement since a third of companies believes that bidding processes lack clarity. In particular, for suppliers, the greatest lack of clarity includes technical specifications (32%), strategic criteria (18%) and evaluation of tender documents (16%). These results suggest a need for improved communication with the market.

Overall, the business sector perceives the Estonian market to have slight comparative advantage with respect to innovative goods and services compared to other strategic procurement areas, i.e. green and socially responsible products (Figure 2.10). On the other hand, many suppliers do not have views on this question, or consider that Estonia does not have any comparative advantage in these three areas.

**Figure 2.10. Comparative advantage of Estonian businesses**

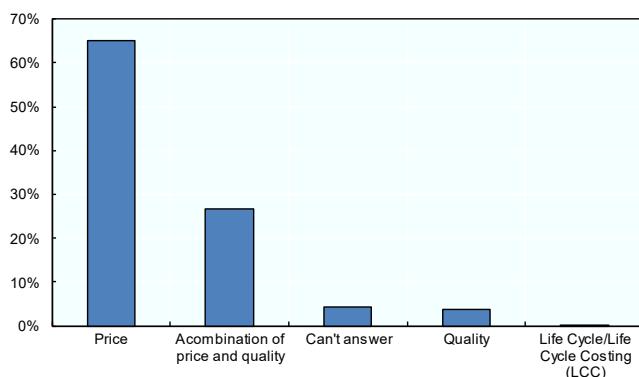


Source: Supplier survey, OECD (2024)

Similarly, suppliers view the market as more ready to deliver innovative goods and services, compared to environmentally-friendly or socially responsible products and services. Specifically, 37% considered the market somewhat advanced to deliver innovation in public procurement, while for green public procurement and socially responsible procurement this figure amounts to 27% and 24%, respectively.

Overwhelmingly, public procurement procedures are dominated by the use of the lowest price criterion, as shown by the survey results (Figure 2.11). This finding is consistent with consultations with stakeholders, both from the private sector side but also from the public sector. On the other hand, stakeholder consultations and survey responses suggest that suppliers are actually more inclined to compete on the basis of quality, while price-only criterion is seen as a deterrent for participating in public procurement.

**Figure 2.11. Rate of use of different bid evaluation methods**

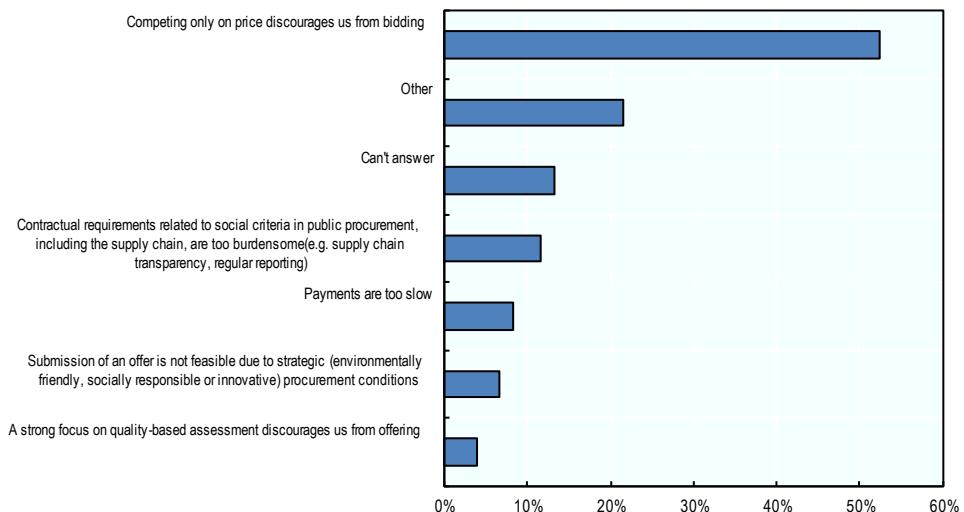


Source: Supplier survey, OECD (2024)

To this end, when asked what prevents suppliers to participate in public procurement, the supplier survey responses shows that price-only competition is a clear deterrent factor, as highlighted by 52% of respondents (Figure 2.12). Survey participants also listed many additional factors that prevent them from participating, including the perception that criteria favour certain suppliers, that selection criteria or requirements are too stringent for small companies, that time for bid preparation is short, while the time for the evaluation is lengthy. A recurring theme is also about contract conditions being overly restrictive and not aligned with the reality of the market, which in turn may lead to penalties.

For some suppliers, there was no clear answer (13%). Other important aspects preventing participation, although less prominent than other factors listed above, include contractual requirements for social public procurement (including measures addressed at the supply chain), low payments, as well as an overall lack of capacity to submit an offer that satisfies strategic criteria. A strong focus on quality may also discourage some suppliers, but it is a very minor share compared to the majority of respondents (4%).

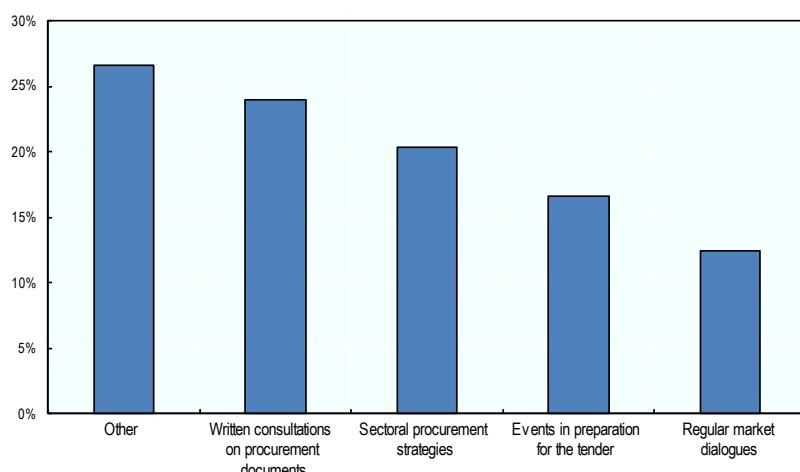
**Figure 2.12. Factors preventing participation in public procurement**



Source: Supplier survey, OECD (2024)

Suppliers were asked what measures are taken by public buyers to ensure that strategic criteria are adequately explained to the market. The overwhelming response was that any such measures are rarely carried out at all. Nevertheless, some respondents considered that written consultations (24%), sectoral procurement strategies (20%) and events in preparation of a tender (17%) as well as regular market dialogues (12%) were part of the measures introduced by contracting authorities (Figure 2.13).

**Figure 2.13. Measures to ensure that strategic criteria are explained to the market**



Source: Supplier survey, OECD (2024)

### *Gap analysis*

As outlined above, Estonian businesses appear generally willing to participate in strategic public procurement procedures and have an overall positive view of the attractiveness of public procurement markets. There is a perception that Estonia has a competitive advantage for innovative goods and services, in line with the country's reputation as a digital leader. Despite these positive factors, several challenges hamper access to procurement markets, in particular if strategic criteria are considered.

Survey respondents highlight that transparency and accessibility of the rules around strategic public procurement is an area for improvement, with 27% of respondents considering the rules not transparent or accessible.

Most importantly, businesses listed many elements that they considered as barrier to participation in public procurement, which point to a greater need for engagement between the public sector and the private sector, in particular in preparation of a tender. This included the perception of criteria being too restrictive or directed at specific suppliers, but also the notion that certain contract conditions are not feasible for market players and do not reflect market realities. In line with other findings of this assessment, this could point to limited market knowledge and business training of public buyers, which appeared to be trained more heavily in legal aspects of public procurement. Practices like market consultations (in written or as events), or regular market dialogues do not seem to be practiced on a routine basis. As discussed in other parts of this report, some contracting authorities may lack clarity about the fact that such practices are permitted under procurement law as long as transparency and equal treatment are upheld.

To tackle this, the capacity of public buyers to design tenders that strike the right balance between what the market can offer and what contracting authorities are looking for in terms of strategic objectives needs to be strengthened. This includes improving contracting authorities' practices regarding the use of quality criteria, the time for bidding, and the time taken to evaluate bids. Capacity-building should also entail better market engagement, as it provides a unique opportunity to gather information on how strategic considerations are taken into account. More specifically, it can help identify potential suppliers and solutions that have a positive impact on strategic goals, encourage the market to respond to strategic requirements through dialogue, and inform the design of the procurement strategy, tender documentation, and contract so that the integration of strategic goals is relevant, linked to the contract objective and measurable. (OECD, 2021<sup>[7]</sup>) Additionally, the Ministry of Finance could also consider introducing sector dialogues, taking inspirations from evolutions that occurred in the ICT industry, and the focus on quality in tender development. In several OECD countries, such as Germany, market engagement tools were created in collaboration with the private sector, and especially business associations, so both parties can benefit from these dialogues (see Box 2.5).

#### **Box 2.5. Germany: Bitkom's manuals on vendor-neutral tendering of various IT products**

Bitkom, Germany's digital association was founded in 1999 and currently represents more than 2 700 companies of the digital economy, which produce an annual turnover of €190 million, including €50 million in exports, and employ more than 2 million workers in Germany. Its members also include 1 000 SMEs and over 500 startups. Its members offer software, telecommunications and internet services, produce hardware and consumer electronics, operate in the digital media sector or are in other ways affiliated with the digital economy.

Bitkom has several working groups specialising different aspect of the digital economy. The Public Contracts Working Group is focusing on issues related the public procurement of digital solutions. As the public sector is the largest buyer of digital in Germany, it has enormous market power and therefore considerable influence on competition. The Working Group, in collaboration with relevant ministries and

other stakeholders, developed several manuals and other materials that support public buyers' in designing their tender requirements and contracts in a way that creates a fair and transparent competitive environment. For example, the Working Group worked closely with the Federal Ministry of Interior (BMI) on the development of contract terms for the purchase of IT services or with the Competence Center for Sustainable Procurement (KNB) of the BMI Procurement Office on the declaration on social sustainability for IT procurement.

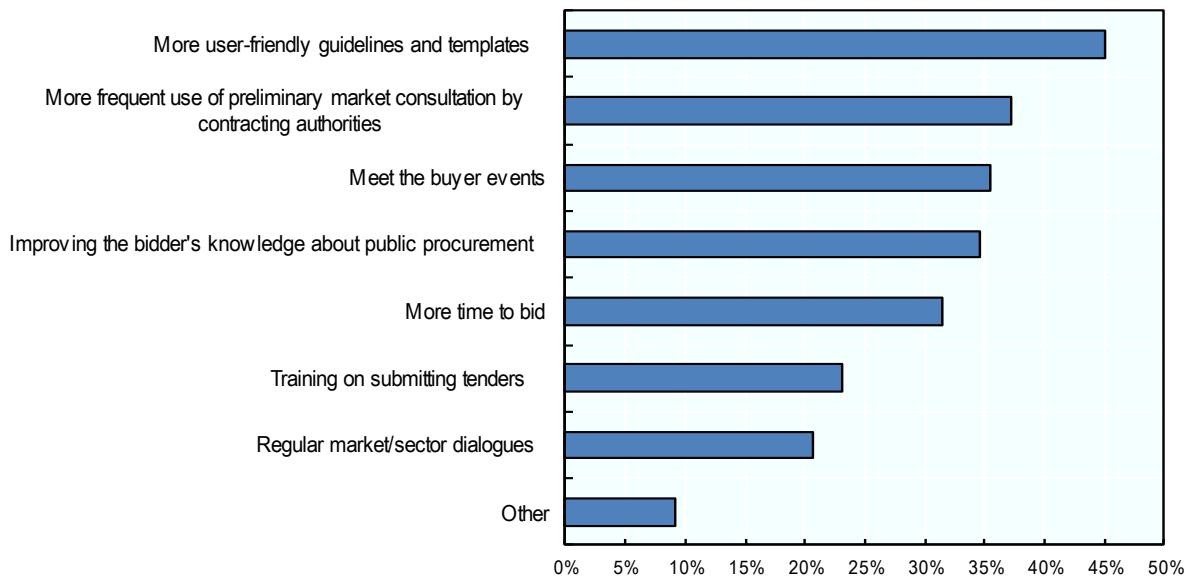
Bitkom, through the Working Group, also developed several guidelines on vendor- and product-neutral tendering of different IT products and services, again in collaboration with representatives of the public sector (e.g. the BMI Procurement Office, the Federal Office of Bundeswehr Equipment, Information Technology and In-Service Support (BAAINBw), the Federal Employment Agency, Berlin Police, ITDZ Berlin). The guidelines for product-neutral procurement are sorted by product groups (such as notebooks, PC desktops, laptops, server, monitors, archive, home office) and are updated regularly to comply with regulatory developments and technological standards. They address the aspect of product-neutral tendering as well as legal requirements for the product to be procured and information on environmentally friendly procurement. Bitkom's manuals on vendor-neutral tendering of different product categories encourage contracting authorities to formulate their tenders in a non-proprietary manner that avoids the use of brands or the reference to specific manufacturers, while leveraging current technical standards. This is consistent with legal requirements in Germany, which mandate equal treatment of suppliers and market products by using descriptions of the procurement objects based on factual and non-discriminatory criteria. Indeed, Bitkom considers vendor-neutral tendering as an opportunity to ensure fair and open competition, prevent early technical determination, and avoid lock-in effects. As the number of competing suppliers increases when the tender is based on factual and technical criteria, better options and savings are realised, minimising obstacles to change providers as deemed adequate.

In the case of public tenders, contracting authorities are advised to draft a list of criteria that allows comparison of different offers and sufficient differentiation. Such award criteria should be needs-based, vendor-neutral, and transparent. However, Bitkom also recognises that technical complexities may lead to difficulties in describing the desired performance of computing equipment. In consequence, it recommends the use of technical standards and benchmarks.

Source: (OECD, 2024<sup>[8]</sup>)

Furthermore, suppliers were also asked what measures would increase their willingness to participate in strategic procurement (Figure 2.14). User-friendly guidelines and templates appear to be a clear need (45%), but also more frequent use of preliminary market consultations and meet the buyer events are considered favourably (37% and 35%, respectively). Suppliers are interested in receiving support to increase their own knowledge about public procurement, having more time to bid as well as receiving training on how to bid. Suppliers also mentioned clarity and measurability of criteria as important elements for submitting bids related to strategic procurement. They cautioned against introducing overly strict criteria as this would entail the risk of reducing competition significantly.

**Figure 2.14. Measures that would increase suppliers' willingness to participate in strategic public procurement**



Source: Supplier survey, OECD (2024)

As such, Estonia would benefit from putting in place measures to increase the business perspective in public procurement. This would include initiatives to increase the capacity of the private sector to respond to tenders, by developing guidelines or training modules targeted to suppliers, especially when it comes to strategic public procurement. These capacity-building initiatives would particularly benefit SMEs, which constitute a large share of participants to public procurement procedures. In Canada for example, the Office of Small and Medium Enterprises works with the Government to address SME's constraints in Procurement (see Box 2.6.).

#### **Box 2.6. Canada: Addressing SMEs' challenges and constraints through the Office of Small and Medium Enterprises**

The Office of Small and Medium Enterprises (OSME) in Public Works and Government Services Canada assists the Government in bridging the gap between supply and demand by bringing to light the concerns and challenges of SMEs in the federal procurement process. OSME works with SMEs to address their key challenges and constraints by undertaking the following:

- understanding and reducing the barriers that prevent SMEs from participating in federal procurement
- advising government buyers and policy makers on SME concerns
- recommending improvements to procurement tools and processes to encourage SME participation in federal procurement. PSPC provides additional information available to SMEs on their webpage under "Help for SMEs"
- a portal that provides access to federal procurement information and open data including bid opportunities (tenders), standing offers and supply arrangements, and contract history

- free seminars, webinars and one-on-one sessions to assist suppliers in understanding federal procurement
- telephone information line for suppliers who have questions about the procurement process and related tools. The Office of Small and Medium Enterprises also manages the Build in Canada Innovation Programme, which assists Canadian businesses in testing their innovative goods and services before they are commercialised.

Source: (OECD, 2024<sup>[8]</sup>)

## **2.1.6. Capacity-building system**

### *Description*

The capacity building system for public procurement in Estonia relies on the Ministry of Finance for general public procurement training, as well as the Ministry of Climate for GPP-related training. Capacity building and support for innovation procurement is provided by Enterprise Estonia and the Government's Office. There is no dedicated authority responsible for public procurement training. Similarly, public procurement professionals do not have mandatory training nor certification programmes.

GPP trainings by the Ministry of Climate include trainings on the use of environmental criteria, providing advice for procurers where needed and developing and integrating green criteria into the online procurement platform. Trainings on GPP are so far mostly organised on project basis. The Ministry of Climate hosts a [website](#) with videos of previous trainings on GPP. The Ministry of Climate hosts a GPP informational website and helpdesk with contact information for those with questions and a GPP newsletter one can subscribe to. There is also a handbook for Green Public Procurement.

With respect to innovation procurement, the Estonian Business and Innovation Agency (EIS) conducts capacity-building activities including for the private sector. The Agency also spearheaded the development of a web-based innovation procurement handbook, which provides tips and step-by-step instructions on how to undertake innovation procurement. The Government Office also provides support, in particular by running a programme that encourages risk-taking in innovation procurement. However, there is no regular training dedicated to innovation procurement, and is considered a main training need based on the survey of contracting authorities.

Some larger organisations have introduced a sustainability coordinator that also helps include sustainability aspects into procurement procedures. This is for instance the case of North Estonia Medical Centre, one of Estonia's largest hospitals. Smaller organisations do not have the capacity for such a practice but could benefit from joining larger ones.

In March 2024, the Ministry of Finance has also published a guidance for the implementation of quality-based award criteria, which cover both environmental and socially responsible aspects. The guidance includes 'universal' sample criteria (i.e. applicable to any sector) as well as criteria for specific types of procurements (Ministry of Finance, 2024<sup>[9]</sup>).

### *Gap analysis*

There are few regular trainings on the strategic use of public procurement. As it is often the case, most training needs are concentrated at the local level with small contracting authorities having the biggest knowledge gaps. Furthermore, high turnover of officials in contracting authorities might have previously impacted the quality and amounts of capacity-building measures.

Stakeholders also report lack of capacity on how to describe needs effectively, and specifically how to add strategic criteria. It is often challenging for procurement officials to find criteria that are not too difficult to implement, or that do not require a disproportionate number of resources to control at contract implementation stage. There is limited good practice around procedures that involve negotiations in Estonia. The use of innovative procurement methods is also quite limited.

Estonian procurement officials are often highly trained from a legal point of view, but less so from an economics and business perspective. As such, efforts may be concentrated in drafting terms of contracts that are very strict and allocate most risks to the private sector, even though this may not be an appropriate business practice, as it may cause appeals or litigation further down the line. As such, a number of stakeholders blame the length of procurement processes on litigation, despite the fact that overall numbers of public procurement appeals are quite low.

To tackle these shortcomings, capacity-building efforts already in place should be strengthened through regular trainings for procurers and tenderers on how to implement strategic public procurement. These trainings should not solely focus on legal/compliance aspects of strategic procurement, but also include business practices that match the reality of the markets. Another initiative for capacity-building could include the creation of a network to encourage peer support and sharing good practices inter-institutionally, but also with the private sector. For example, Japan's Green Purchasing Network brings together stakeholders from the private sector, central and local governments, and civil society organisations (see Box 2.7.)

### **Box 2.7. The Green Purchasing Network in Japan**

The Green Purchasing Network (GPN) is a network organisation where different entities, such as private companies, governmental bodies and consumer groups, work together to promote green procurement. In 1996, the GPN has defined the Green Purchasing Principles. These principles encompass the following four major points:

1. Consider whether a product is needed before purchasing it;
2. Consider environmental impacts across the whole life cycle of a product, including those incurred through any services provided from extraction of raw materials to disposal;
3. Select products and services offered by suppliers who take a conscious effort reduce the impact on the environment;
4. Gather information on products, services, and suppliers to inform decision-making and management of contractual relationships.

Building upon these principles, the Green Purchasing Guidelines were developed to provide guiding principles for purchasing by category of products and services. Different GPN members, including manufacturers of eco-friendly products, companies willing to purchase green products, consumer groups, non-governmental environmental associations and local governments, co-designed the Guidelines based on a consensus-building approach. The Guidelines cover a wide range of products and services – i.e. from office supplies and home appliances to vehicles.

Moreover, based on the Principles of Green Purchasing, the GPN created a Supplier Evaluation Check List to assess the efforts undertaken by suppliers to improve the environmental performance of products and services. In the Eco-products Database, suppliers then disclose information about the environmental measures adopted for each product and service registered, in accordance with the Check List. The Eco-products Database gives environmental information in list form on products provided by each manufacturer so that users can compare products from an environmental standpoint

in accordance with the Green Purchasing Guidelines. As of May 23, 2016, the database listed approximately 15,000 products from 63 fields, including environmentally friendly products in product fields for which the Green Purchasing Guidelines have yet to be formulated.

Source: (OECD, 2024<sup>[10]</sup>)

## **2.1.7. Monitoring system and risk management**

### *Description*

Monitoring of the strategic use of public procurement is organised via self-reporting through the e-procurement system, i.e. the Public Procurement Register<sup>7</sup>. The information on the use of green, social, and innovative aspects in procurements is collected via the Public Procurement Register since 2018. In this respect, the Estonian system of gathering statistics on strategic implementation of public procurement in the tendering phase was a precursor to the EU-wide eForms. Since May 2023, the information is collected in a structured manner via the EU-wide eForms and available in machine-readable open data.

The Public Procurement Register provides an excellent data base for buyers to take an example and for all stakeholders, including policy makers, to search information or collect statistics. Anyone can search published procurement data and documents, contract information and review decisions.

The Public Procurement Register is designed to accompany the user when labelling contracts as either “green”, “socially responsible” or “innovative”. The Register also integrated links to relevant guidance. Specifically, when preparing a procurement in the Public Procurement Register, the use of environmental aspects, social aspects and innovative criteria must be marked. The option “Read more” directs the user to the Ministry of Climate’s website on green public procurement, the Ministry of Finance’s website on social aspects, and EIS’ handbook on innovation procurement.

When the use of green aspects is marked “yes”, a green leaf is added to the title of the procurement in the register. Predefined green criteria are integrated for user-friendly tendering. If “no” is selected, the register displays a notification reminding the tenderer of the mandatory green criteria set on furniture, cleaning products and services, copying and graphic paper, office IT equipment and vehicles. Similar coding for social aspects and innovation procurement is planned to be integrated in the future.

In general, for green, social, and innovative aspects, the codes provided by EU e-forms have been used since Summer 2024.

Statistics on public procurement and the use of strategic goals are reported yearly. In addition to yearly statistics, procurement data analytics through PowerBI is updated once a quarter<sup>8</sup>. The reports are produced by the Ministry of Finance, State Ownership and Public Procurement Department. Here, the total amount of contracts made is announced, as well as the share of smaller contracts and those of greater size, as well as overall value is listed. In addition to the statistical information, an overview of the most important legislative and public procurement register-related activities and changes is provided. The numbers are reported from data in the Public Procurement Register (Ministry of Finance, 2023<sup>[11]</sup>).

The survey conducted by the OECD on the competency model answered by nearly 150 participants revealed that 84% of respondents claim to have previously conducted a green public procurement procedure, 50% a procurement procedure incorporating SRPP criteria and 54% had conducted an innovation procurement procedure. There is however arguably a discrepancy between these numbers and the reported numbers of procurement procedures conducted that included strategic goals. In 2022, only 7% of the total procurement processes was considered as green public procurement, 0.1% as socially responsible procurement, and 0.2% as innovation procurement. (Ministry of Finance, 2023<sup>[11]</sup>)

### *Gap analysis*

The status of GPP in Estonia remains unclear due to challenges in capturing the full extent of it through the monitoring system. With the use of e-forms launched in the summer of 2024, the public buyer now has to mark the sustainable aspect of the public procurement process manually in the system.

With respect to strategic procurement, there may be some undercounting of the uptake because procurement procedures are not labelled as such (i.e. green, social or innovative) by the buyer in the system. According to some research, GPP is likely higher in practice than compared to the results from the monitoring. (Kaidi Kaaret, Evelin Piirsalu and Magdalena Machlowska, 2022<sup>[3]</sup>) Stakeholders may not be certain about what is considered socially responsible or innovation procurement, which may be even harder to define compared to GPP.

Despite potential undercounting, the Public Procurement Register is a powerful tool to monitor public procurement in real time, including strategic procurement. Estonia is well advanced in the first layer of monitoring of strategic public procurement, namely how frequently it occurs. As such, to enhance the monitoring of the uptake of strategic procurement, the understanding of ‘definitions’ in particular of SRPP and innovation procurement should be improved in order to ensure accurate measurement of strategic public procurement. In order to overcome these challenges, the development of tools or standard templates to help procurers monitor the implementation of GPP could be beneficial. In Ireland, for example, the Irish Environmental Protection Agency (EPA) has developed a model report on green public procurement. The next frontier is to measure the impacts related to the implementation of strategic public procurement, to demonstrate its value to both leaders and contracting authorities, for example through regular surveys to assess the performance of strategic procurement. In Canada, a national survey on GPP in the public and private sectors has been carried out over several years. The annual GPP surveys have also been used to feed into the four-yearly Sustainable Procurement Barometer, which allows public and private organisations to self-evaluate and compare their performance with their peers over time (see Box 2.8).

#### **Box 2.8. Canada: The Sustainable Procurement Barometer**

The Sustainable Procurement Barometer was first launched in 2012 by the Network of Sustainable Procurement Organizations. It is partially funded by the Canadian government, and enables Canadian contracting authorities to self-assess their sustainable procurement performance. The barometer was also implemented in 2016 and 2020.

The 2020 edition assesses the contribution of sustainable procurement to the Sustainable Development Goals (SDGs) defined by the United Nations Environment Programme, and also includes the participation of businesses. The Barometer reports on organisational practices according to five levels of maturity (low concern, commitment, progress, maturity and exemplarity) for each of the five aspects of sustainable procurement (vision, policy and governance, stakeholder engagement, operationalisation and evaluation).

A total of 142 organisations took part in the study:

- 26% companies;
- 26% agencies and government departments (Quebec and Canada);
- 26% municipalities and 11% educational institutions;
- 20% of the organisations are members of ECPAR.

Source: (OECD, 2024<sup>[10]</sup>)

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## Notes

<sup>1</sup> [Directive 2014/24/EU](#) on public procurement, and [Directive 2014/25/EU](#) on procurement by entities operating in the water, energy, transport and postal services sectors

<sup>2</sup> The Estonian name is Riigi Tugiteenuste Keskuse (RTK)

<sup>3</sup> [Estonian Research and Development, Innovation and Entrepreneurship Strategy 2021-2035](#)

<sup>4</sup> [Estonia's National Artificial Intelligence Strategy or Kratt Strategy for 2022–2023](#)

<sup>5</sup> <https://ringmajandus.envir.ee/sites/default/files/202212/Eesti%20ringmajanduse%20tegevuskava%202023.pdf>

<sup>6</sup> The indicators of the EU Single Market Scoreboard related to public procurement cover procedures above EU thresholds only, and include: [1] Single bidder; [2] Direct awards; [3] Publication value by GDPI; [4] Joint procurement; [5] Award criteria based on price alone; [6] Decision speed; [7] Contracts with SME participation; [8] SME bids; [9] Procedures divided into lots; [10] Missing previous publication number; [11] Missing supplier registration number; [12] Missing buyer registration number

<sup>7</sup> <https://riigihanked.riik.ee>

<sup>8</sup> <https://fin.ee/riigihanked-riigiabi-osalused/riigihanked/kasulik-teave#riigihangete-valdkon--2>

# 3

## Current practices of strategic public procurement in Estonia

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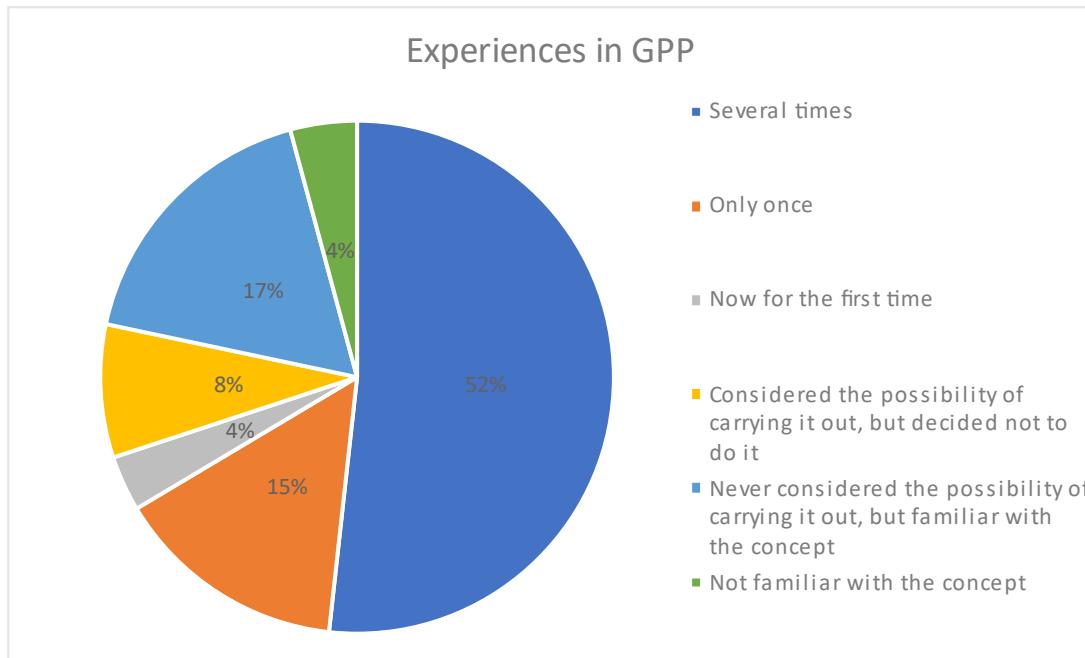
Chapter 3 presents the main strands of strategic public procurement: green public procurement, socially responsible public procurement and innovation procurement. The challenges and current practices of each type of strategic public procurement are discussed based on the survey results, which shed light on the barriers suppliers and public buyers face when practising strategic public procurement in Estonia.

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### 3.1. Green public procurement

Estonia has collected more experience with GPP compared with other types of strategic public procurement, and contracting authorities appear to have comparatively less concerns from a legal point of view about introducing green criteria in their tenders. About half of contracting authorities surveyed report having carried out GPP at least once. This is aligned with the fact that GPP criteria for four product categories are mandatory. Despite growing experience with GPP criteria, contracting authorities face specific challenges in implementation.

**Figure 3.1. Experience with GPP**



Source: Survey of contracting authorities, OECD (2024)

Namely, the survey of contracting authorities reveals which are the most common challenges that practitioners experience with GPP. The main challenge is the potential (or perception) of increase in acquisition price. Like institutional leaders, practitioners are concerned with potential price increases as a result of GPP. Other concerns are related to lack of adequate capability (i.e. insufficient support in terms of guidelines, tools and training) and limited market readiness by suppliers to participate in GPP tenders.

**Figure 3.2. Challenges of GPP**



Source: Survey of contracting authorities, OECD (2024)

As outlined in the assessment of enabling conditions for strategic public procurement, a key obstacle is the fact that state budgets are planned yearly, and therefore do not provide decision-makers with sufficient confidence in making more long-term, investment-based decisions. This appears to be a long-standing budgeting practice in the Estonian context that would require changes that go beyond the sphere of public procurement.

Surveyed practitioners provide additional explanations regarding obstacles to GPP implementation. Namely, some consider that the lack of an organisational strategy including a clear rationale for using green criteria poses a challenge. Procurement officials may not always be in the position to judge the appropriateness of GPP criteria and lack competences to assess environmental impacts. Lack of time is a challenge, as GPP may involve more time to plan a sound procurement process. Some practitioners are also concerned about the increased complexity of contract monitoring if green criteria are included.

It is important to highlight that there may be differences between the type of contracting authorities regarding the implementation of GPP. Smaller, local authorities usually have greater difficulties in implementing GPP, as they may have less personnel dedicated to procurement and have challenges in keeping up with evolving regulations. Even though local authorities do not depend on the tightening state budget, they are also faced with limited resources. Among larger authorities, it is possible to differentiate among those that conduct their own procurement (in full or partially) and those which use the services of the State Shared Service Centre and hence do not conduct any procurement.

### **3.1.1. Life-cycle costing**

Another aspect that is closely linked to green public procurement practices is life-cycle costing (LCC). Life cycle costing consists of assessing all the costs that occur over the life cycle of goods, services or works, including operations, maintenance or disposal costs. Certain methodologies also consider the costs of external environmental effects, such as CO<sub>2</sub> emissions. LCC in public procurement can be used either in the planning phase to compare different solutions in terms of cost drivers, or during the evaluation phase as a criterion to select the most cost-effective solution. LCC (even without considering externalities) contributes to sustainability given that it promotes the choice of resource-efficient solutions.

Stakeholders in Estonia consider that it is difficult to implement LCC. Additionally, there is a lack of uniform tools across EU countries that could serve as an example. At the same time, the short-term implementation of budgets is a further constraint to finance goods, services or works that have higher initial acquisition

prices but are less costly over their life cycle. However, promoting greater use of LCC not only as part of the evaluation of tenders, but also in the preparatory stage of the procurement can support a shift towards more environmentally friendly products and services. Indeed, green solutions often correlate with lower operating costs during their lifecycle (Rüdenauer et al., 2007<sup>[1]</sup>).

While introducing LCC in the tender evaluation can be a complex task, which requires to overcome several barriers even if tools are available (OECD, 2022<sup>[2]</sup>), Estonian authorities could focus on enhancing public buyer's knowledge about life-cycle costs, and encouraging them to test simple calculation of alternative solutions in the preparatory stages of the procurement. A second step could be to build up dedicated capacity for developing LCC calculations in the construction and infrastructure sector through a network of LCC experts. In Norway, similar initiatives have been implemented (see Box 3.1).

### **Box 3.1. LCC practices in small municipal context: the case of Møre and Romsdal county municipality (Norway)**

Since 2017, Norwegian law mandates public building owners and developers to assess Life Cycle Costs when conducting a procurement procedure for public works. Contracting authorities have taken various approaches to implement these provisions. Møre and Romsdal county municipality has focused on developing internal capacity through dedicated municipal staff with skills related to LCC to tackle this challenge.

The municipality has a population of 265.000. Its main responsibilities in the public works context include the operation of 22 high schools with about 10.000 students, maintenance of 3200 km of roads, operation of all public transport both on land and by sea, and dental care for the elderly and children.

To implement mandatory LCC requirements Møre and Romsdal county municipality hired a dedicated economic advisor with skills in financial and LCC calculations in the building sector. To further increase capacity, the economic advisor benefited from participation in Norway's LCC Forum. This is a national-led effort to enhance capacity around LCC. Specifically, the forum holds courses and tutorials during the year, and it is a member-based forum where the members participate with their skills to help others. LCC forum has a board consisting of members from both public and private companies from all parts of the building process.

Based on the knowledge gathered through the LCC Forum and its skilled employees, the municipality is equipped to make decisions about works procurement based on LCC calculations and comparing of alternative building designs in the preparatory stages of the procurement. In fact, the LCC Forum has established that a large part of the LCC costs of a building is decided early in the planning process. Between 30-50% of the LCC costs are decided when choosing a plot of land to build on. The reason for this is that the plot of land will affect how high to build, whether it is necessary to build underground or into the landscape. These elements have a strong impact on the construction costs and operation costs. The plot of land will also affect how effective the design of the building is to reduce the square meters needed for corridors, technical rooms etc. A common takeaway is that: "the cheapest square meter to build is the one you do not build". The remaining 50-70% of LCC are defined after the sketches are finished and 70-80% of LCC is decided before starting the detailing of the building project.

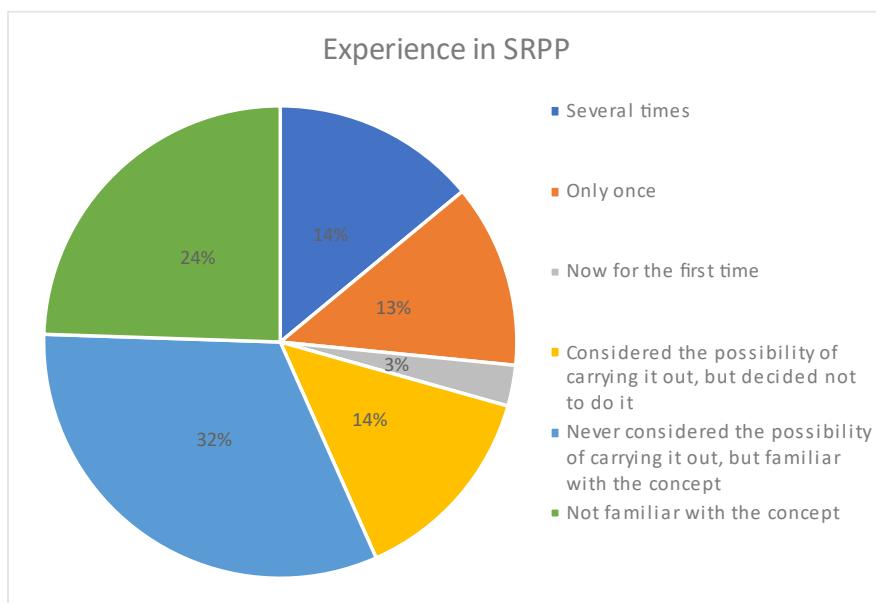
Source: Information provided by Møre and Romsdal county municipality (presentation by Line Thorvik Thule, LCC Closing Conference Budapest, November 2023)

### 3.2. Socially responsible public procurement

Socially responsible public procurement is considerably less implemented according to the survey of public procurement practitioners with only 14% of respondents having carried it out several times, and 13% only once (Figure 3.3). This data is consistent with findings from discussions with stakeholders and with Estonia's own monitoring of SRPP. In fact, SRPP can address a number of social objectives and can be integrated in various types of procurements. In addition, specific tools in the legal framework can be used specifically for social goals (e.g. reserved contracts).

As highlighted in the assessment of enabling conditions, Estonia lacks focus regarding the social objectives that can be prioritised through SRPP. Lack of awareness starts with the policymaking, where public procurement has only recently started being considered as a tool to address various social policy challenges. Nevertheless, some contracting authorities have been active in integrating social considerations in their tenders, particularly to ensure that labour standards are applied consistently throughout the supply chain. Specific issues of non-compliance with labour laws have been highlighted by the Labour Inspectorate, particularly in construction and cleaning contracts.

**Figure 3.3. Experiences in socially responsible public procurement (SRPP)**



Source: Survey of contracting authorities, OECD (2024)

In the survey, contracting authorities report facing several challenges related to SRPP (see Figure 3.4).

**Figure 3.4. Challenges to SRPP**



Source: Survey of contracting authorities, OECD (2024)

The greatest challenge is the lack of adequate capability in the form of guidelines, supporting tools and training. As noted in other parts of this report, SRPP is a relatively new policy in Estonia and hence less capacity building has been conducted. At the same time, another major challenge with SRPP concerns the lack of legal clarity. Legal questions may concern several aspects related to SRPP.

Stakeholders have highlighted one specific legal challenge related to SRPP during consultations meetings. Namely, contracting authorities that have been interested in implementing SRPP have faced restrictions regarding data protection. For instance, requesting data from suppliers about certain characteristics of employees (e.g. gender, socio-economic status) to monitor certain SRPP-related interventions would contravene data protection law, as per GDPR requirements. Hence, contracting authorities are unsure about how to implement SRPP without contravening privacy and data protection obligations. In terms of practical experience, the State Shared Service Centre (RTK) has introduced social criteria related to accessibility in approximately 10% of its tenders. The RTK has also attempted to introduce social criteria for services contracts, in particular by providing extra points to bids that include persons with special needs. In this instance, however, questions about the need to collect sensitive data were raised. Beyond this specific challenge, SSSC also experiences lack of awareness about SRPP among its customers. The customers are often reluctant to integrate additional SRPP-related criteria, and the decision is ultimately left to them. The prevailing understanding is that providing extra credit points for social aspects would amount to unfair competition.

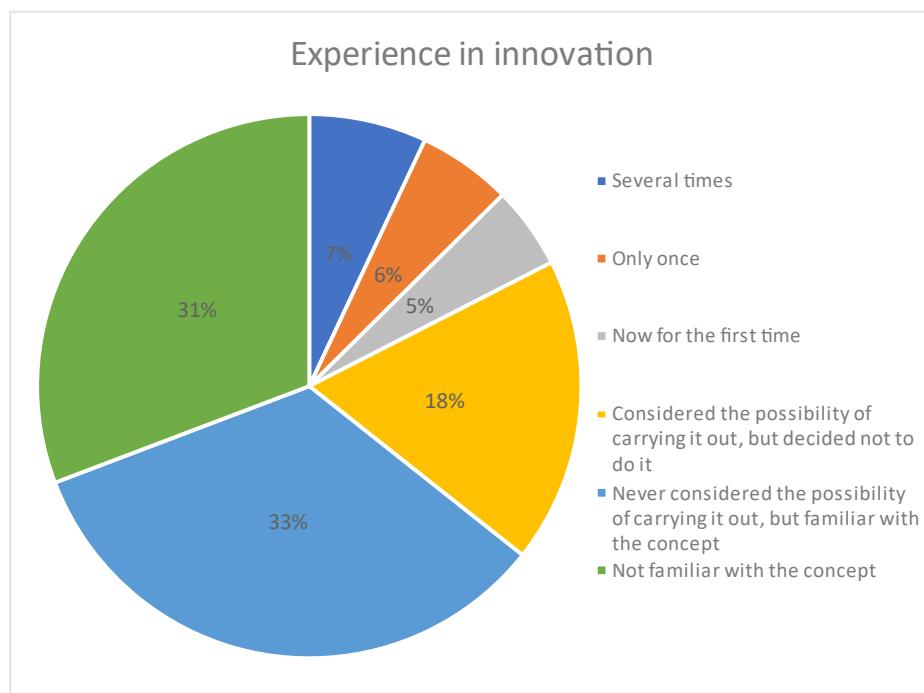
Other concrete challenges faced by contracting authorities in the social domain is regarding ensuring compliance with labour rights. Findings from the Labour Inspectorate suggests that issues occur frequently in contracts related to construction or cleaning services. However, even in this area, there are limited instruments for contracting authorities to act if lack of compliance is detected. Indeed, given how contracts are structured, contracting authorities do not have the right to end the contract nor to impose sanctions if such problems are detected. The contracting authority only has the right to terminate the contract if criminal offences are detected. Similarly, excluding companies where such problems have been identified in the past is challenging. In some instances, it is necessary for the issue to re-surface before being able to effectively exclude the supplier.

Recently, sample award criteria including criteria related to socially responsible public procurement have been prepared by the Ministry of Finance. Such efforts could be taken forward to help contracting authorities better grasp the concepts of SRPP, by defining social priorities that can be supported by SRPP, as well as compiling social criteria into a catalogue that is easily accessible to contracting authorities.

### 3.3. Innovation procurement

Practices related to innovation procurement are carried out least frequently in Estonia, as per the results of the survey of contracting authorities. Only 7% of contracting authorities have carried it out several times, and 6% have only once. At the same time, innovation procurement may not be applicable for the majority of standard procurements. Instead, it brings value in situations, where the contracting authority needs to meet a particular need through innovation, either because the solution does not exist yet (in which case it would be most often referred to as R&D procurement such as pre-commercial procurement), or whenever the solution is available on the market but not widespread (referred to as public procurement of innovative solutions or PPI).

**Figure 3.5. Experience with innovation procurement**



Source: Survey of contracting authorities, OECD (2024)

In terms of challenges, procurement officials report the lack of adequate capability as their main challenge with innovation procurement. This result resonates well with the fact that Estonia does not have a comprehensive training programme on innovation procurement. A second important challenge is the lack of time to prepare the procedure. Stakeholder consultations confirmed the lack of time as a difficulty in implementing innovation procurement. This can be the case when contracting authorities make use of the RTK for their procurements. If the preparation phase is not allotted sufficient time, the RTK may not be in a position to consider the option of innovation procurement, even though it may be the best instrument in particular circumstances. Lack of legal clarity also affects stakeholders. The survey does not provide further details to which legal question emerge regarding innovation procurement, but it is likely that

procurement practitioners do not feel confident to use some of the advanced procurement procedures often used in the context of innovation procurement (e.g. competitive dialogue, competitive procedure with negotiation, innovation partnership etc.) (see Figure 3.6).

**Figure 3.6. Challenges to innovation procurement**



Source: Survey of contracting authorities, OECD (2024)

While there is a consensus that Estonian contracting authorities do not lack interest for innovation procurement, some barriers may also lie in accessing funding for innovation procurement. Namely, the regular state budget is overall tight and may be difficult to use for innovation procurement purposes given the riskier nature of this type of procurement. Reputational risks are considered high if the state budget is used but no innovation results come out at the end of the procurement process. In the case of EU funds, challenges are perceived to be at the level of audits.

Nonetheless, according to the 2024 European Commission report on benchmarking of national policy frameworks for innovation procurement, Estonia ranks second with a total score of 52,43%, with highlights such as innovation procurement being embedded in the "Estonian Research and Development, Innovation and Entrepreneurship Strategy 2021-2035, several horizontal policies recognising the importance of innovation procurement, spending targets (volume and expenditure) for innovation procurement, and a robust monitoring system. In addition, one of the key highlights of the report concerns financial incentives, which are aimed to tackle the issue of financial constraints. Estonia has indeed set up national financial incentive called InnoFond (Public Sector Innovation Capacity Programme). InnoFond aims to support innovation procurements in which solutions are sought to alleviate the development needs stated in Estonian long-term strategy "Estonia 2035", and which use new knowledge and technologies. The InnoFond encourages public procurers to apply for financial support for innovation procurements and supports the search for innovative solutions, development of solutions and testing in real life. In addition, the Public Sector Innovation Capacity Programme, run by the State Office, provides financial incentives for innovation procurements that are implemented with EU financing (e.g. RRF, ESIF, Horizon Europe, EIB financing).

Estonia has been funding its innovation capacity including through innovation procurement since 2015, when the Ministry of Economic Affairs tasked Enterprise Estonia to implement an about EUR 10 million scheme to support the policy "the public sector as a smart customer". The scheme was co-financed with EU Structural Funds. The bulk of funding was dedicated to providing co-financing for Estonian procurement officials to conduct procurement of innovation. Co-funding for procurers could reach up to 50%, with 75% going towards to actual solution and the rest funding support activities. A small part of the funding was

In addition to the financial support, contracting authorities can also benefit from the expertise of the Estonian Business and Innovation Agency for innovation procurement. Indeed, since November 2024, the Agency has been appointed as a voluntary centralised purchasing body for public procurement supporting innovation. This new role may tackle capacities issues previously identified for contracting authorities, and increase the uptake of innovation procurement (Government of Estonia, 2024<sup>[3]</sup>). Beyond the support provided by Estonian Business and Innovation Agency, a pool of innovation procurement experts could be created in order to support innovation procurement processes on an ad-hoc basis.

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# 4 Public procurement professionalisation initiatives in Estonia

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Chapter 4 analyses the current state of play of public procurement professionalisation initiatives in Estonia. The chapter presents various elements of professionalisation including the professionalisation strategy and action plan, competency model, capacity-building system, certification framework, incentive mechanisms and collaborative approach with knowledge centres. The chapter also describes the result of the self-assessment survey carried out by the OECD to assess the capability level of the public procurement workforce based on the developed competency model.

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Public procurement is increasingly recognised as a strategic instrument for achieving government policy goals aligned with the 2030 Agenda for Sustainable Development (SDGs), including promoting a circular and green economy, stimulating innovation, supporting small and medium-sized enterprises (SMEs), and promoting ethical behaviour and responsible business conduct. (OECD, 2023<sup>[1]</sup>) Recognising the relevance of public procurement as a strategic tool, the Government of Estonia adopted the Public Procurement Strategic Principles in November 2023. (Government of the Republic of Estonia, 2023<sup>[2]</sup>) These dynamic global trends, however, make public procurement a more complex function than ever, requiring a more complex skillset for public procurement officials that implement public procurement procedures.

The capacity of the public procurement workforce is a crucial element of a sound procurement system that delivers efficiency and value for money in the use of public funds. (OECD, 2023<sup>[1]</sup>) Indeed, the OECD Recommendation has a principle dedicated to the capacity of the public procurement workforce. It calls upon countries to develop a procurement workforce with the capacity to continually deliver value for money efficiently and effectively. (OECD, 2015<sup>[3]</sup>) (See Box 4.1)

#### **Box 4.1. OECD Recommendation of the Council on Public Procurement: Capacity**

IX. [The Council] recommends countries to develop a procurement workforce with the capacity to continually deliver value for money efficiently and effectively.

Ensure that procurement officials meet high professional standards for knowledge, practical implementation and integrity by providing a dedicated and regularly updated set of tools, for example, sufficient staff in terms of numbers and skills, recognition of public procurement as a specific profession, certification and regular trainings, integrity standards for public procurement officials and the existence of a unit or team analysing public procurement information and monitoring the performance of the public procurement system.

Provide attractive, competitive and merit-based career options for procurement officials, through the provision of clear means of advancement, protection from political interference in the procurement process and the promotion of national and international good practices in career development to enhance the performance of the procurement workforce.

Promote collaborative approaches with knowledge centres such as universities, think tanks or policy centres to improve skills and competences of the procurement workforce. The expertise and pedagogical experience of knowledge centres should be enlisted as a valuable means of expanding.

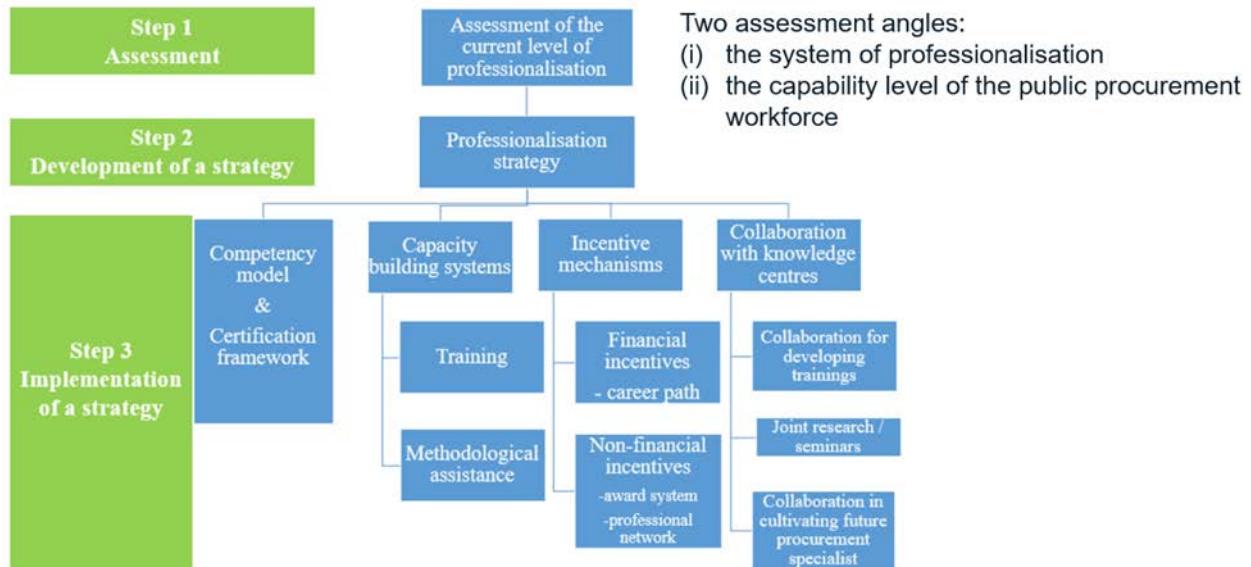
Source: (OECD, 2015<sup>[3]</sup>)

Estonia has been taking initiatives to professionalise the public procurement workforce to achieve goals to promote the uptake of strategic use of public procurement as defined in the Public Procurement Strategic Principles. The result of the self-assessment survey of the public procurement practitioners in Estonia carried out by the OECD in 2023 shows that the lack of adequate capability was identified as the biggest challenge to promote innovation procurement (76%) and socially responsible public procurement (69%) and the second biggest challenge for green public procurement (60%). Therefore, professionalising the public procurement workforce including the development of the capacity-building mechanism could be one of the top priority areas of public procurement reforms for Estonia.

This Chapter overviews the current state of play of professionalisation in Estonia in accordance with the analytical framework of professionalisation through the three steps proposed in the OECD policy paper on professionalising the public procurement workforce. It also describes the initiatives taken by Estonia in

collaboration with the OECD under the financial support of the European Commission through the Technical Support Instrument (TSI).

**Figure 4.1. Analytical framework: Three steps to professionalise the public procurement workforce**



Source: (OECD, 2023[1])

This analytical report directly contributes to *Step 1: Assessment*, which consists of the two assessment angles: (i) the system of professionalisation and (ii) the capability level of the public procurement workforce. In other words, it analyses the current state of play (system) of professionalisation in Estonia. In addition, the assessment of the capability level of the public procurement workforce was also carried out under this TSI project. (See Section 4.3)

The first section of this Chapter (Section 4.1) discusses *Step 2: Development of a strategy* by overviewing strategies related to the professionalisation of the public procurement workforce in Estonia. Then, the Section 4.2 describes the competency model developed in Estonia. Section 4.3 analyses the result of the self-assessment survey carried out by the OECD to assess the capability level of the public procurement workforce based on the developed competency model. The rest of this Chapter will analyses *Step 3 Implementation of a strategy* to review specific initiatives of professionalisation: capability-building system (Section 4.4), certification framework (Section 4.5), incentive mechanisms (Section 4.6) and collaborative approach with knowledge centres (Section 4.7)

## 4.1. Professionalisation strategy

It is essential to develop a professionalisation strategy and/or action plan to define activities and their targets within a specific timeline. Currently, Estonia does not have a stand-alone policy to professionalise the public procurement workforce. However, strategies such as *Public Procurement Strategic Principles* and *Public Governance Strategy (2024-2027)* recognise the relevance of professionalising the public procurement workforce and specify some activities in the action plan.

The *Public Governance Strategy (2024-2027)*, which was led by the Ministry of Finance to contribute to the national development strategy *Estonia 2035*, recognises public procurement as one of the most relevant public governance topics in Estonia. The Public Governance Strategy mentions the challenges to

build up a systematic capacity to enhance the competences of the public procurement workforce as well as to develop a centre of excellence for public procurement, to ensure the transparent and effective public procurement and promote the strategic use of public procurement (green, social and innovation) as well as the Best Price Quality Ratio (BPQR). (Ministry of Finance of the Republic of Estonia, 2024<sup>[4]</sup>)

*The Action Plan for Public Procurement Strategic Principles* also set up activities related to the professionalisation of the public procurement workforce from the viewpoint of promoting the strategic use of public procurement. These initiatives include capacity-building activities (training, manual, pilot projects) to promote the use of GPP, SRPP, innovation procurement and the BPQR, the development of the competency model, the establishment of a centre of excellence, the establishment of excellence award system for innovation procurement and innovative contracting authorities.

**Table 4.1. Targets in the Action Plan of Public Procurement Strategic Principles**

| Category                    | Initiatives  | Entity  |
|-----------------------------|--|---|
| BPQR                        | Manual and training  | Ministry of Finance   |
| General                     | Centre of excellence   | Ministry of Finance   |
| Collaboration with the OECD | A competency model for public procurement specialists<br>5-day training<br>Up to 3 pilot projects  | Ministry of Finance (with OECD)<br>Ministry of Finance (with OECD)<br>Ministry of Finance (with OECD)   |
| General procurement topics  | Training on PP (at least twice a year)<br>Procurers are informed about developments and trends in public procurement and know-how to conduct public procurement in a sound way.  | Ministry of Finance   |
| GPP                         | Training, guide on guidance in Regulation No 35 of the Minister of the Environment, fact-sheets by sector, helpdesk.   | Ministry of Climate   |
| SRPP                        | Guide on the examples of award criteria  | Ministry of Social Affairs  |
| Innovation procurement      | Integration of innovation procurement advice competences into a central information portal and competence centre to be set up. An information portal and competence centre will be set up under the RTK to provide advice and support for value-based procurement, with innovation as one of the value drivers.<br>Ministry of Finance reforms Preparation Facility TSI (Technical Support Instrument) measure project, training is planned for competences in value-based procurement (including innovation procurement) training of trainers who in turn would train the procurers.<br>Innovation procurement information days on innovation procurement (e.g. presentation of the updated procurement guide).<br>Update of the innovation procurement guide (web-based)<br>Award of excellence system | Ministry of Economic Affairs and Communications<br>Ministry of Finance<br>Estonian Business and Innovation Agency<br>Estonian Business and Innovation Agency<br>Government Office |

Source: Prepared based on (Government of the Republic of Estonia, 2024<sup>[5]</sup>)

However, the Public Procurement Strategic Principles focus on the capability-building of strategic procurement with some other elements of professionalisation such as a competency model and the excellence award. Estonia could benefit from considering the possibility of developing a stand-alone professionalisation strategy in the long run, if Estonia aims at widening more initiatives of professionalisation such as certification framework, incentive mechanisms and collaboration with the knowledge centre.

## 4.2. Competency model

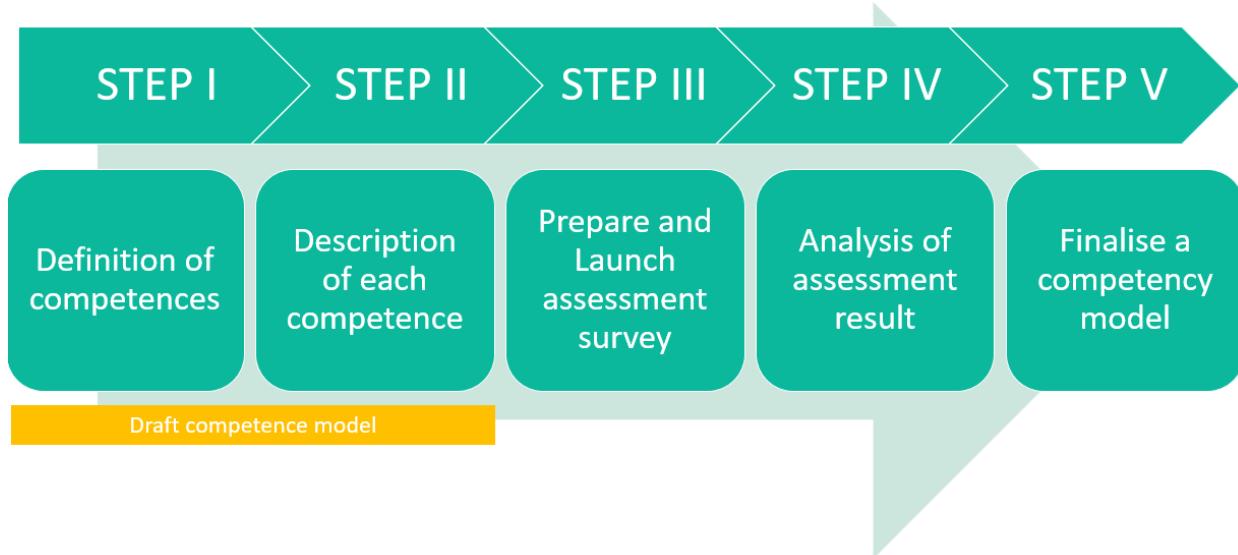
A competency model maps critical skills and their capability levels which are required for the overall strategic direction of an organization. It allows procurement officials to identify their skill gaps and can be used for human resource management purposes: recruitment, promotion and training on the skills and competences. (OECD, 2023<sup>[1]</sup>) As of 2020, 41% of OECD countries had introduced a competency model for the public procurement workforce, compared to 30% in 2018. (OECD, 2021<sup>[6]</sup>)

Currently, Estonia does not have a national competency model for the public procurement workforce but decided to develop it with the financial support from the European Commission under the Technical Support Instrument (TSI). This section describes the competency model developed in collaboration with the OECD.

### 4.2.1. Steps to develop a competency model

The competency model was developed in collaboration with the Ministry of Finance and the OECD through the five steps described in Figure 4.2.

**Figure 4.2. Five steps to develop a competency model**



Source: Prepared by the author

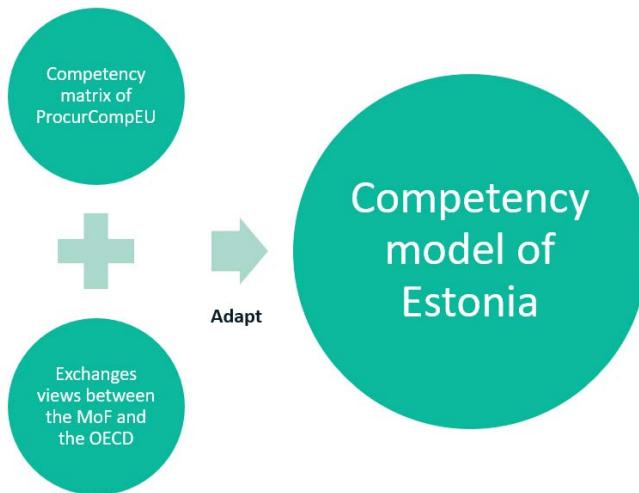
A draft competency model was prepared under Step I and Step II. In Step III, the survey was prepared to evaluate the current capability level of the public procurement workforce based on the draft competency model. The survey also requested for any feedback and suggestions on the draft competency model. In Step IV, the result of the self-assessment as well as the feedback on the draft competency model were analysed to finalise a competency model. The rest of this Section will describe Step I and Step II taken to develop a draft competency model.

### 4.2.2. Step I: Definition of competences / Step II: Description of each competence

The development process of a competency model started with Step I, which identified competences which should be included in the future competency model of Estonia. Then, in Step II, the detailed information on each competence was prepared, namely, (i) what each competence is about, and (ii) proficiency

description for each of four levels (Basic, Intermediate, Advanced and Expert). To draft a competency model for Estonia, the Ministry of Finance and the OECD reviewed the 30 competences defined in the ProcurComp<sup>EU</sup> competency matrix and adapted them to the context of Estonia.

**Figure 4.3. Methodology to draft a competency model for Estonia**



Source: Prepared by the author

ProcurComp<sup>EU</sup> is the European competency framework for public procurement professionals, which was launched by the European Commission in December 2020 as a tool to support the professionalisation of public procurement. (see Box 4.2)

#### **Box 4.2. European competency framework for public procurement professionals (ProcurComp<sup>EU</sup>)**

ProcurComp<sup>EU</sup> is a tool designed by the European Commission to support the professionalisation of public procurement. ProcurComp<sup>EU</sup> consists of three elements:

- Competency Matrix, which defines 30 procurement-related and soft competences along four proficiency levels;
- Self-Assessment Tool that allows users to set targets for the different competences and assess their proficiency levels against them and identify any gaps;
- Generic training curriculum which lists all learning outcomes that public procurement professionals should know and be able to demonstrate after having attended a training for a certain proficiency level.

The Competency Matrix describes 30 competences (knowledge, skills and attitudes) that public procurement professionals should demonstrate in order to perform their job effectively and efficiently and carry out public procurement procedures that bring value for money. The competences are grouped in two main categories: procurement specific competences, and soft competences. The categories are then divided into six clusters, three per category:

- Procurement-specific competences (19 competences):
  - Horizontal: 9 competences applicable to all stages of the public procurement lifecycle

- Pre-award: 6 competences required to perform all the tasks and activities taking place before the award of a public contract
- Post-award: 4 competences necessary for the contract management after the award of a public contract.
- Soft competences (11 competences):
  - Personal: 4 competences on behaviours, skills and attributes that public procurement professionals should possess, as well as the mind-set that they should display according to their job profile
  - People: 3 competences enabling public procurement professionals to interact and cooperate with other professionals, and to do so in the most professional manner
  - Performance: 4 competences public procurement professionals need to have in order to increase value for money in public procurement procedures

Each competence is described along four proficiency levels based on the breadth of knowledge and skills: Basic, Intermediate, Advanced, and Expert.

The ProcurComp<sup>EU</sup> Self-Assessment Tool is composed of several key elements:

- A self-assessment questionnaire
- Templates for job profiles
- A calculation tool for computing individual and organisational assessment results.

The ProcurComp<sup>EU</sup> Reference Training Curriculum lists all learning outcomes that public procurement professionals should know and be able to demonstrate after having attended a training for a certain proficiency level.

ProcurComp<sup>EU</sup> is a quite flexible, voluntary and customisable tool. Getting value from ProcurComp<sup>EU</sup> does not require using each and every component of the framework, nor does it require the use of each and every competence defined in the ProcurComp<sup>EU</sup> Competency Matrix.

Source: (European Commission, 2020[7])

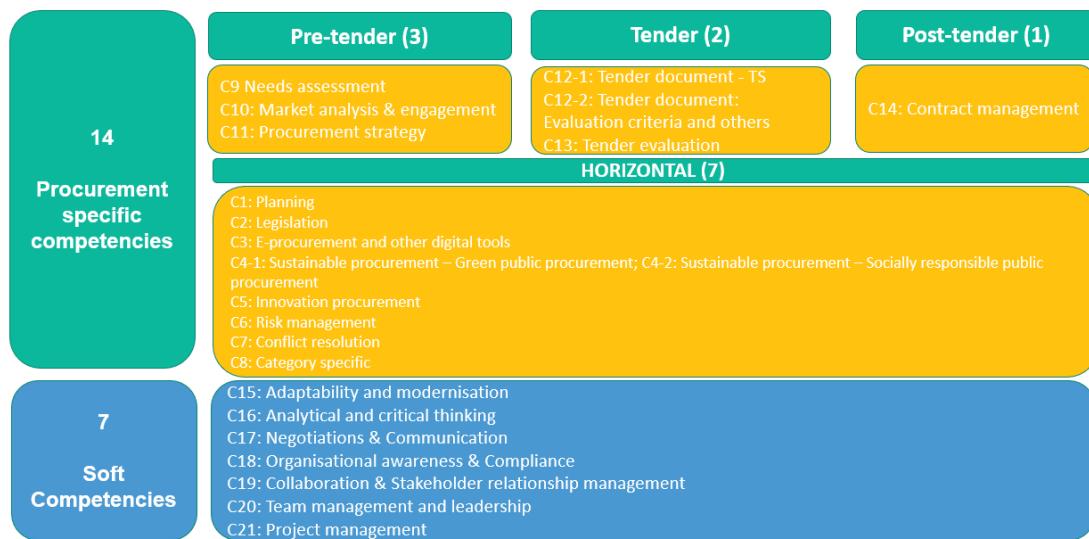
During Step I, the OECD and the Ministry of Finance reviewed each of 30 competences (19 procurement-specific competences and 11 soft competences) defined in the ProcurComp<sup>EU</sup> competency matrix to determine the relevance of each competence within the context of Estonia. Some of these 30 competences were merged to create one competence. For example, two ProcurComp<sup>EU</sup> competences C9 (Negotiations) and C22 (Communication) were merged to create one competence on negotiations and communication in the Estonian framework (Competence C17 - Negotiations and Communication). Some ProcurComp<sup>EU</sup> competences were divided into more competences. For example, ProcurComp<sup>EU</sup> competence C5 (Sustainable procurement) was divided into C4-1 (Sustainable procurement – Green public procurement) and C4-2 (Sustainable procurement – Socially responsible public procurement) to make these two dimensions of sustainable procurement more visible in the Estonian competency model. ProcurComp<sup>EU</sup> competence C13 (Technical specifications) was divided and rephrased into C12-1 (Tender document – Technical specifications) and C12-2 (Tender document – Evaluation criteria), as ProcurComp<sup>EU</sup> competence C13 (Technical specifications) included these two similar but different concepts. As a result, 21 competences (23 including sub-competences) were identified in the draft competency model of Estonia, 14 of which were procurement specific competences and 7 were soft competences. Table 4.2 shows how the original 30 ProcurComp<sup>EU</sup> competences were adopted into the 21 competences identified in the draft competency model of Estonia.

**Table 4.2. Comparison table between the 30 ProcurComp<sup>EU</sup> competences and 21 competences defined by Estonia**

| Original ProcurComp <sup>EU</sup> competences |             |                                      | Draft competency model of Estonia |            |   |                      |
|---|-------------|--------------------------------------|-----------------------------------|------------|---|----------------------|
| #   | Cluster     | Competency name                      | #                                 | Cluster    | Competency name   | Adoption             |
| C1  | Horizontal  | Planning                             | C1                                | Horizontal | Planning  | Stand-alone          |
| C2  |             | Lifecycle                            | -                                 | -          | -   | Integrate with C11   |
| C3  |             | Legislation                          | C2                                | Horizontal | Legislation   | Stand-alone          |
| C4  |             | e-Procurement and other IT tools     | C3                                | Horizontal | e-Procurement and other digital tools                             | Stand-alone          |
| C5  |             | Sustainable procurement              | C4-1                              | Horizontal | Sustainable procurement – Green public procurement                | Stand-alone          |
| C5  |             | Sustainable procurement              | C4-2                              | Horizontal | Sustainable procurement – Socially responsible public procurement | Stand-alone          |
| C6  |             | Innovation procurement               | C5                                | Horizontal | Innovation procurement  | Stand-alone          |
| C7  |             | Category specific                    | C8                                | Horizontal | Category specific   | Stand-alone          |
| C8  |             | Supplier management                  | -                                 | -          | -   | Not adopted          |
| C9  |             | Negotiations                         | C17                               | Soft       | Negotiations and Communications                                   | Integration as C17   |
| C10   | Pre-award   | Needs assessment                     | C9                                | Pre-award  | Needs assessment  | Stand-alone          |
| C11   |             | Market analysis & engagement         | C10                               | Pre-award  | Market analysis & engagement                                      | Stand-alone          |
| C12   |             | Procurement strategy                 | C11                               | Pre-award  | Procurement strategy  | Stand-alone          |
| C13   |             | Technical specifications             | C12-1                             | Tender     | Tender document – Technical specifications                        | Stand-alone          |
| C13   |             | Technical specifications             | C12-2                             | Tender     | Tender document – Evaluation criteria and other elements          | Stand-alone          |
| C14   |             | Tender documentation                 | -                                 | -          | -   | Integrate with C12-2 |
| C15   |             | Tender evaluation                    | C13                               | Tender     | Tender evaluation   | Stand-alone          |
| C16   | Post-award  | Contract management                  | C14                               | Post-award | Contract management   | Stand-alone          |
| C17   |             | Certification and payment            | -                                 | -          | -   | Integrate with C14   |
| C18   |             | Reporting and evaluation             | -                                 | -          | -   | Integrate with C14   |
| C19   |             | Conflict resolution / mediation      | C7                                | Horizontal | Conflict resolution   | Stand-alone          |
| C20   | Self        | Adaptability and modernization       | C15                               | Soft       | Adaptability and modernisation                                    | Stand-alone          |
| C21   |             | Analytical and critical thinking     | C16                               | Soft       | Analytical and critical thinking                                  | Stand-alone          |
| C22   |             | Communication                        | C17                               | Soft       | Negotiations and Communications                                   | Integration as C17   |
| C23   |             | Ethics and compliance                | C18                               | Soft       | Organisational awareness & Compliance                             | Integration as C18   |
| C24   | People      | Collaboration                        | C19                               | Soft       | Collaboration & Stakeholder relationship management               | Integration as C19   |
| C25   |             | Stakeholder relationship management  | C19                               | Soft       | Collaboration & Stakeholder relationship management               | Integration as C19   |
| C26   |             | Team management and leadership       | C20                               | Soft       | Team management and leadership                                    | Stand-alone          |
| C27   | Performance | Organisational awareness             | C18                               | Soft       | Organisational awareness & Compliance                             | Integration as C18   |
| C28   |             | Project management                   | C21                               | Soft       | Project management  | Integration as C21   |
| C29   |             | Performance orientation              | C21                               | Soft       | Project management  | Integration as C21   |
| C30   |             | Risk management and internal control | C6                                | Horizontal | Risk management   | Stand-alone          |

Source: Prepared by the author

**Figure 4.4. 21 competences in the draft Estonian competency model classified by competence cluster**



Source: Prepared by the author

During Step II, the competence descriptions and proficiency descriptions of the ProcurComp<sup>EU</sup> competences were also used as referential starting point, but these elements were adjusted to the Estonian context by refining (adding to / deleting) the competence descriptions and proficiency descriptions for each of four levels (Basic, Intermediate, Advanced, Expert).

The draft competency model was prepared through these Step I and II. The next section describes the analysis of the result of self-assessment survey which corresponds to the Step III and Step IV. It is worth mentioning that the draft competency model developed in Step I and II was adopted as the final version of the competency model in Step V, as there was no feedback which would have required any update and modifications of the competency model during Step III and IV.

#### **4.2.3. Potential job profiles**

To reap the full benefits of the competency model, Estonia could benefit from specifying typical job profiles related to public procurement and matching it with the required proficiency levels of each competence in the competency model, if relevant. In the self-assessment survey answered by 143 public procurement officials in Estonia (May 2024), 95% of the participants self-declared one of the most plausible job profiles prepared for the purpose of the survey, which might match best their current positions as the following: Procurement specialist (55%), Department / Division manager (20%), Legal adviser (10%), category specialist (6%), and Procurement support officer (4%). Only 5% of the participants selected *Others* and described their job profiles such as project expert / specialist, project lawyer, procurement manager (i.e. both procurement coordination, legal advice, procurement and contract management), and adviser to the department. (See the next section 4.3 for more details on the result of the self-assessment survey). However, most of these described positions could correspond to one of the prepared options in broader sense. Therefore, the job profiles prepared for the purpose of the self-assessment survey could be applicable to cover broadly the job profiles under the overall context of Estonia, although more detailed job profiles might exist at each contracting authority level. Some EU member states such as Slovenia and Croatia developed a competency model for the public procurement workforce by adjusting the competency model of ProcurComp<sup>EU</sup> and developed specific job profiles adjusted to the local context. (See Box 4.3)

### Box 4.3. Job profiles specified in the competency model in Slovenia and Croatia

#### Slovenia

The Directorate for Public Procurement within the Ministry of Public Administration of the Republic of Slovenia developed a competency model for the public procurement workforce in Slovenia by adjusting the competency matrix of ProcurComp<sup>EU</sup> (the European public procurement competency framework) to the context of Slovenia. This framework includes the three-level competency model for the six job profiles: (i) procurement support officer, (ii) stand-alone public buyer for smaller value contracts, (iii) stand-alone public buyer for higher value contracts, (iv) category specialist, (v) contract manager, and (vi) department manager.

#### Croatia

In 2023, the government of Croatia adapted ProcurComp<sup>EU</sup> to the context of Croatia. The Manual for evaluating and developing competences in the field of public procurement includes the competency matrix which adopted the same 30 competences with four proficiency levels of the ProcurComp<sup>EU</sup> competency matrix into the context of Croatia. It also lists seven job profiles: (i) procurement support officer / procurement officials for simple procurement procedures, (ii) procurement officials engaged in all the procurement phases, (iii) procurement officials engaged in the part of the procurement phases, (iv) category specialist, (v) contract management specialist, (vi) manager, and (vii) control officers. The proficiency descriptions for control officers were developed for each competence.

Source: (Ministry of Public Administration of the Republic of Slovenia, 2022<sup>[8]</sup>) and (Ministry of Economy and Sustainable Development of the Republic of Croatia (MINGOR), 2023<sup>[9]</sup>)

## 4.3. Self-assessment survey on the competencies of the procurement officials

This section presents the key takeaways and results of the self-assessment survey, which was prepared based on the 21 competences of the draft competency model and applied to 143 procurement officials from 37 contracting authorities in Estonia in 2024. It is worth noting that these 37 contracting authorities represented 38.17 % of the total number of public procurement procedures and 67.38 % of the total estimated procurement volume in Estonia in 2023. (See Annex B for more detailed result of the survey)

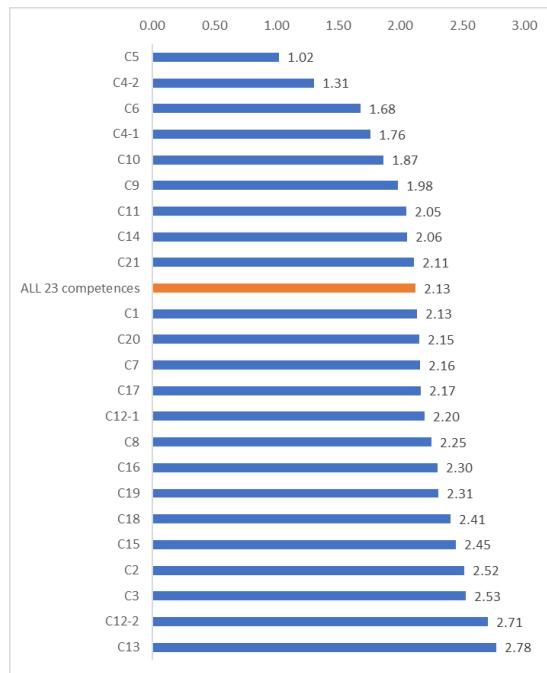
The survey aimed at feeding the assessment of the capability level of the public procurement workforce, one assessment angle of the current level of professionalisation, which was specified in the *Step 1 Assessment* of the OECD policy paper on the professionalisation. (OECD, 2023<sup>[1]</sup>) The participants were requested to self-assess their proficiency levels of knowledge and skills for 21 competences (23 including sub-competences) from the following levels that were converted to points (0 to 4): (i) Less than basic: 0 point, (ii) Basic: 1 point, (iii) Intermediary: 2 points, (iv) Advanced: 3 points, and (v) Expert: 4 point.

### 4.3.1. Self-assessment result of 21 competences

The total average point of the 23 competences of all the 143 participants was 2.06 point within the range from 0 point to 4 point. The total average point of procurement-specific competences (No. 1-14) amounted to 2.27 point, while the one for the soft competences (No. 15-21) was 2.13 point.

The following Figure 4.5 shows the average points of all the 143 participants by competence in ascending order. The self-assessment result identified C5 (Innovation Procurement) as the weakest competence of the 143 participants with the lowest average point of 1.02, followed by C4-2 (Socially responsible public procurement), C6 (Risk management), C4-1 (Green public procurement), C10 (Market analysis & engagement).

**Figure 4.5. Average points of all the 143 participants by competence**



Note: C1 Planning, C2 Legislation, C3 e-Procurement and other digital tools, C4-1 Sustainable public procurement - Green public procurement, C4-2 Sustainable public procurement - Socially responsible public procurement, C5 Innovation procurement, C6 Risk management, C7 Conflict resolution, C8 Category specific, C9 Needs assessment, C10 Market analysis & engagement, C11 Procurement strategy, C12-1 Tender document - Technical specifications, C12-2 Tender document - Evaluation criteria and other elements, C13 Tender evaluation, C14 Contract management, C15 Adaptability and modernization, C16 Analytical and critical thinking, C17 Negotiations & Communication, C18 Organisational awareness & Compliance, C19 Collaboration & Stakeholder relationship management, C20 Team management and leadership, C21 Project management

Source: Self-assessment survey result for 143 public procurement officials at 37 contracting authorities in Estonia (May 2024)

### 4.3.2. Training needs of 21 competences

In addition to the self-assessment exercise, all the participants were requested to select three competences of his or her top three choices that require more methodological assistance (such as training, guidelines, manuals etc.).

The result on training needs is aligned with the self-assessment result. C5 (Innovation procurement) is selected most as the first priority competence that requires more methodological assistance, followed by C2 (Legislation), C4-1 (Green public procurement), C4-2 (Socially responsible public procurement). However, it should be noted that C2 (Legislation) gained stronger training needs (2nd followed by innovation procurement) compared with the self-assessment result (20th) with 2.52 average points. However, the discussion with some survey participants during the conference held in Tallin on 14 June 2024 showed that this was attributable to the need for training on the regular update and amendments of legislation.

The similar result was observed, when 1<sup>st</sup> to 3<sup>rd</sup> choices were taken into account. C5 (Innovation procurement) is selected most as the 1<sup>st</sup>-3<sup>rd</sup> priority competence that requires more methodological assistance, followed by C2 (Legislation), C4-2 (Socially responsible public procurement), C4-1 (Green public procurement), C10 (Market analysis & engagement).

These results of the training needs survey imply that participants need more training and skills in using public procurement as a strategic tool to pursue different policy objectives such as innovation, social dimension, and environment.

Table 4.3 lists the five competences based on the self-assessment and the training needs.

**Table 4.3. Summary of self-assessment survey result for all the 143 participants**

| Ranking | All the participants                          | 1st priority                    | 1st-3rd weighted priorities            |
|---------|---|---------------------------------|--|
| 1       | C5 Innovation procurement (1.02 point)        | C5 Innovation procurement (20%) | C5 Innovation procurement (30%)        |
| 2       | C4-2 SRPP (1.31 point)                        | C2 Legislation (17%)            | C2 Legislation (25%)                   |
| 3       | C6 Risk management (1.68 point)               | C4-1 GPP (14%)                  | C4-2 SRPP (24%)                        |
| 4       | C4-1 GPP (1.76 point)                         | C4-2 SRPP (10%)                 | C4-1 GPP (23%)                         |
| 5       | C10 Market analysis & engagement (1.87 point) | C11 Procurement strategy (10%)  | C10 Market analysis & engagement (11%) |

Source: Self-assessment survey result for 143 public procurement officials at 37 contracting authorities in Estonia (May 2024)

In accordance with the self-assessment survey, Estonia could benefit from designing tailored trainings for the identified top-priority competences. The next section will discuss the current capability-building system of the public procurement workforce in Estonia, by mapping the availability of the capability-building system for the 21 competences.

## 4.4. Capacity building system

This section overviews the capacity-building system to reinforce the capability of the public procurement workforce in Estonia such as the provision of training courses and methodological assistance.

### 4.4.1. Training

Reinforcing the capability of the public procurement workforce requires an adequate training system. Table 4.4 mapped the availability of training and materials such as manuals for each of 21 competences defined in the draft competency model.

**Table 4.4. Overview of the availability of training and manual for each competence**

| Competence |                                       | Self-assessment |      | Training needs (*) |      | Availability |        |
|------------|---------------------------------------|-----------------|------|--------------------|------|--------------|--------|
| No.        | Name                                  | Point           | Rank | Vote share         | Rank | Training     | Manual |
| C1         | Planning                              | 2.13            | 10   | 2%                 | 21   | ✓            |        |
| C2         | Legislation                           | 2.52            | 20   | 25%                | 2    | ✓            | ✓      |
| C3         | e-Procurement and other digital tools | 2.53            | 21   | 6%                 | 11   | ✓            | ✓      |
| C4-1       | Sustainable public procurement – GPP  | 1.76            | 4    | 23%                | 4    | ✓            | ✓      |
| C4-2       | Sustainable public procurement – SRPP | 1.31            | 2    | 24%                | 3    | ✓            | ✓      |
| C5         | Innovation procurement                | 1.02            | 1    | 30%                | 1    | (✓)          | ✓      |
| C6         | Risk management                       | 1.68            | 3    | 9%                 | 6    | (✓)          |        |

|       |   |      |    |     |    |     |     |
|-------|---|------|----|-----|----|-----|-----|
| C7    | Conflict resolution                         | 2.16 | 12 | 3%  | 17 | (√) |     |
| C8    | Category specific                           | 2.25 | 15 | 8%  | 8  |     |     |
| C9    | Needs assessment                            | 1.98 | 6  | 4%  | 14 |     |     |
| C10   | Market analysis & engagement                | 1.87 | 5  | 11% | 5  |     |     |
| C11   | Procurement strategy                        | 2.05 | 7  | 8%  | 8  | (√) | (√) |
| C12-1 | TD - Technical specifications               | 2.20 | 14 | 6%  | 11 | ✓   |     |
| C12-2 | TD - Evaluation criteria and other elements | 2.71 | 22 | 9%  | 6  | ✓   | ✓   |
| C13   | Tender evaluation                           | 2.78 | 23 | 4%  | 14 | ✓   |     |
| C14   | Contract management                         | 2.06 | 8  | 5%  | 13 | (√) | (√) |
| C15   | Adaptability and modernization              | 2.45 | 19 | 3%  | 17 | ✓   |     |
| C16   | Analytical and critical thinking            | 2.30 | 16 | 4%  | 14 | ✓   |     |
| C17   | Negotiations & Communication                | 2.17 | 13 | 8%  | 8  | ✓   |     |
| C18   | Organisational awareness & Compliance       | 2.41 | 18 | 0%  | 23 | ✓   |     |
| C19   | Collaboration & Stakeholder RM              | 2.31 | 17 | 1%  | 22 | ✓   |     |
| C20   | Team management and leadership              | 2.15 | 11 | 3%  | 17 | ✓   |     |
| C21   | Project management                          | 2.11 | 9  | 3%  | 17 | ✓   |     |

Note: (\*) Training needs are based on the aggregated result of 1<sup>st</sup> to 3<sup>rd</sup> priorities

Source: Prepared by the author based on the information provided by the Ministry of Finance of Estonia, (Ministry of Finance of the Republic of Estonia, n.d.[10]) and (State Shared Services Centre of the Republic of Estonia, n.d.[11])

Table 4.5 shows the training providers and some remarks on the training of each competence.

**Table 4.5. Training available in Estonia**

| Competence |   | Availability | Training provider |     |            | Remarks   |
|------------|---|--------------|-------------------|-----|------------|---|
| No.        | Name  |              | MoF               | RTK | Others (*) |   |
| C1         | Planning                                    | ✓            |                   | ✓   | ✓          | Focus on ESIF fund planning   |
| C2         | Legislation                                 | ✓            | ✓                 | ✓   | ✓          |   |
| C3         | e-Procurement and other digital tools       | ✓            |                   |     | ✓          | Video in Public Procurement Register  |
| C4-1       | Sustainable public procurement – GPP        | ✓            |                   |     |            | Focus on mandatory green criteria in Regulation No. 35  |
| C4-2       | Sustainable public procurement – SRPP       | ✓            | ✓                 |     |            | Recorded video of EU-funded training  |
| C5         | Innovation procurement                      | (√)          |                   |     | ✓          | State Office's Innovation Programme / 3-hour training by the Chamber of Commerce and Industry   |
| C6         | Risk management                             | (√)          |                   |     | (√)        | Video on corruption or conflict of interest by the Ministry of Justice / Top leaders training program by State Office (not PP specific) |
| C7         | Conflict resolution                         | (√)          |                   |     | (√)        | <i>Top leaders training program</i> by State Office (not PP specific)   |
| C8         | Category specific                           |              |                   |     |            |   |
| C9         | Needs assessment                            |              |                   |     |            |   |
| C10        | Market analysis & engagement                |              |                   |     |            |   |
| C11        | Procurement strategy                        | (√)          |                   | ✓   |            | Focus on centralised purchasing (FA/DPS)  |
| C12-1      | TD - Technical specifications               | ✓            | ✓                 |     |            | More for contract award criteria  |
| C12-2      | TD - Evaluation criteria and other elements | ✓            | ✓                 |     |            | Recorded training "Value-based public procurement - how to draw up qualitative evaluation criteria"                                     |
| C13        | Tender evaluation                           | ✓            | ✓                 |     |            | More for contract award criteria  |
| C14        | Contract management                         | (√)          |                   |     | ✓          | Focus on the modification or breach of contracts  |

|     |                                       |   |  |   |  |
|-----|---------------------------------------|---|--|---|--|
| C15 | Adaptability and modernization        | ✓ |  | ✓ | Soft skills covered within the <i>Top leaders training program</i> by the State Office |
| C16 | Analytical and critical thinking      | ✓ |  | ✓ |  |
| C17 | Negotiations & Communication          | ✓ |  | ✓ |  |
| C18 | Organisational awareness & Compliance | ✓ |  | ✓ |  |
| C19 | Collaboration & Stakeholder RM        | ✓ |  | ✓ |  |
| C20 | Team management and leadership        | ✓ |  | ✓ |  |
| C21 | Project management                    | ✓ |  | ✓ |  |

Note: (\*) RTK refers to State Shared Services Centre, Others are universities and/or private sector in most cases

Source: Prepared by the author based on the information provided by the Ministry of Finance of Estonia, (Ministry of Finance of the Republic of Estonia, n.d.[10]) and (State Shared Services Centre of the Republic of Estonia, n.d.[11])

In general, many trainings are provided by the Ministry of Finance and the State Shared Services Centre (RTK) through in-person and/or online format. Recorded videos are available in most cases. Some trainings on public procurement are available at universities (e.g. Tartu University) and the private sector (Chamber of Commerce and Industry, private companies). The followings are some remarks on training:

- Training is not available for competences such as C8 (Category specific), C9 (Needs assessment) and C10 (Market analysis & engagement). In particular, C9 and C10 will be relevant to all public procurement officials;
- C4-1 (green public procurement) is provided with the strong initiative of the Ministry of Climate, and the main focus is the mandatory green criteria defined in the Regulation No. 35. However, introductory training to GPP as well as advanced topics such as LCC are still missing;
- Training on C4-2 (Socially responsible public procurement) was organised with the initiative of the Ministry of Finance in June 2024 *Better Access to Socially Responsible Public Procurement* through the EU-funded initiative and recorded video and training materials are available;
- A comprehensive training on C5 (Innovation procurement) is not developed yet. State Office's Innovation Programme is an eight-month program for the development of public services based on design thinking. The program consists of 12 training days, in-depth field work, dozens of discussions and testing of solutions, but it does not focus on procurement aspect. Estonian Chamber of Commerce and Industry organised a 3-hour innovation procurement training which touched upon market dialogue and a procurement procedure (competitive dialogue);
- C11 (Procurement strategy) focuses on centralised procurement (framework agreement and dynamic purchasing system), but does not cover other elements;
- The Ministry of Finance provided training *Value-based public procurement - how to draw up qualitative evaluation criteria* and uploaded the recorded video, which is directly related to C12-2 (Evaluation criteria and other elements) and to some extent to C12-1 (Technical specifications) and C13 (Tender evaluation);
- C14 (Contract management) focuses on the modification or breach of contracts, and do not cover other elements of contract management;
- C6 (Risk management), C7 (Conflict resolution) and soft skill competences (No. 15 – 21) are covered by the *Top leaders training program* by the State Office. However, these are not customised to the context of public procurement, and it is not sure whether or not this training is widely available to public procurement officers; and
- The Ministry of Justice uploaded a video course of corruption and conflict of interest, which is related to C6 (Risk management). However, this implies a focus on integrity risk, and does not consider other risks in public procurement.

#### **4.4.2. Methodological assistance**

Methodological assistance constitutes a key pillar to strengthen the capacity-building systems of the public procurement workforce. It is a useful tool to support public procurement officials to undertake their daily tasks effectively, and complements training courses. (OECD, 2023<sup>[1]</sup>) This part overview the methodological assistance system available in Estonia such as manuals, standardised templates, and help desks.

##### *Manual*

Manuals provide practical information on specific procedures and topics. Table 4.6 shows some key manuals which are related to some competences.

**Table 4.6. Manual available in Estonia**

| Competence |   | Availability | Name of relevant manuals   |
|------------|---|--------------|--|
| No.        | Name  |              |  |
| C1         | Planning                                    |              |  |
| C2         | Legislation                                 | ✓            | <i>Procedural schemes for public procurement (2018)</i><br><i>Changes to the new public procurement law</i><br><i>Threshold information / submission deadline for each procedure</i>   |
| C3         | e-Procurement and other digital tools       | ✓            | User manuals of the State Procurement Register   |
| C4-1       | Sustainable public procurement – GPP        | ✓            | <i>Various guidelines on GPP by the Ministry of Climate</i><br><i>Guide to environmentally friendly, including circular procurement by SEI Tallinn. (2022)</i><br><i>Advice for local governments on environmentally friendly and responsible public procurement</i> |
| C4-2       | Sustainable public procurement – SRPP       | ✓            | <i>Presentations - Socially responsible public procurement training (2024-06-04)</i>   |
| C5         | Innovation procurement                      | ✓            | <i>Innovation Procurement Handbook (2024)</i>  |
| C6         | Risk management                             |              |  |
| C7         | Conflict resolution                         |              |  |
| C8         | Category specific                           |              |  |
| C9         | Needs assessment                            |              |  |
| C10        | Market analysis & engagement                |              |  |
| C11        | Procurement strategy                        | ✓            | <i>About the establishment of evaluation criteria for mini-tenders organised on the basis of a framework agreement concluded with several bidders (2020)</i>   |
| C12-1      | TD - Technical specifications               |              |  |
| C12-2      | TD - Evaluation criteria and other elements | ✓            | <i>Qualitative evaluation criteria - a guide for the procurer by TGS Baltic (2024)</i>   |
| C13        | Tender evaluation                           |              |  |
| C14        | Contract management                         | (✓)          | <i>Guide to changing procurement contracts in a crisis situation (2022)</i><br><i>Modification of procurement contracts and force majeure (2020)</i>   |
| C15        | Adaptability and modernization              |              |  |
| C16        | Analytical and critical thinking            |              |  |
| C17        | Negotiations & Communication                |              |  |
| C18        | Organisational awareness & Compliance       |              |  |
| C19        | Collaboration & Stakeholder RM              |              |  |
| C20        | Team management and leadership              |              |  |
| C21        | Project management                          |              |  |

Source: Prepared by the author based on the information provided by the Ministry of Finance of Estonia, (Ministry of Finance of the Republic of Estonia, n.d.<sup>[10]</sup>) and (State Shared Services Centre of the Republic of Estonia, n.d.<sup>[11]</sup>)

- Like the case of training, C9 (Needs assessment) and C10 (Market analysis & engagement) lacks the manual;
- Like the case of training, C14 (Contract management) focuses on the modification of contracts, and do not cover other elements of contract management;
- C4-1 (green public procurement) is provided with the strong initiative of the Ministry of Climate, and main focus is the mandatory green criteria defined in the Regulation No. 35;
- Training materials of 2024 *Better Access to Socially Responsible Public Procurement* for C4-2 (Socially responsible public procurement) are available. However, feedback from the participants of the self-assessment showed the strong appetite for actual case studies and criteria examples;
- Estonian Business and Innovation Agency published the second version of Innovation Procurement Handbook in 2024. This updated manual is web-based and reader-friendly. However, feedback from the participants of the self-assessment showed the strong needs for the actual cases of innovation procurement by each procurement procedure / method.

Estonia could consider developing trainings for topics, which are currently not available or need more updates. In addition, when publishing the competency model, a portal or document should be set up so that people can see all the available training and materials for each competence. (or study guide for each competence for professional development).

### *Standardised Templates*

Standardised templates are ready-to-use forms that contracting authorities can use to facilitate their work. They help contracting authorities save time and avoid errors. They also contribute to assuring the quality of procurement procedures and decrease the administrative burdens of economic operators who prepare bid proposals. (OECD, 2023<sup>[1]</sup>)

In Estonia, some standardised templates are available such as the European Single Procurement Document (ESPD) and tender conditions such as compliance and contract award criteria. As one of the EU member states, Estonia implemented the European Single Procurement Document (ESPD), which is named as the Procurement Passport in Estonia. ESPD is a self-declaration form on the eligibility of economic operators to participate in public procurement procedures such as the information related to the undertaking and grounds for exclusion. Under ESPD, only the winner of the tender needs to provide the actual documents to prove its eligibility. In addition, PDF documents are automatically generated for some tender conditions such as compliance criteria and contract award criteria when the information is placed by procurement officials in the e-procurement.

In addition, as an unique initiative from the private sector, Estonian Information Technology and Telecommunication Union, an association of ICT sector companies in Estonia, developed standard contract templates (general conditions and special conditions) for ICT development contracts. (Estonian Information Technology and Telecommunication Union, 2023<sup>[12]</sup>)

### *Helpdesk*

A help desk is a contact point centre to assist contracting authorities and/or economic operators in clarifying their inquiries related to their daily tasks of public procurement. It is an efficient tool to provide quick and tailor-made information. This function is essential because public procurement regulations are complex and can be modified frequently. A help desk can contribute to ensuring legal compliance and solving recurrent issues of daily procurement tasks, such as the choice of procedure and award criteria. (European Commission, n.d.<sup>[13]</sup>)

Currently, three help desks are available in Estonia to answer to questions from both contracting authorities and economic operators. Help desk operated by the Ministry of Finance answers to questions related to

legal framework and any questions related to public procurement. Each year, the Ministry of Finance receives approximately 600 questions. Help desk on green public procurement operated by the Ministry of Climate covers questions on green public procurement. Help desk on the e-procurement (Public Procurement Register) operated by the State Shared Service Centre answers to questions (approximately 7 000 per year) on how to use e-procurement system.

**Table 4.7. Help desks of public procurement available in Estonia**

| Help desk                | Operated by                 | Scope of questions   | Modality       | Open to | No. of staff |
|--------------------------|-----------------------------|--|----------------|---------|--------------|
| Advice on the PPA        | Ministry of Finance         | Questions on legal framework (Public Procurement Act: PPA) and any questions on public procurement | E-mail         | CA / EO | 7            |
| Green public procurement | Ministry of Climate         | Questions on GPP regulations   | Web form       | CA / EO | 1            |
| E-procurement            | State Shared Service Centre | Questions on how to use e-procurement system   | e-mail / phone | CA / EO | 2            |

Source: Created by the author based on (Ministry of Finance of the Republic of Estonia, n.d.<sup>[14]</sup>) and the information provided by the Ministry of Finance

In addition, the Ministry of Finance has the section on frequently asked questions (FAQ) within its website. The FAQ section covers 27 different topics of public procurement, to name a few, tender conditions, procurement procedure, procurement passport (European Single Procurement Document: ESPD), centralised purchasing (framework agreements, dynamic purchasing system), simple procurement and remedy mechanism. (Ministry of Finance of the Republic of Estonia, n.d.<sup>[15]</sup>)

#### *Direct support and advice to the implementation of the actual procurement procedure*

Recently, there have been initiatives of more direct support and advice on implementing the actual complex procurement procedure. (OECD, 2023<sup>[1]</sup>)

In Estonia, the Action Plan of Public Procurement Strategic Principles mentions the future plan to set up a competence centre within the State Shared Service Centre, a national central purchasing body, to provide advice and support for strategic procurement such as innovation procurement. Under this scenario, the case of technical support provided by the Austrian competence centre of innovation procurement provides insights, as the Austrian competence is also established within a Federal Procurement Agency of Austria (BBG). In Austria, officials of a competence centre of innovation procurement assist contracting authorities in identifying and describing the needs during the preparation phase of innovation procurement. When contracting authorities decide to launch innovation procurement procedure, BBG, a federal CPB in Austria, is available to help them carry out innovation procurement procedure. (See Box 4.4)

#### **Box 4.4. Competence centre of innovation procurement in Austria**

In Austria, the PPPI (innovation-promoting public procurement:) Service Centre, or a national competence centre of innovation procurement, was established within the Federal Procurement Agency (BBG) in 2013. Financed by the Ministry of Digital and Economic Affairs (BMDW) and the Ministry of Climate Action, Environment, Energy, Mobility, Innovation and Technology (BMK), the PPPI Service Centre aims at building bridges between public procurers and innovative companies, and acts as the single point of contact for innovation procurement issues in Austria including pre-commercial procurement. The PPPI service point is a one-stop shop for all questions about PPPI and its operational implementation.

The PPPI Service Centre offers the following services:

- Acting as a one-stop shop for questions concerning innovation procurement
- Providing contracting authorities with technical support to carry out innovation procurement:
  - The PPPI Service Centre helps contracting authorities identify potentials for innovation procurement projects (describing needs and functional description etc)
  - BBG helps contracting authorities carry out an actual innovation procurement procedure
- Administering the IÖB digital innovation platform: This digital platform provides the following two modules:
  - Innovation Marketplace: The platform contains an online marketplace for innovative companies whereby they can showcase their innovative products and services. Contracting authorities can use this marketplace for market research purposes and will be able to find solutions for public administration that have been tested for their level of innovation.
  - IÖB Challenges: In case contracting authorities do not find a suitable innovative solution in the Innovation Marketplace, they can announce an IÖB challenge whereby they post their challenges and problems so that innovative companies can submit their innovative solutions that solve those challenges.
- Coordinating a national funding scheme for innovation procurement projects funded by the BMK
  - Preparation cost:
    - Consulting costs for the design and implementation of IÖB challenges on the IÖB innovation platform: up to 90% of the eligible costs but limited to EUR 15 000 of the eligible costs.
    - Costs for legal and/or technical advice to prepare tenders: up to 90% of the eligible project costs but limited to up to EUR 20 000 of the eligible costs.
  - Cost to procure innovative goods and service
    - Investment funding for innovative procurement projects: up to 90% of the eligible costs but limited up to a maximum of EUR 100 000
- Providing trainings for contracting authorities
- Organising networking and events
- Supporting Austrian ministries in the implementation of the PPPI guiding concept on a national level

Source: (Austrian competence centre of innovation procurement, n.d.<sup>[16]</sup>)

## 4.5. Certification framework

A certification framework certifies the levels of skills and competences acquired. It is closely linked to a competency model. A certification framework allows public procurement officers to improve their knowledge and skills through targeted training on the competences required under the certification framework. Thus, it may greatly contribute to recognising public procurement as a professional task, which will lead to increasing the motivation of the workforce. (OECD, 2023<sup>[1]</sup>)

According to the tentative result of the 2024 monitoring survey for the OECD Recommendation on Public Procurement, 43% of the OECD countries (15 out of 35 countries surveyed) have a national certification framework. 81% of the OECD countries without certification framework are developing it currently or are considering the possibility of developing it in the future.

Currently, Estonia does not have a certification framework for the public procurement workforce. However, the country has been working with the OECD to consider the possibility of establishing it through analysing lessons learned by other countries that have already introduced certification framework as well as by conducting a survey to public procurement officials in Estonia to understand their appetite for this mechanism. Based on these research and analysis, OECD will prepare a separate note on the advantages and potential challenges of introducing a certification framework, including a proposal for the Ministry of Finance on the considerations to establish a certification framework in Estonia.

## 4.6. Incentive mechanisms

Motivating public procurement officials is a crucial factor not only for maintaining the high performance and outcome of public procurement, but also for attracting talented professionals. The OECD Recommendation of the Council on Public Procurement calls upon countries to provide attractive, competitive and merit-based career options for procurement officials, in order to motivate them and enhance their performance. (OECD, 2015<sup>[3]</sup>)

Incentive mechanisms play a key role in motivating public procurement officials: they are used to attract and retain qualified staff and motivate them to perform better. Incentives can be classified as financial (e.g. wages, performance-linked bonuses, pensions, allowances) and non-financial (e.g. professional development including training courses and certification, work recognition and award, working conditions)

**Table 4.8. Typology of incentives: financial and non-financial**

| Types of incentives                 | Specific Incentives  |
|-------------------------------------|--|
| 1. Financial Incentives             |  |
| 1.1 Remunerations                   | Wages / Salaries<br>Performance-linked bonus / Promotion<br>Stock Option   |
| 1.2 Other direct financial benefits | Pensions<br>Insurance<br>Clothing / Accommodation allowance<br>Travel allowance<br>Child care allowance  |
| 2. Non-Financial Incentives         | Professional development<br>- Training and Certification<br>Recognition / Award<br>Constructive Feedback<br>Working environments<br>Holidays /sabbatical leave<br>Flexible working hours |

Source: (OECD, 2023<sup>[1]</sup>)

This part overviews practices of financial and non-financial incentive mechanisms to motivate public procurement officials in Estonia,

### 4.6.1. Financial incentives

Financial incentives represent the principal type of incentives used to reward civil servants, mainly through salaries and monetary allowances. However, it is difficult for the public sector to apply financial incentives due to fiscal constraints arising from the economic status and/or the rigidity of their public employment frameworks.

Estonia is not an exception like many other countries. However, Estonia has some practices of financial incentive mechanisms by the State Shared Services Centre (RTK), a national central purchasing body of Estonia. RTK put in place some financial incentive mechanisms to motivate and retain public procurement officials by assuring competitive salaries based on the labour market benchmark, specifying five basic salary classes, and providing variable remunerations such as performance-based bonus in addition to basic salary. (see Box 4.5)

#### **Box 4.5. Financial incentives to motivate the staff at the State Shared Services Centre (RTK)**

The Salary Guide of the State Shared Services Centre (RTK) aims at providing motivating remuneration in line with the situation on the labour market, to ensure that RTK's strategic objectives are achieved with competent and motivated staff, by rewarding:

- Competitively in the labour market (external equity): Ensuring that a basic salary is at the median level of the average basic salary paid to people doing similar work in the whole of Estonia, based on the salary data from the Estonian labour market;
- Fairly within the organisation (internal fairness) – similar salaries for jobs with similar functions and levels of complexity, and for similar performance; and
- Based on the individual performance.

It specifies the following five salary classes for basic salary, each of which has the maximum and minimum rate:

**Table 4.9. Five salary classes of the RTK**

| Class | Position title   | Description  |
|-------|------------------|--|
| 1     | Professional     | Staff who support processes and perform routine and uniform tasks, and those who perform more complex, less regulated tasks. |
| 2     | Top professional | Staff who solve and advise on complex tasks  |
| 3     | Manager          | Staff who coordinate the work of a unit and advise on its specific activities  |
| 4     | Middle manager   | Staff who coordinate the work of the department  |
| 5     | Top manager      | Director-General, Deputy / Director-General  |

In addition to the basic salary, the RTK adopts variable remuneration which can be paid based on the performance and/or additional duties. The total amount of the variable remuneration payable to the official may not exceed 20% of the total amount of the basic salary payable to the servant during the same calendar year. It consists of the followings:

- Performance-based bonus: Payable up to a maximum of two months' basic salary.
- Supplementary service allowances: Payable to additional tasks of a large scale which are not foreseen in the job description or which arises from a substantial temporary increase in the workload.

A replacement allowance shall be paid to the staff in respect of the performance of the duties of a temporarily absent staff in proportion to the extent of the replacement where those duties are not foreseen in the job description or entail a significant increase in the workload of the compared with the job description. A substantial increase in the workload shall normally be considered to be the replacement of an absent official for a long period (normally not less than two months). In the case of a shorter period, a replacement allowance may be granted where the absence of the staff results in a significant increase in the workload of the staff affected by the absence. The replacement allowance

shall be paid to the staff in proportion to the volume of the replacement. As a rule, the replacement of one substitute may not exceed 30% of the work to be replaced.

Lastly, allowances for working in special conditions (e.g. additional work time which exceeds the regular worktime, working in public holidays).

The Value Proposition of the RTK also specifies financial incentives such as life event / sick leaves and financial support for recreation activities such as sports, physiotherapy, psychotherapy.

Source: RTK's Salary Guide, and the information provided by the State Shared Services Centre (RTK)

According to the survey carried out by the Chartered Institute of Procurement & Supply (CIPS), the eligibility for a performance-linked bonus in the public sector (27%) was considerably lower when compared with the private sector (66%), implying that the public sector tends to be more reluctant to adopt a performance-linked bonus than the private sector. (Chartered Institute of Procurement & Supply (CIPS) and Hays, 2024<sup>[17]</sup>)

It is worth mentioning that the RTK has a performance-based bonus system like other CPBs such as Hansel (Finland) and CPO LT (Lithuania) (See Box 4.6). Each year, a performance-based bonus is payable up to a maximum of two months' basic salary based on the result of the performance interviews. The following criteria will be taken into account when determining the individual performance:

- Efficiency (e.g. the total number of performed operations compared to the average of the department/service);
- Quality of work (e.g. low number of errors, quality of tasks);
- Compliance with the agreed core values;
- Time management (e.g. meeting agreed deadlines);
- Customer satisfaction (e.g. customer satisfaction survey);
- Active involvement in tasks; and
- Time worked during the period for which the performance-based bonus is paid (minimum 4 months).

The provision of a performance-based bonus is also subject to the availability of the budget. However, 100% of the staff at the public procurement department of the RTK received it in 2023, although its amount differs among the staff, depending on the performance.

#### **Box 4.6. Performance-based bonus at Hansel (Finland) and CPO LT (Lithuania)**

##### **Hansel (Finland)**

Hansel Ltd acts as a central purchasing body for central and local governments in Finland. It is a non-profit limited company which is owned by the State (65%) and the Association of Finnish Local and Regional Authorities (35%), and finances its operations through service fees of FA/DPS paid by the suppliers based on the value of purchases. Currently, the maximum service fee that can be charged is 1,5 % of the contract value with an average of 0.83% in 2022. In 2022, 1 433 contracting authorities and 981 economic suppliers used the services provided by Hansel. Hansel provides competitive salaries which are closer to the private sector.

Hansel has introduced the performance bonus mechanism to motivate its officials. There are two types of performance bonuses: performance bonus of up to 15% of the annual salary and a one-off set bonus

between EUR 300 and EUR 3 000 for particularly good performance. The performance bonus mechanism is mainly financed by the revenues from service fees (such as user fees from FA/DPS).

The performance bonus can be paid up to 15% of the annual salary of each staff. For members of the management team, the maximum bonus can be up to 30% of the annual salary, if the performance has been exceptionally good. Performance bonus assessments are based on contract usage, customer satisfaction and contribution to the organisational strategy. In 2022, EUR 905 000 were paid as the performance bonus with an average rate of 12.5% (against the possible maximum 15%).

In addition, Hansel employees may receive a one-off bonus between EUR 300 and EUR 3 000 for particularly good performance. The managing director decides on the award of a one-off bonus based on a proposal from the employee's supervisor. In 2022, the total EUR 8 600 of one-off bonus was awarded to 13 employees.

#### **CPO LT (Lithuania)**

CPO LT acts as a national central purchasing body of Lithuania. CPO LT applies remunerations based on performance up to 15% for extra tasks.

Source: (OECD, 2024<sup>[18]</sup>)

#### **4.6.2. Non-financial incentives**

There are many kinds of non-financial incentives. Developing a certification framework and structured capability-building initiatives could contribute to motivating public procurement officers through professional development and to increased professional recognition. Packages related to work-life balance such as holidays and flexible working conditions also represent non-financial incentives. In addition, establishing mechanisms such as performance management system (constructive feedback), an excellence award system or professional networks could play a role in motivating public procurement officials and increasing the sense of professionalism. (OECD, 2023<sup>[1]</sup>)

RTK shows good practices in Estonia in this field. RTK prepared a document called the Value Proposition to put in place many non-financial incentive mechanisms such as well-being (flexible working conditions, leaves, support for recreation activities) and professional development opportunities to motivate and retain public procurement officials. (See Box 4.7)

#### **Box 4.7. Non-financial initiatives to motivate the staff at the State Shared Services Centre (RTK)**

The Value Proposition of the RTK mentions non-financial (some financial) incentives by describing the principles on the well-being, professional development, motivation and recognition of its staff, with the aim of ensuring their commitment to the achievement of RTK's strategic objectives.

- Well-being:
  - Flexible working arrangements (both time and place flexibility)
  - Life event / sick leaves
  - Financial support for recreation activities such as sports, physiotherapy, psychotherapy
  - Children's rooms in the offices of Tallinn and Tartu
- Professional development opportunities:

- Induction programme for new staff or the ones returning from long-term absence (e.g. maternity leave) during the probationary period (four months).
- One personal development day on a quarterly basis, which can be used to consult professional literature or case law, and / or to participate in an e-course or otherwise for job-specific self-development.
- Performance appraisal interview: The line manager shall conduct at least two structured interviews per year with the staff members in accordance with the staff interview policy. The staff member will receive feedback on his/her performance in the previous period and a plan with objectives for the next period will be developed. The main purpose is the professional development of the staff member.
- Encourage for the staff to move within the organization, taking into account the preference on professional development in different areas of work
- Training opportunity
- Week of Career Development in November in which the staff has the opportunity to learn about the work of a specialist in another field
- Motivating staff
  - Performance-based bonus
  - The Employee Initiative Fund (TAF) to support employee activities, with the aim of supporting and enhancing collective activities and initiative and providing the necessary financial support for activities that promote organisational culture and responsibility, thus enabling the realisation of ideas.

Source: Value Proposition of the RTK and the information provided by the State Shared Services Centre (RTK)

Recognition is an effective way to motivate public servants through acknowledging good behaviours or actions with no or little cost, but it is underutilized. (Van Wart, 2008<sup>[19]</sup>) Empirical studies also demonstrate that recognitions are strong motivators in the public sector. (Anderfuhren-Biget et al., 2010<sup>[20]</sup>)

Currently, Estonia does not have excellence award system to recognise the achievements of contracting authorities and/or individual public procurement officials. Recognising its relevance, however, the Ministry of Economic Affairs and Communications has the plan to establish innovation procurement excellence award system, in accordance with the Action Plan of the Public Procurement Strategic Principles. (Government of the Republic of Estonia, 2024<sup>[5]</sup>) Indeed, the Government Office has taken the initiative to open the application for Public Sector Innovation Awards by February 24, 2025. The award of outstanding initiatives will be announced on the 29<sup>th</sup> of April 2025. (Government Office of the Republic of Estonia, 2024<sup>[21]</sup>) Although establishing innovation procurement excellence award system will contribute not only to increasing the sense of professionalism among public procurement officials but also promoting the uptake of innovation procurement in Estonia, it might not cover other dimensions, to name a few, green public procurement or innovative way of carrying out public procurement procedures. Countries like New Zealand and Lithuania established excellence award system to acknowledge the public procurement workforce in various fields. (See Box 4.8Box 4.8) Therefore, Estonia could consider the possibility of establishing excellence award system for the public procurement workforce for varieties of categories.

### Box 4.8. Procurement Excellence Awards in New Zealand and Lithuania

#### New Zealand

The New Zealand Procurement Excellence Forum was formed in 2014 to lift the capability of procurement practitioners in New Zealand. The Forum brings together like-minded and committed procurement professionals, from across the public and private sectors, who consider the procurement profession as a developing specialisation, and are willing to share their knowledge with each other for the purpose of further enhancing the recognition of the procurement profession in New Zealand. The current main initiatives of the Forum consist of the two pillars: Championing Procurement Excellence to deliver successful outcomes for New Zealand and Fostering People and Capability.

As a part of this initiative, the Forum started the annual award event in 2016, New Zealand Procurement Excellence Awards. This award was established to raise the profile and awareness of procurement, or what great procurement looks like and how it can contribute to better outcomes for New Zealand, across both private and public sectors. The founders thought that it was possible only through sharing great stories of achievement across many organisations in both the public and private sectors, inspiring others to raise the bar, and to make sure that organisations achieve more than just good practice and compliance.

The New Zealand Procurement Excellence Awards are the foremost recognition of industry-leading procurement practice in New Zealand. There are five competitive categories that have been established to recognise New Zealand's finest:

- Young Procurement Professional of the Year (30 years old or under)
- Procurement Professional of the Year
- Most Effective Teaming of the Year
- Social or Environmental Impact of the Year
- Most Innovative Project of the Year

The application must be related to activities and initiatives of procurement. The judging criteria are disclosed for each award category. The overall Supreme Winner will be selected from the category winners to recognise the highest achievement of the year in the procurement field in the country. The prize of the winner, for example for 2016, includes not only the award certificate and trophy but also a paid trip to any procurement conference anywhere in the world.

The New Zealand Procurement Excellence Awards contribute not only to knowledge sharing among procurement professionals, but also to enhancing the motivation and incentives of public procurement experts in New Zealand, thus lifting the recognition of procurement as a professional task.

#### Lithuania

As part of its action plan to professionalise the public procurement workforce (2019 – 2022), the Ministry of Economy and Innovation of Lithuania established an excellence award system for the public procurement workforce in 2021 in collaboration with the Public Procurement Office for the purpose of motivating the public procurement workforce. This excellence award system rewards contracting authorities in four categories: the most sustainable, the most innovative, the smartest, and the best procurement governance/processes.

Source: (OECD, 2024<sup>[18]</sup>) and (Ernst & Young - New Zealand, n.d.<sup>[22]</sup>)

Establishing a professional network or a community of practice also contributes to motivating public procurement officials, facilitating networking and the exchange of ideas, and increasing the sense of professionalism. Establishing the professional network will be beneficial for specific topics such as technical specifications and green procurement, because the members of the network will contribute to increasing the sense of professionalism of public procurement practitioners. (OECD, 2023<sup>[1]</sup>)

Currently, Estonia has a network of innovation procurement as well as an informal CPB network. However, Estonia does not have a nation-wide professional network like the case of New Zealand Procurement Excellence Forum (See Box 4.8), a community of practice in the Netherlands (PIANOo) with approximately 80 sub-communities organised according to specific procurement topics (European Commission and PWC, 2016<sup>[23]</sup>), and the Public Buyers Community administered by European Commission with 21 different communities such as CPB and procurement of AI. (European Commission, n.d.<sup>[24]</sup>) In the long run, Estonia could consider the possibility of establishing a nation-wide professional network for the public procurement workforce.

#### **4.7. Collaborative approaches**

An increasing number of countries have recognised the role that knowledge centres such as universities, think tanks or policy centres can play in promoting professionalisation. The OECD Recommendation of the Council on Public Procurement calls upon countries to promote collaborative approaches with knowledge centres to improve skills and competences. (OECD, 2015<sup>[3]</sup>) Indeed, there are many types of collaborative approaches with knowledge centres such as developing and/or providing training programmes (62% of OECD countries in 2020), a joint research programme on public procurement (44%), joint seminars and workshops on public procurement (62%). (OECD, 2023<sup>[1]</sup>) Some countries also collaborate with universities to encourage future procurement specialists by increasing awareness of public procurement as a professional task among young people. These initiatives include, but are not limited to, offering courses or degree programmes in public procurement, thesis contests, and internship programmes. (OECD, 2023<sup>[1]</sup>)

Estonia has the great opportunity to enhance collaboration with knowledge centres. Currently, Estonia introduced collaborative approaches with knowledge centres in thesis contexts and occasional internship opportunities. For example, Estonian Research Council administers a *National Contest for University Students* each year to promote research among university students. The contest is open to all students studying in Estonia (including foreign students studying in Estonia) and Estonian citizens studying abroad. Research papers can be submitted on all university levels including applied higher education and bachelor's studies, master's studies, doctoral studies and in all fields of research (Natural Sciences, Engineering and Technology, Medical and Health Sciences, Agricultural and Veterinary Sciences, Social Sciences, and Humanities and the Arts). There are various categories for the prize with the total award fund of EUR 181,374.78 for the year 2024. (Estonian Research Council, 2024<sup>[25]</sup>) Public procurement is one of the eligible research fields, and in 2023 the thesis on *Factors Promoting and Restricting the Acquisition of Innovation at the Level of Estonian Central Government* submitted by a student of the University of Tartu received the special award from the Ministry of Finance. (Estonian Research Council, 2023<sup>[26]</sup>)

In addition, the Faculty of Law of the University of Tartu and the Johan Skytte Institute of Political Studies developed a micro-degree program, the *Public Procurement Management for Beginners*. (University of Tartu, 2023<sup>[27]</sup>) This master's programme is designed for those with less than two years of work experience in the field of public procurement so that they can acquire the following knowledge and skills on public procurement:

- know-how to apply Estonian and EU public procurement law, including the general principles of public procurement;
- identifying the main legal risks of a specific public procurement, how to avoid or remedy them;
- having a good overview of planning and organising procurement;
- navigating the state procurement register and necessary documents;
- thorough knowledge of the objectives, process and conditions of organising public procurements;
- preparing public procurement documents; and
- know-how to organize public procurement efficiently and accurately.

The duration of the programme is 5 months (September 2023 – January 2024 for the year 2023). To complete the programme, candidates are required to obtain 12 credits (60 hours of classroom work and 252 hours of independent work), which consist of the three subjects: Public procurement law (3 credits), Preparation of procurement documents (3 credits), and Organisation of public procurement (6 credits).

Estonia could benefit from further promoting collaborative approach with knowledge centres such as developing procurement courses and degree programs. In Lithuania, for example, the government and a university collaborated to develop its first-ever 1-year master programme on public procurement and provided scholarships to some of the students. (See Box 4.9)

#### **Box 4.9. Collaboration in Lithuania to develop the master programme in public procurement and internship**

The Ministry of Economy and Innovation and the Public Procurement Office in Lithuania collaborated with Mykolas Romeris University to launch its first-ever master's programme in public procurement, the Master of Law (LL.M.) in Public Procurement Law in September 2021. They provided advice on the curriculum. CPO LT, the largest central purchasing body in Lithuania, grants scholarships to some of the students enrolled in this master's programme (5 students in 2022 and 10 students in 2021).

This master's programme is designed to prepare highly qualified specialists in public procurement law who are able to:

- provide legal advice in this field;
- explain the latest issues and development trends in public procurement law;
- organise public procurement;
- analyse and evaluate complex legal contexts related to public procurement;
- promptly and efficiently resolve public procurement relations arising legal disputes;
- represent contracting authorities or economic operators in the courts; and
- submit proposals to the legislator regarding the improvement of the legal framework of public procurement.

The duration of the programme is 1 year. The programme focuses more on the practical aspects than on academic ones. To complete the programme, candidates are required to obtain 60 credits including passing the final examination. However, a master's thesis is not required. In general, classes take place in person.

**Table 4.10. Curriculum of the LL.M. in public procurement law at Mykolas Romeris University**

| Coursework  | Credit    |
|---|-----------|
| <b>1st semester</b>   | <b>30</b> |
| Legal framework and practice of public procurement              | 7         |
| Control and management of public procurement                    | 6         |
| Economics of public procurement                                 | 5         |
| Strategic public procurements                                   | 6         |
| Creation and implementation of an anti-corruption environment   | 6         |
| <b>2nd semester</b>   | <b>30</b> |
| Project management  | 5         |
| Implementing public procurement procedures (practical workshop) | 7         |
| Public Procurement Law  | 6         |
| Dispute resolution  | 6         |
| Final exam  | 6         |
| <b>TOTAL</b>  | <b>60</b> |

Source: (Mykolas Romeris University, n.d.[28])

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# 5 Way forward

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This chapter provides the government of Estonia with recommendations and ways forward through the action plan to reinforce further the uptake of strategic public procurement and professionalisation to increase efficiency in public procurement system. This chapter presents an action plan table which describes the context, responsible authority(ies) and the estimated timeframe for each recommendation proposed in Chapters 2, 3, and 4.

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This diagnostic report assessed the current state of play of the strategic use of public procurement and the professionalisation of the public procurement workforce in Estonia.

Chapter 2 analysed the current state of play of strategic procurement (green public procurement, socially responsible public procurement and innovation) in Estonia, focusing on the enabling elements of innovation procurement: (i) regulatory framework, (ii) institutional framework, (iii) strategy, (iv) buy-in from stakeholders including senior leaders and procurement practitioners, (v) market readiness, (vi) capacity-building system, and (vii) monitoring system and risk management.

Chapter 3 went deeper into the current practices of strategic procurement in Estonia, based on the OECD survey carried out to grasp the perceptions of public procurement officials in Estonia on strategic procurement. Indeed, the government of Estonia has been taking strong initiatives to promote the uptake of strategic procurement by adopting the Strategic Principles of Public Procurement in November 2023, followed by its action plan adopted in November 2024. Many institutions have been collaborating to achieve ambitious goals, to name a few, the Ministry of Finance as the public procurement authority, State Shared Services Centre (RTK) as a national central purchasing body, the Ministry of Climate (green public procurement), the Ministry of Economic Affairs and Communications (innovation procurement and socially responsible public procurement), the Government Office (innovation procurement), and the Estonian Business and Innovation Agency (innovation procurement).

Chapter 4 analysed the current state of play of professionalisation initiatives which Estonia has taken to promote the uptake of strategic public procurement. These include the development of the competency model for the public procurement workforce and the capability-building system which covers various procurement topics. However, there are still many opportunities that Estonia can take advantage of so as to further professionalise the public procurement workforce such as the development of the stand-alone professionalisation strategy, the reinforcement of the current capability-building system, incentive mechanisms, and the enhancement of collaboration with the academic centres.

This chapter provides the Government of Estonia with recommendations and ways forward to reinforce further the uptake of strategic public procurement and professionalisation to increase efficiency in public procurement system, building upon the analysis carried out in Chapter 2, 3, and 4.

Table 5.1 presents an action plan to implement the recommendations proposed in Chapters 2, 3, and 4. It describes the context, responsible authority(ies) and the estimated timeframe (short, intermediate, long) for each recommendation.

**Table 5.1. Action plan for implementing the recommendations on strategic public procurement and professionalisation**

| Rec No. | Reform area<br>S / GPP / SRPP / IP/ P (*) | Initiative  | Context  | Recommendation   | Responsible authority/ies | Estimated timeframe (**) |
|---------|---|---|--|--|---------------------------|--------------------------|
| 1       | S   | Regulatory framework (legal clarity)                  | Estonia's public procurement legal framework allows for the strategic use of public procurement. However, the lack of legal clarity is considered as a barrier to strategic public procurement for contracting authorities surveyed: the greatest challenge for socially responsible public procurement (57%) and innovation procurement (26%), and GPP (11%).               | Estonia could ensure that contracting authorities have full confidence in what the law does or not allow them to do in terms of strategic procurement. In addition, Estonia could provide contracting authorities with further practical guidance on provisions that enable strategic public procurement (e.g. prior market consultations, implementation of selection and award criteria, etc.) to alleviate legal uncertainties. | MoF                       | Short-medium             |
| 2       | S   | Long-term budget visibility                           | The OECD fact-finding mission identified that some public procurement officials consider the lack of the long-term budget visibility as the bottleneck to promote the use of strategic procurement, in particular, innovation procurement and the life-cycle costing.  | Estonia could consider providing increased budget visibility to facilitate the use of strategic procurement, in particular, innovation procurement and the use of life-cycle costing.  | MoF                       | Medium                   |
| 3       | GPP                                       | Monitoring compliance with the mandatory GPP criteria | Regulation no. 35 of the Minister of the Environment specifies four product groups where contracting authorities must include environmental criteria. However, the lack of compliance with mandatory criteria still presents a challenge in Estonia. During the OECD fact-finding mission, stakeholders reported that only half of procurers use the GPP mandatory criteria. | Estonia could improve the monitoring of compliance with GPP criteria and set up ways of dealing with lack of compliance by: <ul style="list-style-type: none"> <li>• establishing transparency about failure to comply, such as benchmarking, identifying frontrunners, 'naming &amp; shaming'.</li> <li>• introducing incentives to do more than what is mandatory.</li> </ul>  | MoF                       | Short-medium             |
| 4       | S   | Awareness of Public Procurement Strategic Principles  | In November 2023, the Public Procurement Strategic Principles were adopted by the Government of Estonia. Although most of the contracting authorities (88%) are aware of the Strategic Principles, lower levels of awareness were observed in the private sector: 54% of   | Estonia could raise awareness of the Public Procurement Strategic Principles, in particular, among the private sector.   | MoF                       | Short                    |

| Rec No. | Reform area<br>S / GPP / SRPP / IP/ P (*) | Initiative  | Context  | Recommendation  | Responsible authority/ies  | Estimated timeframe (**) |
|---------|---|---|--|---|--|--------------------------|
|         |   |   | survey respondents from the private sectors are not aware of it, 30% are somewhat aware, and only 8% consider themselves familiar with it.   |   |  |                          |
| 5       | S   | Awareness raising about the benefits of SPP among leaders and practitioners | The OECD survey to the senior management revealed that the buy-in for strategic public procurement amongst senior leaders of Estonian public entities is highly mixed. In addition, the notion that strategic procurement could lead to the higher price still prevails among leaders and practitioners.   | Estonia could raise awareness among leaders and practitioners about the benefits of strategic public procurement, notably highlighting how this tool can be used in support of existing government policies (including national security) by: <ul style="list-style-type: none"> <li>developing case studies to demonstrate the value added of green procurement (partnering with university/ research institutions such as increasing Estonia's competitiveness in green industries and analysing the comparison of cost (e.g. green procurement versus non-green procurement); and</li> <li>rolling out success stories based on good practices.</li> </ul> | MoF, Ministry of Climate, Ministry of Economic Affairs and Communications, Estonian Business and Innovation Agency | Medium                   |
| 6       | S   | Market engagement   | Estonian businesses appear generally willing to participate in strategic public procurement procedures and have an overall positive view of the attractiveness of public procurement markets. The OECD survey to economic operators in Estonia showed that businesses considered many elements as barrier to participation in public procurement, which point to a greater need for engagement between the public sector and the private sector, in particular in preparation of a tender. In addition, it is relevant to increase the capacity of the private sector, in particular, SMEs, to prepare tender proposals. | Estonia could obtain more buy-in from the private sector by: <ul style="list-style-type: none"> <li>improving contracting authorities' practices regarding the use of quality criteria, market engagement, the time for bidding, and the time taken to evaluate bids.</li> <li>introducing sector dialogues, taking inspirations from evolutions that occurred in the ICT industry, and the focus on quality in tender development.</li> </ul>  | MoF / Estonian Business and Innovation Agency  | Medium                   |

| Rec No. | Reform area<br>S / GPP / SRPP / IP/ P (*) | Initiative   | Context  | Recommendation  | Responsible authority/ies   | Estimated timeframe (**) |
|---------|---|--|--|---|---|--------------------------|
| 7       | S   | Monitoring and evaluation                                | Estonia is well advanced in monitoring the strategic use of public procurement. However, there is room for improving the process to obtain more accurate data. Indeed, monitoring of strategic procurement may not be perfectly reflected in the current e-procurement system which implemented e-forms launched in the summer of 2024. The public buyers need to mark the strategic aspect of the public procurement process manually. As such, there may be some undercounting of the uptake of strategic procurement because procurement procedures are not labelled as such (i.e. green, social or innovative) by the buyer in the system. | Estonia could enhance the monitoring system of strategic procurement by: <ul style="list-style-type: none"> <li>improving the definitions of GPP, SRPP and innovation procurement and clearly communicate them to contracting authorities to ensure accurate measurement of strategic public procurement.</li> <li>developing tools or standard templates to help procurers monitor the implementation of strategic procurement; and;</li> <li>measuring the impacts of strategic public procurement, for example, through regular surveys to assess the performance of strategic procurement.</li> </ul> | MoF, Ministry of Climate, Ministry of Economic Affairs and Communications , Estonian Business and Innovation Agency | Medium                   |
| 8       | GPP                                       | Life-cycle cost calculations                             | The survey carried out to contracting authorities in Estonia identified the potential (or perception) increase in acquisition price as the main challenge to implement green public procurement, like the case of institutional leaders, followed by other concerns such as the lack of adequate capability (i.e. insufficient support in terms of guidelines, tools and training) and limited market readiness to participate in GPP tender. In addition, public buyers in Estonia consider that it is technically difficult to implement LCC.  | Estonia could focus on enhancing public buyer's knowledge about life cycle costs by: <ul style="list-style-type: none"> <li>encouraging them to test simple calculation of alternative solutions in the preparatory stages of the procurement; and</li> <li>as a second step, building up dedicated capacity for developing LCC calculations in the construction and infrastructure sector through a network of LCC experts</li> </ul>  | MoF / Ministry of Climate   | Medium – Long            |
| 9       | SRPP                                      | Prioritisation of actions and objectives related to SRPP | It is not clear to procurement practitioners which social policy dimensions the Ministry of Economic Affairs and Communications would like to advance through the use of socially responsible public procurement, given the wide array of goals that can be supported (e.g. long-term  | Estonia could provide stronger prioritisation of actions and objectives related to SRPP, and clear communication of these objectives to buyers.   | MoF / Ministry of Economic Affairs and Communications   | Medium                   |

| Rec No. | Reform area<br>S / GPP / SRPP / IP/ P (*) | Initiative  | Context  | Recommendation   | Responsible authority/ies                    | Estimated timeframe (**) |
|---------|---|---|--|--|--|--------------------------|
|         |   |   | unemployment, vulnerable groups, gender, accessibility, etc.) Recently, sample award criteria including criteria related to socially responsible public procurement were prepared by the Ministry of Finance.  |  |  |                          |
| 10      | IP  | Capability of carrying out innovation procurement | The survey carried out to contracting authorities in Estonia identified the lack of adequate capability as the main challenge to implement innovation procurement, followed by the lack of time to prepare the procedure as well as of the legal clarity which could be associated to implementing complex procurement procedures such as innovation partnerships. Since November 2024, the Estonian Business and Innovation Agency has been appointed as a voluntary centralised purchasing body for public procurement supporting innovation.                    | Beyond the support provided by the Estonian Business and Innovation Agency, Estonia could consider the possibility of: <ul style="list-style-type: none"> <li>• creating a pool of innovation procurement experts to support innovation procurement processes on an ad-hoc basis; and</li> <li>• developing a comprehensive training on innovation procurement.</li> </ul> | MoF, Estonian Business and Innovation Agency | Medium                   |
| 11      | P   | Strategy for professionalisation                  | Currently, Estonia does not have a stand-alone policy to professionalise the public procurement workforce. However, strategies such as Public Procurement Strategic Principles and Public Governance Strategy (2024-2027) recognise the relevance of professionalising the public procurement workforce and specify some activities in the action plan. The Public Procurement Strategic Principles focus on the capability-building of strategic procurement with some other elements of professionalisation such as a competency model and the excellence award. | Estonia could consider developing a stand-alone public procurement professionalisation strategy with various initiatives such as setting up a certification framework, introducing incentive mechanisms and establishing collaboration with the knowledge centre.  | MoF  | Medium                   |

| Rec No. | Reform area<br>S / GPP / SRPP / IP/ P (*) | Initiative                       | Context   | Recommendation   | Responsible authority/ies   | Estimated timeframe (**) |
|---------|---|----------------------------------|---|--|---|--------------------------|
| 12      | P   | Competency model and job profile | Estonia developed a competency model for the public procurement workforce in Estonia, which consists of 21 competences (14 procurement-specific ones and 7 soft competences) with four proficiency levels (Basic, Intermediate, Advanced and Expert). No typical job profiles related to public procurement (e.g. procurement specialist, procurement support officer) have been specified yet.   | To reap the full benefits of the competency model, Estonia could consider specifying typical job profiles related to public procurement and match them with the required proficiency levels of each competence in the competency model.  | MoF   | Medium                   |
| 13      | P   | Capacity building                | The self-assessment result identified C5 (Innovation Procurement) as the weakest competence of the 143 participants with the lowest average point of 1.02, followed by C4-2 (Socially responsible public procurement), C6 (Risk management), C4-1 (Green public procurement), C10 (Market analysis & engagement). In addition, strong training needs were identified for the competences such as C5 (Innovation procurement), C2 (Legislation), C4-1 (Green public procurement), C4-2 (Socially responsible public procurement) and C10 (Market analysis & engagement). Currently, capacity-building initiatives (training and manuals) for some competences are not available. These include, to name a few, market consultation, needs assessment, procurement strategy (except FAs and DPSs) and contract management (except contract modification) It will be ideal if all training and manuals could be found at one portal. | <p>Estonia could consider designing tailored capacity-building initiatives for the identified top-priority competences such as innovation procurement, socially responsible public procurement, risk management, green public procurement and market consultation.</p> <p>In particular, Estonia could consider developing trainings for topics:</p> <ul style="list-style-type: none"> <li>• which are currently not available (e.g. market consultation, needs assessment, procurement strategy, contract management) or;</li> <li>• which need more updates (e.g. more comprehensive coverage and LCC for GPP, actual cases for socially responsible public procurement and innovation procurement)</li> </ul> <p>When publishing the competency model, a portal or document should be set up so that people can see all the available training and materials for each competence. (or study guide for each competence for professional development).</p> | MoF, RTK, Ministry of Climate, Ministry of Economic Affairs and Communications, Estonian Business and Innovation Agency | Short - Medium           |

| Rec No. | Reform area<br>S / GPP / SRPP / IP/ P (*) | Initiative                           | Context  | Recommendation  | Responsible authority/ies | Estimated timeframe (**) |
|---------|---|--------------------------------------|--|---|---------------------------|--------------------------|
| 14      | P   | Excellence award system              | Estonia does not have excellence award system for varieties of categories to recognise the achievements of contracting authorities and/or individual public procurement officials. The Ministry of Economic Affairs and Communications has the plan to establish innovation procurement excellence award system. | Estonia could consider establishing an excellence award system for the public procurement workforce for varieties of categories.        | MoF                       | Medium                   |
| 15      | P   | Professional network                 | Currently, Estonia has a network of innovation procurement as well as an informal CPB network. However, the country does not have a nation-wide professional network for the public procurement workforce for various specific procurement topics  | Estonia could consider establishing a nation-wide professional network for the public procurement workforce.                            | MoF                       | Long                     |
| 16      | P   | Collaboration with knowledge centres | Currently, Estonia introduced collaborative approaches with knowledge centres in thesis contexts and occasional internship opportunities. However, there is great potential to enhance collaboration such as developing procurement courses and degrees.   | Estonia could further promote collaborative approach with knowledge centres such as developing procurement courses and degree programs. | MoF                       | Long                     |

Note: (\*) S: Overall strategic procurement / GPP: Green Public Procurement, SRPP: Socially responsible public procurement, IP: Innovation procurement, P: professionalisation,

(\*\*) Short term: recommendations could be implemented within the next 12 months,

Medium term: recommendations could be implemented between 1 to 3 years,

Long term: recommendations could be implemented in more than 3 years.

Source: Created by the author

# Annex A. Analytical framework: enabling elements of strategic public procurement

**Table A A.1. Analytical framework**

| <b>Dimension</b>                      | <b>Questions for analysis</b>   |
|---------------------------------------|---|
| Regulatory framework                  | Do laws allow for strategic public procurement? Does it promote strategic public procurement?<br>Are there any regulatory barriers to pursue strategic public procurement?  |
| Institutional framework               | Does the institutional framework support strategic public procurement (e.g. dedicated mandate, dedicated competence)?<br>Do the institutions (with any kind of role in terms of public procurement) have the mandate to pursue strategic public procurement policies?<br>Do they have sufficient capacity? Are necessary functions covered (e.g. strategic procurement / capacity)?   |
| Strategy                              | Is there a strategic framework in place to support strategic public procurement (strategy, policy framework)?<br>Is there a roadmap / action plan in place for the implementation of the strategy?<br>Leadership / pilot projects / flagship initiatives  |
| Buy-in                                | Is buy-in ensured from all relevant stakeholders across the procurement cycle:<br>Senior management<br>Procurement officials<br>Suppliers<br>Remedies bodies<br>Control/audit bodies  |
| Market readiness                      | Is there dialogue with the market on goals related to strategic public procurement? Are there structured ways to support this dialogue?<br>Are there specific sectoral strategies for areas of strategic public procurement (e.g. dialogue with ICT providers, construction sector etc.)?<br>How is the public sector perceived as a client?<br>How advanced is the market regarding capacity to deliver green / innovative / socially responsible goods?   |
| Capacity-building system              | Professionalisation of the PP workforce: What instruments are available to ensure a professional PP workforce (e.g. competency framework, certifications, etc.)? Are these mandatory? To what extent do they incorporate strategic procurement objectives?<br>Training and capacity-building: Is a training infrastructure available? Does it cover sufficiently strategic public procurement?<br>Tools: What tools are available to support strategic public procurement?<br>Support structures: What support structures are available for strategic public procurement?<br>Collaboration: Are there strategies and mechanisms to share experiences, peer-learning etc.? |
| Monitoring system and risk management | Is there a monitoring system that is focusing on the uptake of strategic public procurement?<br>What digital tools support monitoring and analytics of strategic public procurement?<br>Are impacts of strategic public procurement measured? How?<br>Risk: Are risk considerations around strategic PP applied consistently? Are there dedicated risk frameworks and considerations?   |

## Annex B. Self-assessment survey

This Annex presents the key takeaways and results of the self-assessment survey, which was prepared based on the 21 competences of the draft competency model and applied to 143 procurement officials from 37 contracting authorities in Estonia in 2024.

The survey aimed at feeding the assessment of the capability level of the public procurement workforce, one assessment angle of the current level of professionalisation, which was specified in the *Step I Assessment* of the OECD policy paper on the professionalisation.

### Survey structure

The survey was prepared in the EC digital platform (EUSurvey) in accordance with the draft competency model. The survey aimed at helping each participant to identify the current capability level of their workforce and competences that need more capacity building, by:

- Assessing the current capability level by ranking each of 21 competences (23 including sub-competences inside C4 and C12) through:
  - Calculating the average score of all the participants (all the 143 participants)
  - Calculating the average score of all the participants (by contracting authority)
  - Calculating the average score of all the participants (by job profile self-declared by each participant)
- Collecting the feedback on capacity-building needs of the participants.
- Collect feedback on the draft competency model and professionalisation initiatives
- Collect information on the practice of strategic procurement

The survey consisted of four sections:

- Section I General questions: Information on the respondent such as the current position and experiences in public procurement;
- Section II Public procurement competences: Self-assessment of the current level for the 14 procurement specific competences;
- Section III Soft competences: Self-assessment of the current level for the 7 soft competences; and
- Section IV Feedback on capacity-building needs: (i) capacity-building needs (select 3 competences that need more capability-building activities in the opinion of the respondent), (ii) the draft competency model and (iii) professionalisation initiatives
- Selection V Practices on strategic public procurement: Collecting information on the perception of strategic procurement

This Annex focuses on the result of the questions in Section I to IV, because the result of the questions in Section V on perception of strategic procurement was already discussed in the previous Chapters on the current state of play of strategic procurement.

In Section II and III, the participants were requested to self-assess their proficiency levels of knowledge and skills for 21 competences (23 including sub-competences) from the following levels that were converted to points (0 to 4):

- Less than basic: 0 point
- Basic: 1 point
- Intermediary: 2 points
- Advanced: 3 points
- Expert: 4 points

A webinar to launch the survey was organised by the OECD on March 22, 2024 in collaboration with the Ministry of Finance, in order to explain the purpose and structure of the exercise to the participants. The survey was closed on April 25, 2024.

## Participant profiles

This part shows the basic profiles of the 143 officials that participated in the self-assessment survey from 37 contracting authorities in Estonia. (see Table A B.1.)

**Table A B.1. Participants of the survey**

| Contracting authority                               | Number of participants |
|---|------------------------|
| AS Eesti Raudtee                                    | 7                      |
| AS Eesti Varude Keskus                              | 1                      |
| AS Hoolekandeteenused                               | 3                      |
| AS Tallinna Sadam                                   | 3                      |
| AS Tallinna Vesi                                    | 4                      |
| Eesti Energia AS                                    | 15                     |
| Eesti Maaülikool                                    | 2                      |
| Elektrilevi OÜ                                      | 4                      |
| Elering AS  | 5                      |
| Ettevõtluse ja Innovatsiooni SA                     | 3                      |
| Harku Vallavalitsus                                 | 1                      |
| Majandus- ja Kommunikatsiooniministeerium           | 1                      |
| Mulgi Vallavalitsus                                 | 1                      |
| Rae Vallavalitsus                                   | 1                      |
| Rahandusministeerium ühisosakonna õigustalitus      | 3                      |
| Rahandusministeeriumi Infotehnoloogia Keskus        | 1                      |
| Rakvere Linnavalitsus                               | 1                      |
| Regionaal- ja Põllumajandusministeerium             | 5                      |
| Registrite ja Infosüsteemide Keskus                 | 2                      |
| Riigi Info- ja Kommunikatsionitehnoloogia Keskus    | 2                      |
| Riigi Kaitseinvesteeringute Keskus                  | 8                      |
| Riigi Kinnisvara AS                                 | 1                      |
| Riigi Tugiteenuste Keskus                           | 23                     |
| RÜ Riigi Tugiteenuste Keskus                        | 5                      |
| SA Põhja-Eesti Regionaalhaigla                      | 10                     |
| SA Tallinna Lastehaigla                             | 2                      |
| Siseministeerium                                    | 1                      |
| Siseministeeriumi Infotehnoloogia- ja Arenduskeskus | 1                      |
| Tallinna Linnavaraamet                              | 2                      |

|   |            |
|---|------------|
| Tallinna Strategiakeskus                | 5          |
| Tallinna Ülikool                        | 5          |
| Tartu Vallavalitsus                     | 5          |
| Tartu Ülikool                           | 4          |
| Tervise ja Heaolu Infosüsteemide Keskus | 2          |
| Tervisekassa                            | 2          |
| Transpordiamet                          | 1          |
| Viljandi Linnavalitsus                  | 1          |
| <b>TOTAL</b>                            | <b>143</b> |

Source: Self-assessment survey result for 143 public procurement officials at 37 contracting authorities in Estonia (May 2024)

It is worth noting that these 37 contracting authorities represented 38.17 % of the total number of public procurement procedures and 67.38 % of the total estimated procurement volume in Estonia in 2023.

The followings are the snapshots of the 143 participants:

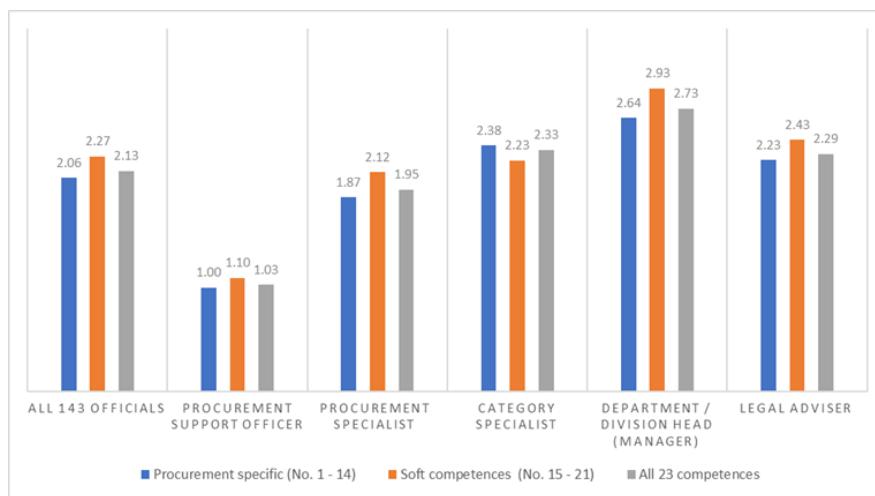
- 88% (126 out of 143 officials) work full-time on public procurement.
- Average experiences in the current position are 59 months (4.9 years)
- Average experiences in public procurement are 114 months (9.5 years)
- Involvement in each procurement cycle: Pre-tender phase (90%), tender phase (97%), Post-tender (contract management) phase (59%)

## Self-assessment result of 21 competences

The OECD shared with the Ministry of Finance the key findings from the analysis of the aggregated self-assessment results of the 143 participants on May 24, 2024. Then, it was shared with the survey participants during the conference held in Tallin on June 14, 2024. The survey results for each of the 11 contracting authorities that had 5 or more participants were sent to each institution individually in October 2024, in order to maintain the confidentiality of their individual results. This Annex only shows the key findings of the aggregated result of the 143 participants, which are still useful to meet the objective of identifying the competences that need more capacity building on a country-wide level.

The total average point of the 23 competences of all the 143 participants was 2.06. The total average point of procurement-specific competences (No. 1-14) amounted to 2.27, while the one for the soft competences (No. 15-21) was 2.13. By job profile, the department / division head (manager), a job profile which might require more experiences in public procurement, recorded the highest average scores for all competence clusters (All the 23 competences: 2.64, procurement-specific competences: 2.93 and soft competences: 2.73). (see Figure A B.1.)

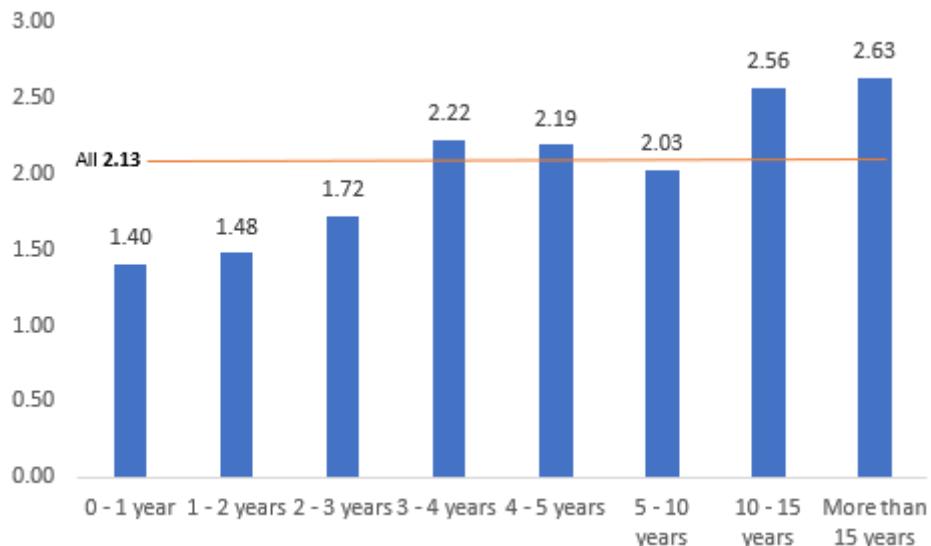
**Figure A B.1. Average point by competence cluster and job profile**



Source: Self-assessment survey result for 143 public procurement officials at 37 contracting authorities in Estonia (May 2024)

Figure A B.2. shows that the capability level increases proportionally with more professional experiences in public procurement except the cases observed among the category of 3-4 years (2.22 point), 4-5 years (2.19 point) and 5-10 years (2.03 points).

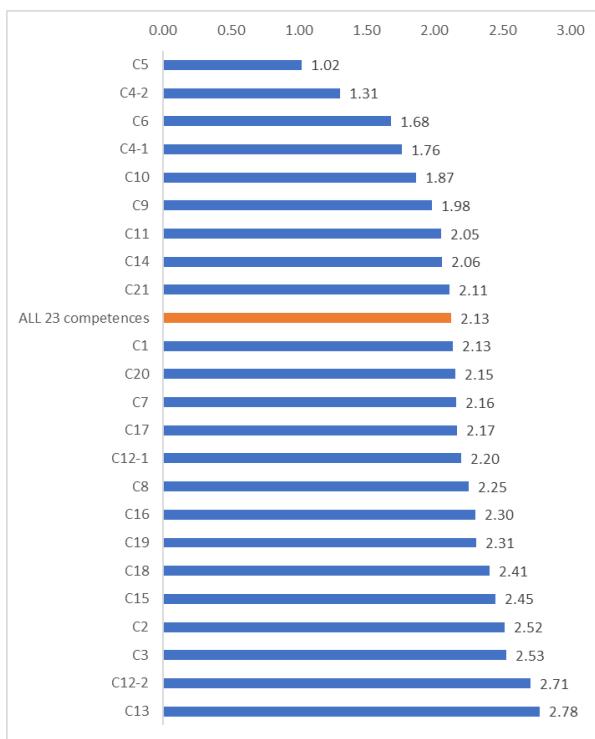
**Figure A B.2. Total average score by experience in public procurement**



Source: Self-assessment survey result for 143 public procurement officials at 37 contracting authorities in Estonia (May 2024)

Figure A. B.3. shows the average points of all the 143 participants by competence in ascending order. The self-assessment result identified C5 (Innovation Procurement) as the weakest competence of the 143 participants with the lowest average point of 1.02, followed by C4-2 (Socially responsible public procurement), C6 (Risk management), C4-1 (Green public procurement), C10 (Market analysis & engagement).

**Figure A B.3. Average points of all the 143 participants by competence**

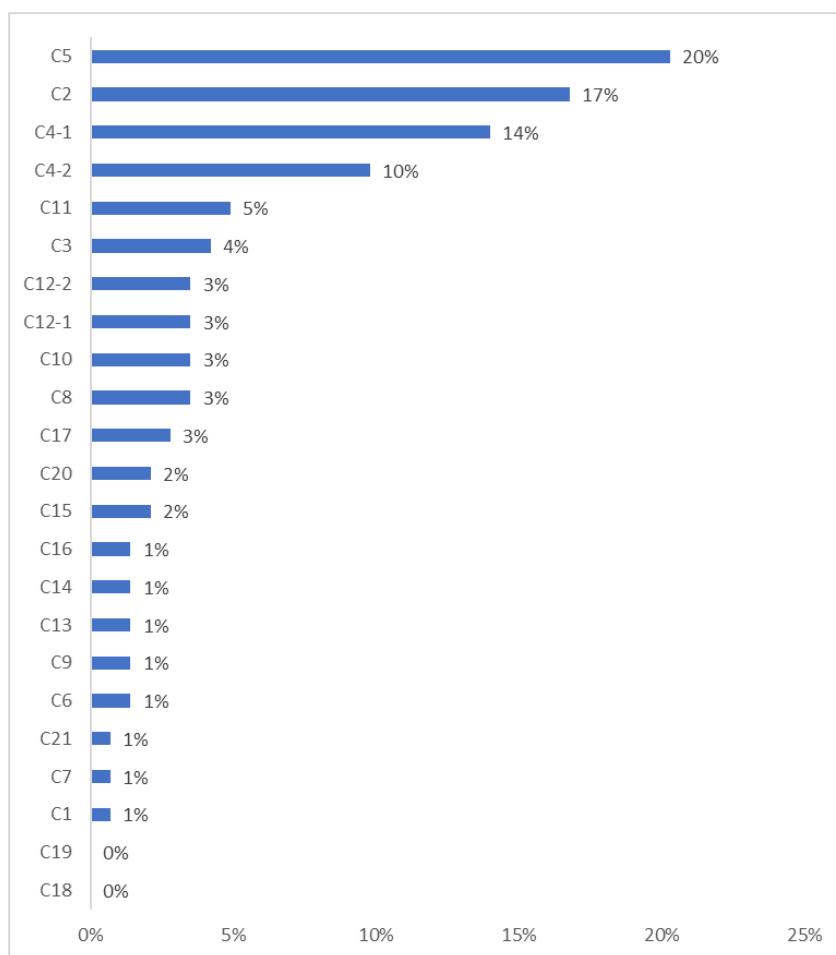


Note: C1 Planning, C2 Legislation, C3 e-Procurement and other digital tools, C4-1 Sustainable public procurement - Green public procurement, C4-2 Sustainable public procurement - Socially responsible public procurement, C5 Innovation procurement, C6 Risk management, C7 Conflict resolution, C8 Category specific, C9 Needs assessment, C10 Market analysis & engagement, C11 Procurement strategy, C12-1 Tender document - Technical specifications, C12-2 Tender document - Evaluation criteria and other elements, C13 Tender evaluation, C14 Contract management, C15 Adaptability and modernization, C16 Analytical and critical thinking, C17 Negotiations & Communication, C18 Organisational awareness & Compliance, C19 Collaboration & Stakeholder relationship management, C20 Team management and leadership, C21 Project management

Source: Self-assessment survey result for 143 public procurement officials at 37 contracting authorities in Estonia (May 2024)

In addition to the self-assessment exercise, all the participants were requested to select three competences of his or her top three choices that require more methodological assistance (such as training, guidelines, manuals etc). Figure A B.4. shows competences selected most as the 1st priority competence that requires more methodological assistance, in descending order.

**Figure A B.4. Training needs (first priority of all the participants)**

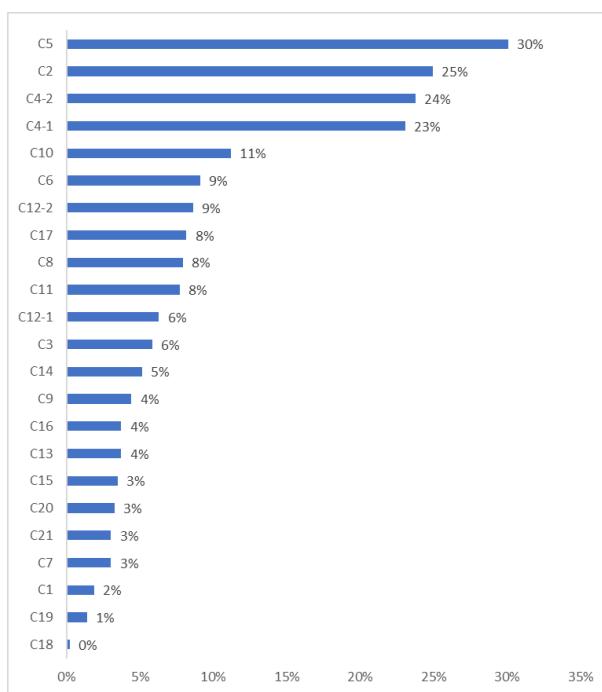


Note: % of the participants that selected each competence as the first priority competence that requires more methodological assistance. For example, 29 out of 143 participants (20%) selected C5 (Innovation procurement) as the first priority competence that requires more methodological assistance.

Source: Self-assessment survey result for 143 public procurement officials at 37 contracting authorities in Estonia (May 2024)

The result on training needs is aligned with the self-assessment result. C5 (Innovation procurement) is selected most as the first priority competence that requires more methodological assistance, followed by C2 (Legislation), C4-1 (Green public procurement), C4-2 (Socially responsible public procurement). However, it should be noted that C2 (Legislation) gained stronger training needs (2<sup>nd</sup> followed by innovation procurement) compared with the self-assessment result (20<sup>th</sup>) with 2.52 average points. However, the discussion with some survey participants during the conference held in Tallin on 14 June 2024 showed that this was attributable to the need for training on the regular update and amendments of legislation.

Figure A B.5. shows competences identified most as the ones that require more methodological assistance, taking into account the 1<sup>st</sup> to 3<sup>rd</sup> choices.

**Figure A B.5. Training needs (1st – 3rd priorities of all the 143 participants)**

Note: Each participant was requested to select 1<sup>st</sup> to 3<sup>rd</sup> competence that requires more methodological assistance. Then, the result was summed up after the conversion in accordance with the following scoring rule: 1<sup>st</sup> priority = 3 points, 2<sup>nd</sup> priority = 2 points, 3<sup>rd</sup> priority = 1 point. Finally, the total score of each competence was divided by the potential maximum score (in this case, 429 points: 3 points X 143 participants). For example, the converted score of C5 was 129 points, which were divided by 429 points to obtain 30.1%.

Source: Self-assessment survey result for 143 public procurement officials at 37 contracting authorities in Estonia (May 2024)

The overall result was similar to the one of the 1<sup>st</sup> priority. C5 (Innovation procurement) is selected most as the 1<sup>st</sup>-3<sup>rd</sup> priority competence that requires more methodological assistance, followed by C2 (Legislation), C4-2 (Socially responsible public procurement), C4-1 (Green public procurement), C10 (Market analysis & engagement).

These results of the training needs survey imply that participants need more training and skills in using public procurement as a strategic tool to pursue different policy objectives such as innovation, social dimension, and environment.

Table A B.2. lists the five competences based on the self-assessment and the training needs.

**Table A B.2. Summary of self-assessment survey result for all the 143 participants**

| Ranking | All the participants                          | 1st priority                    | 1st-3rd weighted priorities            |
|---------|---|---------------------------------|--|
| 1       | C5 Innovation procurement (1.02 point)        | C5 Innovation procurement (20%) | C5 Innovation procurement (30%)        |
| 2       | C4-2 SRPP (1.31 point)                        | C2 Legislation (17%)            | C2 Legislation (25%)                   |
| 3       | C6 Risk management (1.68 point)               | C4-1 GPP (14%)                  | C4-2 SRPP (24%)                        |
| 4       | C4-1 GPP (1.76 point)                         | C4-2 SRPP (10%)                 | C4-1 GPP (23%)                         |
| 5       | C10 Market analysis & engagement (1.87 point) | C11 Procurement strategy (10%)  | C10 Market analysis & engagement (11%) |

Source: Self-assessment survey result for 143 public procurement officials at 37 contracting authorities in Estonia (May 2024)

# Strategic Public Procurement and Professionalisation Initiatives in Estonia

## Diagnostic Report

Public procurement can be a powerful tool to drive environmental, social and economic progress. In Estonia, public procurement represents a significant part of the national economy. The country has taken important steps to make procurement more strategic, for example by supporting green and socially responsible purchasing, as well as innovation.

This report explores how Estonia can build on this momentum by strengthening the skills and capacity of its public procurement workforce. It examines the current use of strategic procurement and identifies opportunities to help professionals across the public sector better align procurement with long-term national goals.

Based on data, interviews, and collaboration with Estonian stakeholders, the report provides recommendations to strengthen legal, institutional, and workforce-related enablers for strategic procurement. It highlights opportunities to improve training, guidance, and monitoring, and to build long-term professional capacity in line with Estonia's green, digital, and economic priorities.



Funded by  
the European Union



PRINT ISBN 978-92-64-82580-2  
PDF ISBN 978-92-64-66143-1

