



City of Budapest

(Hungary)

Sustainable Procurement Profile



PROCURING SUSTAINABLY, LEADING GLOBALLY



Introduction

Budapest is the capital and the largest city in Hungary. It is the country's principal political, cultural, commercial, industrial and transportation centre. The city is situated along River Danube, in the heart of the Carpathian basin. The city's nickname is "Pearl of the Danube".

Although the Municipality of Budapest does not have any special guidance concerning sustainable and innovative procurement – the currently valid General Rules on Public Procurement does not declare compulsory use of green and innovative aspects in public purchasing – the city is implementing strategies to improve energy efficiency and reduce CO₂ emissions. Furthermore, a strong effort has been made to include an appendix regarding SPP to the new General Rules on Public Procurement.

Procurement in the city

There are two relevant organizations that are responsible for the public procurement processes. One of them is the Public Procurement Unit within the Mayor's Office, which is responsible for the proceedings of the Mayor's Office under predetermined budget limits. The other one is a limited liability company established by the General Assembly at the end of 2015, in order to outsource the responsibility for the proceedings of all the Budapest related public procurement, and some of the proceedings of the Mayor's Office that are above the aforementioned predetermined budget limits. The system is very much centralized.

The Municipality does not have a category management system at present. The Mayor's Office's procurement department and the new company are responsible for all purchases of certain categories of goods and services, but the utility companies are only responsible for those proceedings, which fit their profiles.



OUR SPP ACHIEVEMENTS

- Inauguration of public bicycle-sharing system ("BUBI") to reduce CO₂ emission
- Employing green criteria in the procurement process for the lighting of the Liberty Bridge (more than 500 LED lights were installed to save power)
- Construction of merging tramway tracks on the Buda side to replace some bus lines and reduce CO₂ emissions
- Construction of a new Central Sewage Farm and laying of more than 200 km of new pipes to reduce wastewater discharged into River Danube by more than 30 %
- Construction of two new Recycling Centers to raise environmental awareness and provide a place for education and garbage disposal

Sustainable procurement strategy

Presently Budapest does not have a specific sustainable procurement strategy. However the leaders of the city have always endeavored to protect the environment. The city is part of a number of environmental initiatives and is eager to participate in such projects. Since the procurement system is decentralized the sustainable procurement strategy needs to be a bottom-up strategy. There are only a handful of people working within the confines of the Mayor's Office procurement staff, but with proper communication and education, the other institutions' procurement departments are planned to be involved, too.

The first step in working out a strategy was the phrasing of the SPP appendix for the General Rules of Procurement (hereinafter: SPP appendix). As soon as the SPP appendix is applied by the Mayor's Office and the Municipality of Budapest, pilot projects are going to be started - applying the new methods and legislation. Before realizing the potential pilot projects, we are gathering information about the reception of the SPP appendix. After that, we hope we can suggest alterations or progress to an expanded regulation.

This strategy is not far apart from the – mainly Municipality owned - public utility companies' thinking. Most of them already conducted processes, which were aimed at promoting and taking account of the need for sustainable thinking.

The main task is to incorporate these intentions to create a joint strategy and regulation to make Budapest more environmentally conscious. To achieve this goal there should be a Sustainability Department, with an implementation group consisting of category managers and additional representatives from the procurement office, and the transportation, facility management and finance departments, etc.

What we purchase sustainably

Sewage disposal

- **Why of interest:** Contamination of living waters is a significant environmental problem. The main sources of pollution are industry, agriculture and the general public. In order to protect our living waters the best technology to use is wastewater treatment, which main objective is to prevent contaminants entering the environment. Because Budapest's sewer system was incomplete, nearly half of the city's wastewater was discharged into River Danube, polluting the environment. However, the city made great strides the last few years to live up to the challenges of the modern age.
- **Achievements/Current activities:** A new Central Sewage Farm was established in 2010 (the 3rd in the city) and the first cycle of a big project called Complex Integrated Sewage Disposal of Budapest (BKISZ) was launched in 2013. In this project (the cycle ended in 2015), 240 km's of new sewage pipes were laid down in districts, where there was just partial guttering before, raising the amount of households attached to the sewer system to 95 %.

Besides this big project a whole lot of other procurements have been conducted to replace the older technology with newer, more environmentally friendly instruments (biogas furnaces, renewal of sludge-conditioning machines, modernization of the Farm's heating system, modernization of Budapest Sewage Works Ltd.'s computer system etc.).

- **Future plans:** By launching the second cycle of the BKISZ project, the city wants to establish the full system, meaning that 100 % of Budapest (and some cities in the agglomeration) would be attached to one of the Sewage Farms by 2018 and no wastewater would be discharged into River Danube. In this cycle, the Council not only wants to lay down new pipes, but also would like to replace the older parts of the system with the new technology.

Besides that, the continuation of the procurement of environmentally friendly technologies and constant innovation is expected.

Public Utilities/Building renovation

- **Why of interest:** The goal is to reduce energy consumption, to enhance innovation in a wider range and to commit moving towards more sustainable construction, in order to meet the national and international energy efficiency requirements.
- **Achievements/Current activities:**
 - Installation of approx. 1000 LED-lights in the city districts with the most outdated lighting.
 - Installation of solar power system on the building that contains the compost heap of the city's horticultural company.
 - The Metropolitan Public Domain Maintenance Company introduced a new curbside waste collection system, in which households were supplied with the necessary containers to be able to collect the waste selectively.
 - Two new Recycling Centres were built with the goal to provide more places where citizens can dispose hazardous/electronic waste. The buildings are also designed as recycling and educational facilities.
 - The city is also working on implementing a new house-clearance system.
- **Future plans:**
 - The biggest procurement process of the near future will be the total reconstruction and energy modernization of the Town Hall building. The city aims to create a modern, energy-conscious workplace and a building that operates economically and environmentally. The council also plans to create an underground parking lot and utilize the current parking space as an open park for the community. Financing the project and ensuring the historic building retains its appearance are the two main obstacles.
 - The Budapest Zoo and Botanical Garden is working on developing a new building called Pannon Park. The project aims to be a good practice example for

sustainable urban development. The complex and large scale waste and water cycle of the new, enlarged zoo therefore is of critical importance. The central facility of the Park will be called Biodome. Inside the Biodome – nearly 18000 m² of space – a subtropical climate inhabited with plants and animals will be opened to visitors.

- Óbuda gasworks – Refomo project: reduce the footprints of unique heritage buildings.
- Heat cooperation system in South-Budapest. By connecting the 3 large heating systems (Kelenföld, Kispest, Csepel-Pesterzsébet) the estimated environmental benefit would be 48,000 tonnes of CO₂ emission saved, annually.
- Rehabilitation of brownfields within the city

Transportation

- **Why of interest:** Air pollution is a major problem in the city. Most of the city's public fleet is out-dated and not environmentally friendly.
- **Achievements/Current activities:**
 - Continuous procurement of hybrid buses/trolleys or buses with Euro VI engines
 - Inauguration of public bicycle-sharing system called BuBi
 - Establishment of the merging tramway system in Buda which set off some bus lines
- **Future plans:**
 - Developing both banks of the Danube is the single biggest project (called RAK-PARK) with which the city can stress the importance of protecting the environment
 - Reconstruction of metro line 3 will be a complex process

How we purchase it

- **Prior consultations:** The new Act on Public Procurement states that the Contractor could engage independent experts, authorities and other market participants in prior consultations for the preparation of the procurement process, as well as to inform economic operators about the proposed procurement requirements. The contracting authority must take all necessary measures to create equal opportunities for the potential tendering organizations.
- **eProcurement:** The Council supports the criteria stated by the new EU Directives and the new Act on Public Procurement. The documentations for the processes were

available online before these legislations, but now it is mandatory to provide an electronic version. In addition, the city is eager to introduce electronic techniques in its procedures and fosters innovative endeavours. The Mayor's Office already has some e-systems in place in other departments.

- **Encouraging SMEs:** Budapest is very supportive of SMEs. In procurement processes, where it is possible, the City always tries to frame eligibility criteria so SMEs have the same chance to succeed as bigger companies.
- **Joint procurement:** There was an inquiry from the Council of Paris to cooperate on some procurement processes but at the end the talks did not come to fruition. However, Budapest is open to cooperate with others on this matter.



Keeping track on procurement

There is a newly introduced monitoring system in place since the start of 2016. The recently established Procurement Company of Budapest is responsible for the monitoring of all city and the utility companies' procurements. It is also in charge of reviewing contracts, and supervising the legality and quality of processes.

In those procurement processes, where estimated contract values reach the thresholds specified by EU law, the Prime Minister's Office is also responsible for supervision. In addition, the State Audit Office has some controlling functions, too.

Challenges for the future

- Ensuring application of sustainable procurement criteria will be a big challenge, because of the aforementioned decentralized system. Persuading these companies to fully cooperate is a big task ahead of us. But with proper education and communication we could succeed.

- Persuading the representatives about the benefits of sustainable procurement will not be easy, but by stressing the problems and solutions they can further improve their public images.
- Because there are a lot of utility companies with their own procurement staffs, forming a city-wide cooperation is a very tough challenge. It will take time and a lot of work to get everyone on board. Therefore some kind of a procurement specialist council would be necessary.
- The higher costs of environmentally friendly goods and services could scare our decision-makers, so stressing the importance of life-cycle cost based and long-term thinking should be a priority.
- To be able to successfully process sustainable procedures our whole supplier engagement, market research and supply chain monitoring systems need further development. Studying the methods of other leading cities in sustainable procurement should be a priority.

Further information

| RESOURCE | WEBSITE |
|---|---|
| Integrated Urban Development Strategy | http://budapest.hu/Documents/ITS%20Integralt%20Varosfejlesztesi%20Strategia/BP ITS Strategia Megalapozo.pdf |
| Long-term Urban Development Concept Budapest2030 Strategy | http://budapest.hu/Documents/varosfejlesztesi_koncepcio_bp2030/Budapest_2030_varosfejlesztesi_koncepcio.pdf |
| Urban Development Programme of Budapest | http://budapest.hu/Documents/fejlesztesi_tervek/F%c5%91v%c3%a1rosi%20Ter%c3%bcletfejleszt%c3%a9si%20Program.pdf |
| Environmental Programme of Budapest 2011-2016 | http://budapest.hu/Documents/FKP_4%201_111119.pdf |
| Budapest Transport Development Strategy 2014-2030 | http://www.eltis.org/sites/eltis/files/case-studies/documents/bmt_en.pdf |
| Ideas for the RAK-PARK tender | http://duna.budapest.hu/?p=76 |
| The webpage of the CEPPI-Budapest project | http://ceppi.eu/cities/budapest/ |
| Sustainable Energy Action Plan | budapest.hu/Documents/20111118_energia_akcioterv_SEAP.docx |

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About the GLCN on SP

The **Global Lead City Network on Sustainable Procurement** is a group of cities committed to drive a transition to sustainable consumption and production by implementing sustainable and innovation procurement. All participating cities are acting as ambassadors of sustainable procurement to lead to a resource efficient, low carbon and socially responsible society.