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Iceland

Sustainable Public Procurement in Iceland

*Dagmar Sigurðardóttir**

I. Introduction

After the financial collapse of the Icelandic economy in 2008, the government heavily focused on rejuvenation of the national economy. In doing so, cutting down the budget and all possible expenses have been at the forefront of the government objectives. This has led to the fact that economic considerations and the lowest prices have predominately been used in public procurement in the recent years. There are approximately 340,000 inhabitants in Iceland, and the municipalities and other contracting authorities are rather small. Ríkiskaup (Central Public Procurement) is the only central purchasing body in Iceland and as such it has a crucial role in delivering nationwide public contracts. Ríkiskaup operates under the auspices of the Ministry of Finance. The role of Ríkiskaup is to handle procurement on supplies and services in domestic and foreign markets for State institutions and State corporations. Ríkiskaup examines joint needs for supplies and services and endeavours to co-ordinate procurement through framework agreements. Ríkiskaup also provides commercial assistance and instructions concerning individual procurement as needed. Ríkiskaup gives consultation, handles selling and purchasing of State property and collects information about the procurement needs of the State institutions and State corporations.¹ Most of the government contracting authorities, except the ones operating in the utilities sector, are obliged to use the services of Ríkiskaup when procuring goods, services or works above national and EEA thresholds.² Other public bodies may use Ríkiskaup's services on a voluntary basis. The national thresholds for government agencies, except the ones active in utilities sector, are 15,500,000 ISK (€122,850) for goods and services and 49,000,000 ISK (€388,360) for works.³ Municipalities and other local authorities only apply EEA thresholds according to the Icelandic PP law, but will from 31 May 2019 have the same national thresholds as the government agencies.⁴

As a central purchasing body Ríkiskaup tenders out the largest framework agreements and has the largest institutionalised capacity in Icelandic public procurement including the responsibility to promote sustainable procurement. Keeping in mind that literature on public procurement in Iceland is very limited, Ríkiskaup plays a key role when it comes to educating Icelandic contracting authorities in the area of public procurement.⁵ Therefore, it is crucial for Ríkiskaup to not only implement sustainable considerations both in its standard procurement documents but also underline the importance of sustainability in public procurement through education and their counselling services.

This country report provides a brief overview of practices in sustainable public procurement in Iceland. Firstly, section two presents how the relevant legislation in area of public procurement has developed in Iceland. Secondly, following sections focus on practices in specific areas of sustainable public

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- 1 Ríkiskaup, see <<https://www.rikiskaup.is/english>> Last accessed on 3 September 2017.
- 2 The Icelandic Act on Public Procurement no. 120/2016, Article 99. The English version of the Act is available at <https://www.rikiskaup.is/media/rammavefur/Law_on_Public_Procurement_120_2016_EN.pdf> Last accessed on 3 September 2017.
- 3 National thresholds: The Icelandic Act on Public Procurement no. 120/2016, Article 23.
- 4 The Icelandic Act on Public Procurement no. 120/2016, Article 123.
- 5 The only literature regarding public procurement in Iceland is *Handbók um opinber innkaup* – a handbook (guidelines) that the Ministry of Finance published in 2008, when the Public Procurement Act no. 84/2007 had been adopted. The handbook is available at <https://www.rikiskaup.is/media/eplica-uppsetning/HandbokOI_Final.pdf> Last accessed on 3 September 2017. In connection with Iceland's application to join the European Union on 16 July 2009, that was later withdrawn, the EU made a report regarding public procurement in Iceland, available at, <https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/iceland/key-documents/screening_report_05_is_internet_en.pdf> Last accessed on 3 September 2017.

procurement in Iceland these include: the fight against corruption (section III), social considerations (section IV), human rights (section V) and environmental protection (section VI).⁶ Finally, section VII concludes the country report.

II. Development of the Legislation

The Icelandic central purchasing body (CPB), Ríkiskaup, began its operations in January 1949 and the first laws regarding this governmental agency were established in June 1947. Initially, Ríkiskaup was established to provide purchasing services for the Icelandic State. The Act no. 72/1947 on the Icelandic State's purchasing agency mainly focused on the allocation of roles between government agencies and how to ensure efficient public procurement. When Iceland became a member of the European Economic Area in 1992, the Icelandic State was obliged to implement the EU Public Procurement Directives and comply with their objectives. Annex XVI to the Agreement on the EEA included rules on tender procedures and various rights of economic operators that had previously not been known in Icelandic legislation. In 1993, amendments to the Pub-

lic Procurement Act no. 52/1987⁷ were made in order to comply with the terms of the EEA Agreement, for example so that individuals and economic operators could file a complaint for violations of the law.⁸ However, Icelandic law did not completely meet the requirements of the EU Public Procurement Directives until Regulation 302/1996 on the public procurement was issued.⁹ The Regulation established a Public Procurement Complaints Commission, which was to give advisory opinions to the Minister of Finance on charges of alleged infringements of public procurement law. Not only did the regulation focus on efficiency and savings but it also emphasised the rights of economic operators who bid in public procurements.

The first comprehensive Act on public procurement based on EU Public Procurement Directives came into force in 2001.¹⁰ It contained limited rules on sustainable considerations in form of rules on selection of tenderers. The Act included requirement for bidders to fulfil their obligations relating to the payment of taxes and social security contributions and that they were not guilty of grave professional misconduct. In addition, the Act specifically stated that consideration could be given to environmental aspects when evaluating tenders but otherwise environmental protection or social considerations were not mentioned in the Act.

In 2007, following the adoption of Directive 2004/18/EC on Public Procurement in Icelandic legislation, various aspects of sustainable procurement were codified in Iceland for the first time.¹¹ Tenderers that had been convicted by final judgment for participation in a criminal organisation, corruption, fraud or money laundering were to be excluded from the tender procedure. Contracting authorities could require that economic operators fulfilled environmental management standards and concerning technical specification, they could demand that product, service or works are fulfilled under eco-friendly conditions. It was also permitted to reserve the right of participation in public procurement procedures to sheltered workshops and economic operators whose main aim is the social and professional integration of disabled or disadvantaged persons. However, the use of any sustainable considerations was solely facultative for the contracting authorities.

Finally, Iceland transposed the new EU Public Procurement Directive 2014/24/EU by adopting the Icelandic Act on Public Procurement no. 120/2016 in Oc-

6 Human rights and social considerations are at times classified as two separate aspects of sustainable public procurement, the former one concentrating more on issues such as forced labour, while the latter focuses on issues such as promotion of unemployed in public contracts. For the purpose of this country report such a classification is applied. However, it is acknowledged that often social considerations are accounted as part of human rights or vice versa.

7 Act no. 52/1987 on Public Procurement, available at <<https://www.althingi.is/lagas/126a/1987052.html>> Last accessed on 3 September 2017.

8 Act no. 55/1993 amending Act no. 52/1987, available at <<https://www.althingi.is/altext/stjtr/1993.055.html>> Last accessed on 3 September 2017.

9 Regulation regarding the State's procurement no. 302/1993, available at <<https://www.reglugerdir.is/reglugerdir/allar/nr/1884>> Last accessed on 3 September 2017.

10 Act no. 94/2001 on Public Procurement, available in English at <<https://eng.fjarmalaraduneyti.is/legislation/nr/612>> Last accessed on 3 September 2017. The Act no. 94/2001 was partially based on Council Directive 92/50/EEC relating to the coordination of procedures for the award of public service contracts, Council Directive 93/36/EEC coordinating procedures for the award of public supply contracts and Council Directive 93/37/EEC concerning the coordination of procedures for the award of public works contracts.

11 Act no. 84/2007 on public procurement, available in English at <https://eng.fjarmalaraduneyti.is/media/skjal/Act_nr_84_2007_-_Public_Procurement_28102013.pdf> Last accessed on 3 September 2017.

tober 2016.¹² The Act contains the majority of the Directive's pro-sustainability provisions. However, the Parliament decided not to grant the competence to contracting authorities to step in when contractors or subcontractors do not fulfil their duties in regard to payment of wages and other duties to their employees. Instead the Minister of Social Affairs and Equality has put forward a new bill on subcontracting liability (called: *chain liability* in Iceland), which is to strengthen the responsibility of the primary contractors in regard to their obligations of salary payments to employees of subcontractors and to ensure the rights of posted workers or foreign workers from temporary work agencies.¹³

III. The Fight against Corruption in Public Procurement

After the financial collapse in 2008 the Icelandic government and the media started seeking answers as to why Iceland was hit so severely by the crisis and corruption has been identified as one of the main reasons. Some former bank managers have been prosecuted and sentenced to jail.¹⁴ Moreover, public procurement has been in the spotlight but no major obvious corruption crimes have been detected in the recent years, at least none that have been brought to trial or to the Public Procurement Complaints Commission. Occasionally, there has been news in the media about managers in municipalities and government agencies who have made contracts with their relatives or their political party members¹⁵ but those contracts were not covered by the EU Public Procurement Directives. The contracts were for example below threshold or so-called B-Services (under the Classic Directive, these were excluded from the EU procurement regime) and there was no question of criminal conduct in this context. This type of unethical conduct in public service has led to discussions and debate in the media. Politicians and directors of contracting authorities will risk losing their positions if they directly award a contract without opening it to competition. It may be considered illegal according to the Public Procurement Act no. 120/2016 and the Administrative Procedure Act no. 37/1993¹⁶ and a reason to dismiss an employee from his post according to the Government employees Act no. 70/1996.¹⁷

With the transposition of 2014 EU Public Procurement Directives in Iceland, it becomes more difficult

to circumvent the procurement principles. What used to be B-services contracts are now covered by the *light touch regime* and from 2019 onwards, municipalities and other local authorities will have to adhere to the same national thresholds as the government agencies. That means that municipalities' works contracts above 49.000.000 ISK will be under the scrutiny of the Public Procurement Complaints Commission but until now the local authorities have only adhered to the EEA thresholds or 805.486.000 ISK.¹⁸

As Iceland is a small country it is not easy for directors of contracting authorities to cover up corruption. If they fail to announce procurement or to use statutory procurement procedures, everyone interested has the right of referral of a complaint to the PP Complaints Commission. In addition, their decisions can be scrutinised by the media, the Ministry of Finance and Economic Affairs, the Competition Authority and the National Audit office. It is argued that the mandatory use of Ríkiskaup, when purchasing above national thresholds, also reduces the risk of illegal contracts. Ríkiskaup has the expertise in public procurement and may serve as a buffer against illegal contract awarding. However, the contracting authorities can also be victims of illegal practises in private companies.

In 2016, the Supreme Court had given final judgments in the series of most publicised bid rigging

12 The Icelandic Act on Public procurement no. 120/2016, available in English at <<https://www.stjornarradid.is/media/fjarmalaraduneyti-media/media/frettateng2016/act-on-public-procurment-no.-120-2016.pdf>> Last accessed on 3 September 2017.

13 See <<https://www.velferdarraduneyti.is/media/frettir2016/Frv-um-kedjuabyrgd-o.fl.-utsendir-starfsmenn.pdf>> Last accessed on 3 September 2017.

14 See <<https://grapevine.is/mag/articles/2015/03/24/bankers-behind-bars-is-iceland-living-up-to-that-meme/>> Last accessed on 3 September 2017.

15 See <<http://www.visir.is/g/2014141219179/vafasom-vidskipti-vegagerdarinnar>> and <<http://www.visir.is/g/2009185393619/samfylkingin-i-kopavogi-gunnar-verdur-ad-vikja>> Both sources were last accessed on 3 September 2017.

16 Administrative Procedure Act no. 37/1993, available at <<https://eng.forsaetisraduneyti.is/acts-of-law/nr/17>> Last accessed on 3 September 2017.

17 The government employees Act no. 70/1996, available at <<https://eng.fjarmalaraduneyti.is/legislation/nr/561>> Last accessed on 3 September 2017.

18 The thresholds regulation no 904/2016, available at <<https://www.reglugerd.is/reglugerdir/efrir-raduneytum/fjarmala--og-efnahagsraduneyti/nr/20266>> Last accessed on 3 September 2017.

cases in Iceland.¹⁹ Three companies engaged in collusive tendering in a public contract award that affected oil and petroleum prices. The infringements were ongoing during 1993-2001 but ended when the Competition Authority launched its investigation in 2001.²⁰ The final judgements have raised questions regarding exclusion grounds in public procurement law and how to use them. Namely, the question was raised how it was possible in 2016 to exclude the oil companies because of collusive practises that took place in 1993-2001. These oil companies had and still have 99% of market shares in Iceland. The EU Public Procurement Directives' exclusion grounds require a final judgement and in this case, many years have passed since the breaches took place. Some of these oil companies have since changed their names and have new owners and most of the employees who took part in the unlawful activities no longer work there.

When Ríkiskaup tendered out a framework agreement for fuel in 2016, the oil companies sent their tenders accompanied with spotless criminal records. This was possible as an infringement against competition law is not considered to be a breach of the Penal Code and therefore not registered as an offence on a criminal record. In E-certis, the only requested official document relating to convictions for infringements was a criminal record. In most EEA Member States, it is complicated to achieve evidence for infringements related to distortion of competition and

the burden of proof lies with the contracting authority. Ríkiskaup finally decided to conclude a framework agreement with these three oil companies. The main reasons were that the infringements occurred 15-23 years ago and there are only four oil companies that provide services in Iceland. The only oil company that had not taken part in distortion of competition did not participate in the procurement process. Therefore, there were no other companies to buy fuel from.

IV. Social Considerations

The economic situation in Iceland has changed radically over the past decade. Since the crisis in 2008, the economy has changed rapidly for the better. The increase in tourism in Iceland has been identified as one of the positive drivers to improve the situation.²¹ These developments are accompanied by a great need for delivery of new construction projects (new hotels and apartments).²² The Housing Financing Fund estimates that the cumulative difference in supply and demand of residential buildings is about 4600 apartments. Considering that around 1600 apartments are on short-term lease for tourists, in the next three years, there is a need for at least 9000 new apartments.²³ There is insufficient recruitment to meet the increased demand for workforce hence many posted workers come to Iceland or are foreign employees working for temporary work agencies.²⁴ There have been news reports of labour laws infringements that can affect foreign workers of contractors.²⁵

To address these issues the largest contracting authorities in Iceland, Ríkiskaup, the municipalities, the Government Construction Contracting Agency (FSR), Keflavik International Airport (Isavia) and the national power company of Iceland (Landsvirkjun) have agreed on subcontracting liability to be applied in their standard procurement documents. Based on subcontracting liability, the primary contractors are responsible for ensuring that similar wage and other working conditions are applied to both their domestic and foreign employees as well as to subcontractor's employees.²⁶ If the primary contractors do not fulfil their duties towards the workers or subcontractor's workers, the contracting authority can retain contract payments and pay wages directly to the workers in cooperation with trade unions. The Minister of Social Affairs and Equality has submitted a

19 Judgements of the Supreme Court of Iceland 4th of February 2016, Cases no. 272 / 277 and 278 /2015.

20 A summary of the Competition Authorities Investigation of the oil cartel in Iceland, available at <http://en.samkeppni.is/media/en-news/the_oil_cartel_in_iceland.pdf> Last accessed on 3 September 2017.

21 See <http://icelandmonitor.mbl.is/news/nature_and_travel/2016/12/14/tourists_to_thank_for_iceland_s_economic_growth/> Last accessed on 3 September 2017.

22 See <<http://icelandreview.com/news/2017/01/31/number-hotel-rooms-50-percent>> Last accessed on 3 September 2017.

23 See <<https://www.velferdarraduneyti.is/frettir-vel/telur-4600-ibudir-vanta-a-markad-svo-jafnvaegi-naist>> Last accessed on 3 September 2017.

24 See <http://www.mbl.is/frettir/innlent/2017/04/19/starfsmannaleigur_sexfalda_umsvif_sin/> Last accessed on 3 September 2017.

25 See <http://www.mbl.is/frettir/innlent/2016/12/11/ekki_fengid_greiddar_30_40_milljonir/> Last accessed on 3 September 2017.

26 Subcontracting liability is based on Article 12 of Directive 2014/67/EU on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System ('the IMI Regulation').

new bill that has the same goal.²⁷ It is to improve the government's oversight of foreigners working in Iceland, to strengthen supervision of the Icelandic labour market and to counter social dumping. The bill also aims to promote equal opportunities for companies in the Icelandic labour market, thereby preventing companies that violate labour law and collective agreements to have a competitive advantage over complying companies. When it comes to design, preparation and execution of the work it is the primary contractor's responsibility to ensure safety and good workmanship. Finally, the bill proposes that a temporary work permit will be granted to those suspected of being victims of human-trafficking.²⁸ This is believed to improve the status of the persons concerned and increase the likelihood that their issues can be investigated. Trade unions in Iceland are strong and Icelandic employees are usually aware of their rights. Therefore, the potential violations will mainly concern and affect foreign workers. A few incidents of violations against foreign workers rights have been reported in the recent years but the police's investigations have not lead to prosecutions or convictions.²⁹

Finally, the Icelandic Parliament has passed a new bill on Equal pay certification. The Act no. 56/2017 on Equal pay certification amending Act no. 10/2008 on Equal standing and equal rights of women and men makes it mandatory for companies and organisations employing 25 or more employees, after an audit, to provide the Icelandic Centre for Gender Equality (ICGE) a certification on equal pay. The relevant party will also need to prove that equal compensation plan and its implementation meets the requirements of the Icelandic Equal pay standard ÍST 85:2012.³⁰ Once the certification is available, it shall be submitted along with a report on the outcome of the audit to the ICGE. The certification shall be renewed every three years.³¹ This legislation is the first one in the world to require private companies and government agencies to prove pay is fair; otherwise they are liable to prosecution.³²

V. Human Rights

Icelandic contracting authorities occasionally buy works or services that are going to be carried out abroad. Such contracts can, for example, be for building or renovation of ships in a foreign shipyard. That

was the case in an Icelandic tender procedure established before the implementation of the new Public Procurement Act no. 120/2016 in Iceland. As, under the old procurement regime, human trafficking was not a mandatory exclusion ground, such requirement was not included in the tender documents. After the contract had already been awarded the media contacted the contracting authority with allegations that a subcontractor, working for the primary contractor, was guilty of human trafficking and slavery.³³ It was claimed that the workers would work for years without getting vacation and their wages would be sent to the authorities in their home country. The allegation was brought up to the contracting authority's attention after the new Public Procurement Act had come into force in October 2016. The contracting authority contacted the contractor asking about those allegations and demanded documents to proof that those allegations were untrue. The shipyard sent criminal records to the company and its directors and there were no documented convictions. At the same time international human rights associations reported the aforementioned violations.³⁴ However, since official documents show no evidences of violations, the contracting authority has no legal grounds to terminate the contract which is based on the Public Procurement Act no. 84/2007.

The new Act on Public Procurement no. 120/2016 gives the contracting authorities the tools they need

27 See <<https://www.velferdarraduneyti.is/media/frettir2016/Frv.-um-kedjuabyrgd-o.fl.----utsendir-starfsmenn.pdf>> Last accessed on 3 September 2017.

28 The Bill is available at <<https://www.althingi.is/altext/146/s/0626.html>> Last accessed on 3 September 2017.

29 US Department of State, *Trafficking in Persons Report 2017*, 203-205, available at <<https://www.state.gov/documents/organization/271342.pdf>> last accessed on 3 September 2017; According to the report law enforcement reported 16 investigations in 2016, compared with 23 investigations in 2015. The government has not reported prosecuting or convicting any trafficking cases since 2010.

30 The Icelandic Equal Pay Standard ÍST: 85:2012, see <<http://kvenrettindafelag.is/useful-resources/equal-pay-standard/>> Last accessed on 3 September 2017.

31 The Act no. 56/2017 on Equal Pay Certification amending Act no. 10/2008 on Equal standing and equal rights of women and men, available at <<http://www.althingi.is/altext/146/s/1054.html>> Last accessed on 3 September 2017.

32 See <<https://www.theguardian.com/world/2017/apr/05/iceland-equal-pay-women-men-law>> Last accessed on 3 September 2017.

33 See <<http://stundin.is/frett/skipasmidastodin-sem-smidar-nyjan-herjolf-notar-vinnuthraela/>> Last accessed on 3 September 2017.

34 See <<http://www.osce.org/odihr/266761?download=true>> Last accessed on 3 September 2017.

to demand documents to prove that subcontractors are not guilty of breaches against human rights and other mandatory exclusion grounds. According to the new Public Procurement Act no. 120/2016, the tenderers are obliged to send self-declarations to themselves and also to their subcontractors. The new standard tender documents based on the new PP Act make the primary contractor responsible for violations against human rights regardless of whether the worker is employed by him or by a subcontractor. It is vital that tenders are examined carefully, not only in regard to exclusion grounds for the primary contractor but also in relation to subcontractors and other service providers that may be linked to the project.

VI. Environment

The Icelandic government introduced its first PP policy promoting green procurement in 2003. Public authorities should consider environmental issues as well as quality and price. If products were comparable, the procurer should choose the one that was the least harmful for the environment. The Icelandic government adopted a new green public procurement policy in 2013.³⁵ It aims to raise the proportion of tenders incorporating environmental aspects and to promote companies that offer eco-friendly options. In 2013, as a part of the policy, a project called “VINN” has been established, which is a common platform for all contracting authorities to boost green procurement.³⁶ On the platform, contracting authorities can

find environmental requirements for all kinds of procurement.³⁷ Those requirements have been translated from Nordic and European models. Recently, Iceland also contributed to the Nordic Councils for Ministers’ work on *Nordic Guidelines for Green Public Procurement*³⁸ and *Greening State Framework Contracts - Approaches in the Nordic countries*.³⁹ The guidelines demonstrate how it is possible to use environmental management systems and ecolabels in EU tenders.

In 2016, the Icelandic Ministry for the Environment and Natural Resources hired a consultant agency to evaluate how the government’s procurement policy from 2013 has been implemented by the contracting authorities in Iceland. In December 2016, the Ministry published a report on the outcome of the concluded evaluation.⁴⁰ The main conclusions of the report are as follows:

1. A solid foundation has been laid for the proper implementation of the policy. Educational material has been created and tools such as the VINN environmental requirements, green accounting and the “Green Steps” project have been implemented and made available on the VINN’s website and on the Green Steps’ website.⁴¹
2. Ríkiskaup is implementing eco-friendly requirements into its workflow and eco-friendly requirements are now inserted in most of the framework-agreements Ríkiskaup tenders out for State agencies and municipalities.
3. The VINN-project has contributed to the increased demand for environmentally friendly solutions and eco-friendly requirements in public procurement have already changed the situation in certain product and service categories. The Nordic Swan Ecolabel’s Requirements have also been introduced, especially in the field of printing and cleaning services. Now most of the Icelandic economic operators in those fields comply with the Swan requirements.
4. Ambitious contracting authorities have gone ahead with a good example, with the introduction of an eco-friendly procurement and environmental emphasis. They have gained valuable experience that other contracting authorities can learn from. The VINN-project has given them important support which has further encouraged them.
5. It should be obligatory for all government agencies to implement the green procurement, the Green steps and green accounting.

35 See <https://www.stjornarradid.is/media/fjarmalaraduneyti-media/media/skjal/Vistvaen_innkaup_og_graenn_rikisrekstur.pdf> Last accessed on 3 September 2017.

36 See <<http://vinn.is/english>> Last accessed on 3 September 2017.

37 These include standard requirements that may be applicable to a variety of different types of procurements but on the platform there are also more specialised requirements, for example, for particular groups of goods or services.

38 Nordic Guidelines for green public procurement, available at <<http://norden.diva-portal.org/smash/record.jsf?pid=diva2%3A1087097&dsid=-4449>> Last accessed on 3 September 2017.

39 Greening State framework contracts – Approaches in the Nordic countries, available at <<http://norden.diva-portal.org/smash/record.jsf?pid=diva2%3A918680&dsid=6410>> Last accessed on 3 September 2017.

40 Icelandic Ministry for the Environment and Natural Resources, Mat á stöðu innleiðingar stefnu um vistvæn innkaup og grænan ríkisrekstur 2013 – 2016, UST des. 2016.

41 See <<http://graenskref.is/um-verkefnidh>> Last accessed on 3 September 2017.

6. There is a limited data available for the magnitude of eco-friendly procurement in Iceland.
7. Public procurers need more training to be able to strengthen the use of eco-friendly requirements and the use of life-cycle cost as an award criteria.
8. Since the green procurement policy is not a mandatory regulation some public authorities do not follow it as they should.

In the report there is a summary of how the largest contracting authorities have implemented the green strategy into their procurement.

Reykjavik City has strongly focused on climate friendly procurement. This led, among other things, the City of Reykjavik to win the Nordic Council Nature and Environment Prize 2014. One of the goals of Reykjavík's environmental strategy is that 100% of the city's vehicles are driven by methane or electricity in the year 2025.

FSR (the government construction contracting agency) uses an eco-friendly strategy in its invitations to tender. FSR handles all major building procurements for the Icelandic State in cooperation with Ríkiskaup. FSR has shown initiative by incorporating the Breeam assessment in all major procurements, which is one of the world's leading sustainability assessment method for masterplanning

projects, infrastructure and buildings. When such a large public procurement entity makes eco-friendly requirements, it affects the whole building industry and builds up expertise in eco-friendly solutions on the market. Today 10% of FSR contracts are Breeam certified.

VII. Conclusions

All pillars of sustainable public procurement were promoted into the Icelandic Public Procurement law in 2007 when the first comprehensive Public Procurement Act based on the European Public Procurement Directives was implemented. However, Green Public Procurement has already been a part of the Icelandic Governments Procurement Policy since 2003. Since then, many steps have been taken to promote sustainable considerations in public buying which is assessed positively in the country. However, Icelandic contracting authorities still need to learn and progress in this area. The challenges Iceland faces today are the rapid changes in the economy, increase in tourism and need for quick solutions because of lack of housing and workforce. It is vital that contracting authorities realise the importance of sustainable procurement under those circumstances.