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## European funds and green public procurement

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### Abstract:

To stimulate sustainable economic development and a greener economy, the European Commission co-funds public projects through the European Structural and Investment Funds (ESIF), which are among the largest such funds in the world worth approximately 100 billion euros annually. Since 2014, ESIF beneficiaries are incentivized to increase their use of green public procurement (GPP). In this paper, we study to what extent ESIF co-funding affects the uptake of GPP, making use of a rare dataset containing all public tender notices in the Czech Republic (2006-2019). We find a positive effect of ESIF on GPP and suggestive evidence that ESIF co-funding instigates selection behaviour by contracting authorities, that allocate their projects and resources to improve their chances of receiving co-funding. Exploiting two policy changes, we show that the ESIF's effect on GPP is driven by financial incentives and not by 'greener' policy objectives. Finally, we study the effect of gained experience with GPP and find that it only increases contracting authorities' later uptake of GPP to a limited extent. Mainstreaming of GPP calls for a more systemic approach that covers public procurement as a whole, for instance, by making GPP on a national level less voluntary for ESIF eligibility.