



## WSDS-ACT4EARTH | SDG Charter

# Green Public Procurement in India and Charting Pathways for a Cleaner Future

8th July 2024 | 2:30 – 4:30 p.m. (IST) | TERI, India Habitat Centre, New Delhi

### EVENT SUMMARY

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## Background

Green Public Procurement (GPP) is defined as a process that allows deliberate and systematic integration of environmental goals in the procurement process of goods, services and works by public agencies. This integration includes the use of technical specifications, bid evaluation procedures, standards, certification and labelling. Green Public Procurement (GPP), a sub-component of Sustainable Public Procurement in which the latter aims to achieve societal and economic goals apart from environmental sustainability.

The Government of India has used public procurement as a tool to advance social and environmental goals through purchase preferences involving MSEs and mandates involving BEE Star rated appliances. Rule 153 of the General Financial Rules brought out by the Ministry of Finance provides for purchase preference to MSEs. Rule 173 provides for consideration of environmental criteria in procurement decision-making, along with mandating the procurement of electrical appliances that carry the notified threshold or higher Star Rating of Bureau of Energy Efficiency.

The Micro, Small and Medium Enterprises Development Act of 2006 states that a procurement preference policy may be formulated by central or state governments for promoting and establishing micro and small enterprises (MSEs). A public procurement policy brought by the Ministry of Micro, Small and Medium Enterprises in 2012 envisaged a phased procurement approach with an annual target of procurement of a minimum of 20% from micro and small enterprises (MSEs) in the following 3 years. Out of this, 4% procurement needed to come from MSEs owned by schedule caste or schedule tribe entrepreneurs. In 2018, through an order, the percentage of procurement from MSMEs was increased from 20% to 25%. A special provision for MSEs owned by women was brought wherein 3% out of the 25% target was mandated to be procured from MSEs owned by women. To bring further transparency in the MSE-related public procurement ecosystem, the MSME Sambandh portal was launched in 2017.

The Ministry of Finance, in January 2013, through an office memorandum, mandated that only energy-efficient appliances may be procured by ministries/departments in respect of split air conditioners, frost-free refrigerators, ceiling fans, and water heaters (Ministry of Finance, 2013). Mandates around existing tools such as the BEE Standards & Labelling Program, ECO Mark scheme, UJALA and green room air conditioners can be further strengthened and a phased mandate with a flexibility approach can be brought in specific sectors.

With the above background, TERI organized a dialogue on green public procurement under its initiative of Act4Earth Dialogue to deliberate on the relevant issues and come forward with suggestions for strengthening India's public procurement ecosystem. Based on the views received during the dialogue, the way forward has been identified and suggestions on some of the key areas for improvement are listed below:

## Definitional and Conceptual Issues around GPP

- Green public procurement (GPP) refers to the process of procuring goods, services, and works with a reduced environmental impact throughout their life cycle, compared to similar procurements that would otherwise be made.
- GPP is a subset of sustainable public procurement (SPP), the latter being broad and considers all the three pillars of sustainable development. These pillars must not be seen in isolation.

- Definition of ‘sustainability’ and ‘green’ are context-specific and need to also consider the social and economic goals of the country.
- From a Global South perspective, to ensure political and economic feasibility, provisions for unemployment and other major concerns of the country. In this regard, inclusion of local content is key in GPP/SPP frameworks.

### **Global Framework and Approach in India**

- SDG target 12.7 focuses on sustainable consumption and production, built on three pillars: green, social, and economic. The Indian government has been actively working on all three pillars of social, economic, and green provisions under target 12.7.
- As per target 12.7, every country is required to have an action plan in place. However, this need not be a separate action plan. Developed countries like the United States do not have separate action plans for GPP/SPP.
- Current provisions under the General Financial Rules (GFR) and the procurement manuals issued by the Ministry of Finance can qualify as action plans for Target 12.7, according to the UNEP questionnaire.
- We must also find ways to bring resources to the table so that more and more green mechanisms, including GPP, can be implemented.
- Till 2005, ‘local content’ was a part of SPP but has now been removed. Sustainability must be according to India’s requirements. Ensuring sustainability from India’s perspective is vital. Local content can contribute to all three pillars of sustainable development.
- Developing countries are also wary of trade measures being used for green protectionism.

### **Incentivizing GPP**

- GPP needs to be incentivized. The government may adopt GPP extensively and ensure proper implementation. Thereafter, it can be incentivised for other sectors to adopt sustainable procurement methods.
- A key question is whether policy instruments need to be voluntary in nature or mandatory.
- Understanding lifecycle costing is essential to analyse the relevance of green products. The immediate higher cost of green alternative can be subdued by the long-term benefits like lower cost, high impact and environment friendly results.

### **Information Instruments (eco-labels, standards, certifications and technical specifications)**

- Eco-labelling needs to be further championed in India.
- Buyers must be knowledgeable about all procurement provisions. Standards such as ISO 20400 can be key to building awareness.
- More standards and certifications in accordance with Indian requirements need to be formulated.
- Life-cycle based approaches and benchmarking are important.

- Some examples could include benchmarking to reduce toxic and hazardous content from procured products, along with the use of construction and demolition waste and the use of local compost in urban areas.

### **Costs and GPP**

- The elephant in the room involves limited resources and high costs. This is a complex issue and the accounting for long-term environment and health benefits can be promoted.
- For procurers, cost-benefit analysis should reveal cost-burdened transitions offering benefits or at least cost neutrality. This will incentivize and accelerate the transition.
- Over time, costs will decrease, making it easier for everyone to adopt green products, allowing the government to retract.
- Only paradigm shifts can enable GPP to move from a linear to non-linear approach.

### **Implementation, Capacity Building and Monitoring**

- The General Financial Rules provisions can be made more explicit where certain technical specifications and criteria can be made more explicit.
- Initiatives like GPP involve subjectivity, which government officials may fear as it may cause unwanted scrutiny. Thus, green criteria for policies should be specified to eliminate the issue of subjectivity and unnecessary scrutiny.
- GPP can follow a phased approach wherein a few categories with significant impacts can be taken up. Starting with low-hanging fruits and prioritizing at the framework level is recommended. Pilots can be taken up.
- Both strategic and operational levels are important, along with policy coherence, which translates green provisions of various policies to procurement.
- There needs to be coherence and integration of policy and various concerned departments. GPP should be seen as an enabler supporting sustainability efforts. Policy integration and coherence with GPP are necessary.
- A comprehensive implementable framework for GPP, including a specific action plan, stakeholder identification, and measurable timeframes, is needed.
- Government e Marketplace (GeM) can be leveraged for promoting GPP for more products and services.
- Emphasis of green services is key from the perspective of environmental impacts.
- For more public and private procurement, audit systems can be made more robust to avoid greenwashing. In sustainability reports, many corporates justify 'sustainable sourcing' based on declarations from suppliers across their supply chains. Even if suppliers have ISO 14001 certification, this does not necessarily translate to green products and services.
- Monitoring mechanisms along with evaluation of environmental performance are to key for effective GPP implementation.
- Systems need to be strengthened and e-procurement platforms should be available to ensure end-to-end visibility along with reduced paperwork.
- Role of the government extends beyond practicing GPP; it also involves influencing other players. Behavioural nudges significantly transform lifestyles. For instance, Mission LiFE

is a commendable initiative, but it requires behavioural nudges for both markets and consumers. The government plays an essential role in this aspect.

- Investment in research and development is necessary to reduce the cost of several potential product categories and include them under the ambit of GPP.
- Policies like GPP should focus on both the demand and supply sides. Ensuring adequate supply to meet government demand is crucial. Additionally, GPP should offer long-term cost advantages.
- Publicly available resources should be provided for both private and public entities undertaking green procurement.
- Agriculture is an important sector for green public procurement as food systems will be hugely impacted by climate change and environmental degradation.
- Awareness at the ground level is essential. Reluctance often stems from a lack of training and capacity building.

### Role of Corporates

- While large companies have the resources to opt for greener alternatives, the supply chain presents significant challenges, particularly for small sectors, such as the micro, small and medium enterprises (MSMEs) that lack the resources and capacity.
- Accelerated GPP can lead to higher involvement of private corporates in sustainable procurement, as successful GPP will establish profitable returns for the corporates.
- Intangible incentives for the private sector will create a scale effect.
- Supply chains will play a huge role in green transitions. There is a need to strengthen parameters and criteria around scope 1, 2, and 3 emissions, along with other environmental criteria.



**Annexure 1: Agenda**

<b>2:30 pm to 3:00 pm</b>	<b>Registration</b>
<b>3:00 pm to 3:05 pm</b>	<b>Ice-breaker and Group Photo</b>
<b>3:05 pm to 3:10 pm</b>	<b>Welcome Address</b> <ul style="list-style-type: none"> <li>• Dr Vibha Dhawan, Director General, TERI</li> </ul>
<b>3:10 pm to 3:15 pm</b>	<b>Introductory Remarks by Chair</b> <ul style="list-style-type: none"> <li>• Mr R R Rashmi, Distinguished Fellow, TERI</li> </ul>
<b>3:15 pm to 3:25 pm</b>	<b>Framing Presentation by TERI</b> <ul style="list-style-type: none"> <li>• Ms Ishita Srivastava, Research Associate, TERI</li> </ul>
<b>3:25 pm to 3:45 pm</b>	<b>Talk on Green Public Procurement in India</b> <ul style="list-style-type: none"> <li>• Shri Sanjay Aggarwal, Adviser, Procurement Policy Division, Ministry of Finance</li> </ul>
<b>3:45 pm to 4:40 pm</b>	<b>Roundtable Discussions: Expanding the Scope for Green Public Procurement in India</b>
<b>4.40 pm to 4:45 pm</b>	<b>Summary and Vote of Thanks</b> <ul style="list-style-type: none"> <li>• Dr Shailly Kedia, Senior Fellow and Associate Director, TERI</li> </ul>
<b>4:45 pm onwards</b>	<b>High-Tea</b>

*Emcee: Ms Madhuparna Maiti, Research Associate, TERI*

**Annexure 2: List of Roundtable Speakers**

1. Dr Vibha Dhawan, Director General, The Energy and Resources Institute (TERI)
2. Shri Sanjay Aggarwal, Adviser, Procurement Policy Division, Department of Expenditure, Ministry of Finance (MoF)
3. Dr RR Rashmi, Distinguished Fellow, The Energy and Resources Institute (TERI)
4. Dr Gopal Sarangi, HoD and Associate Professor, Department of Policy and Management Studies, TERI School of Advanced Studies
5. Dr Saon Ray, Professor (Visiting), Indian Council for Research on International Economic Relations (ICRIER)
6. Mr Anandajit Goswami, Research Fellow, IFRE, ACPET, Ashoka Centre for a People-centric Energy Transition (ACPET)
7. Dr Priyanka Kochhar, CEO, The Habitat Emprise
8. Dr Nitya Nanda, Senior Fellow & Associate Director, Centre for Resource Efficiency and Governance, Centre for Social Development
9. Mr Ashutosh Senger, Independent Advocate
10. Mr Bholenath Vishwakarma, Consultant, World Bank
11. Mr Puneet Aggarwal, Supply Chain Executive, Institute for Supply Management India (ISM-INDIA)
12. Mr Jai Kumar Gaurav, Senior Advisor, Climate Change and Circular Economy GIZ
13. Mr Vaibhav Chowdhary, Director, Ashoka Centre for a People-centric Energy Transition (ACPET)
14. Ms Chetana Chaudhuri, Fellow, National Council of Applied Economic Research (NCAER)
15. Mr Girish Bhatnagar, Independent Consultant
16. Mr Zeya Farhan, MBA Student, TERI School of Advanced Studies
17. Mr Adu-Gyamfi Abunyewa, Lead Procurement Specialist, World Bank
18. Mr Krishan K. Batra, President and CEO, Institute for Supply Management India (ISM-INDIA)
19. Mr Prahlad Tewari, Vice President, Environmental Management Centre Pvt Ltd (EMC)
20. Dr Suneel Pandey, Director, Circular Economy and Waste Management, The Energy and Resources Institute (TERI)
21. Dr Shailly Kedia, Associate Director, Sustainable Development and Outreach, The Energy and Resources Institute (TERI)
22. Ms Palak Khanna, Research Associate and Area Convenor, Centre for Sustainable Development Research and Leadership, The Energy and Resources Institute (TERI)
23. Ms Shivangi Raj, Project Associate, Centre for Sustainable Development Research and Leadership, The Energy and Resources Institute (TERI)
24. Ms Madhuparna Maiti, Research Associate, Centre for Sustainable Development Research and Leadership, The Energy and Resources Institute (TERI)
25. Ms Ishita Srivastava, Research Associate, Centre for Sustainable Development Research and Leadership, The Energy and Resources Institute (TERI)

## About

### World Sustainable Development Summit

The World Sustainable Development Summit (WSDS) is the annual flagship multistakeholder initiative organized by The Energy and Resources Institute (TERI). Instituted in 2001, the Summit series has a legacy of over two decades of making ‘sustainable development’ a globally shared goal. Over the years, the Summit platform has brought together thought leaders, heads of state and government, scholars, corporates, youth groups, and civil society representatives from across the world. The Summit series has established itself as a responsible and effective platform for mobilizing opinion-makers to drive ambition and advance pioneering actions to address some of the most relevant issues concerning sustainable development and climate change. The Summit series has witnessed the participation of 58 Heads of State and Government, 137 Ministers, 13 Nobel Laureates, 2045 Business Leaders, 3373 Speakers, and 40,362 Delegates.

### Act4Earth

The Act4Earth initiative was launched at the valedictory session of the 21st edition of WSDS. Building on the Act4Earth discussions of WSDS, this initiative seeks to continuously engage with stakeholders through research and dialogue. Act4Earth initiative has two components: the COP Compass and the SDG Charter. The COP Compass will seek to inspire and mobilize leadership at all levels, for inclusive transitions through ambitious and informed policies and measures that will enable paradigm shifts, towards meeting the United Nations Framework Convention on Climate Change (UNFCCC) and Paris goals through mitigation, adaptation and means of implementation. The SDG Charter will seek to identify gaps and suggest ways for strengthening and mainstreaming sustainable development in policy agendas for enhanced environmental, social, and economic outcomes.

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