



Report

Stakeholder Consultation Green Procurement & Purchasing Guidelines

Wednesday, 5 March 2008

New Delhi

CII-ITC Centre of Excellence for Sustainable Development, with support of the Ministry of Environment and Forests, Government of India, organised a Stakeholder Consultation on 'Green Procurement & Purchasing Guidelines', with the purpose to seek inputs on developing a set of guidelines relevant for India.

This report provides details of discussions held at the consultations, and also carries the 'backgrounder' distributed to the participants. Presentations made by resource persons can be sourced at www.sustainabledevelopment.in.

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Discussions

India needs concerted efforts for a successful Green Procurement implementation. Limited success with schemes such as the EcoMark provides interesting guidance on not just implementation but also how the government should be approach making Green Procurement Guidelines.

There are examples of GPP initiatives by local governments, ministries, or government departments. Most of these initiatives do not form part of a comprehensive GPP strategy. However, they do indicate awareness, consciousness and preference towards environmentally- and socially-preferable alternatives in selected product and service groups. These initiatives include using CFL lights in offices, procuring handcrafted products. One reason for such dispersed activity is that as procurement is increasingly decentralised. In addition, at this level of government, the benefits of GPP programs are almost immediate as they contribute very visibly to both the local environment and economy.

National laws and policies provide the all-important prerequisite for GPP. Without such a framework, GPP will have no legitimacy as the subject of strategies and actions plans that are rolled out across the entire public sector.

In addition, there appear to be a multiplicity of regulatory agencies overseeing the management of procurement at central, state and municipal levels. Efforts made by certain municipalities or within individual public sector organizations therefore remain disparate.

However, laws and policies alone are insufficient to bring about change in the traditional procurement mindset that is based on “the best value for money” rather than the best value across the project/product life-cycle - full-life costing. GPP implementation needs to be integrated into procurement processes through the establishment of environmental, social and economic objectives at each stage of the procurement process/cycle: establishing the need to procure; setting specifications; developing pre-qualification questionnaires; developing award criteria for evaluation tenders and making award decisions; developing contracts; and monitoring contracts.

Sector-specific policies on GPP are few and far between across the globe. Where they do exist, they appear to have been developed to support governmental efforts to address national resource consumption issues. For example, in Brazil and in Germany, the procurement directives mandating the use of certified wood and eco-label products were the result of each national government’s ability to link certification standards and eco-labels with their own procurement plans. Similarly in the UK, Mexico and many other EU member states, governments have strategically used procurement to further their objectives of attaining a high level of energy efficiency within government infrastructure. These examples highlight an important aspect of GPP - that it could be an instrument for establishing and developing linkages between diverse policies and programs on sustainable development.

National focus on GPP has to entail both awareness-raising and compilation tools/guidelines to. This should identify environmentally- and socially-preferable alternatives. GPP efforts have to develop a strong focus on international and national standards, eco-labels and life-cycle analyses to enable procurers to make the most appropriate decisions.

Further, capacities of public sector buyers, financial planners and accountants should be built in full-cost accounting to include externalities and highlight the medium- and long-term cost-savings made possible by designing for the environment.

Mitigating the impacts of climate change is high on the agenda of GPP initiatives: all programs include components on energy efficiency, and to a lesser extent, lower carbon vehicles, transport, renewable energy sources, sustainable urban planning and building design. Strategies for low-carbon economies are likely to continue to drive GPP in the future.

GPP programmes in most countries have focused almost exclusively on raising awareness and developing tools for sustainable procurement. Certainly the focus is now shifting from information to performance, with many national programs establishing performance targets and objectives. But no prevailing effort appears to be sufficiently mature and robust to realise the systematic embedding of environmental and social elements into the procurement process. Neither do they require disclosure and reporting (though the UK National Action Plan for Sustainable Procurement includes disclosure in 2008).

One avenue to increase GPP acceptance is to increase stakeholder participation in procurement processes. As the UK experience suggests multi-stakeholder input can be very valuable in appreciating the complexities involved in GPP and implementing strategies and systems to meet prevailing procurement patterns. In addition, the perspectives of private sector players, who have been working on improving environmental and social performance in supply chains for almost a decade, can be of interest.

A national legislative and/or policy framework on GPP is thought to be invaluable in setting up, lending legitimacy to, and ensuring follow-up of GPP initiatives. The GPP efforts of the UK, Japan and the EU member states show that management responsibility to policy framework accentuates the legitimacy of the programme, and provides clear directives and expectations to policy-makers and buyers alike.

There are obvious policy overlaps with other frameworks and plans such as national sustainable development goals, promotion of handcrafted or organic products, and climate change mitigation efforts. GPP in these countries reflect such influences, cutting across traditional governance and budgetary structures. Such policy linkages are important in leveraging both the legislative framework and the results of one initiative to support another.

It is experienced that for development and expansion however, a dedicated legal- or policy-framework is critical to give GPP efforts the legitimacy needed to break through and become embedded into the traditional thinking and financing that is commonplace in public sector procurement.

Procurement is being decentralised across national, regional and local government hierarchies, also as a measure to increase transparency and efficiency. This gives individual departments and local governments the flexibility to decide budget spending. This increases opportunities to raise awareness amongst buyers and policy-makers to integrate environmental and social elements into the procurement process.

Development of GPP should be approached somewhat differently. Sustainable development is now an established agenda in all countries. The private sector is already in the process of improving environmental and social conditions in their value chains, which stretch across national boundaries and industry sectors. Hence, the concept of “purchasing environmentally- and socially-preferable goods and services” is not new, even though sustainable procurement by the public sector is almost unheard of.

The discussions recommend that new initiatives to enable GPP could focus on, firstly, identifying the appropriate sustainable development policy frameworks that would lend legitimacy to pilot GPP efforts, and secondly, working with selected public sector organizations to launch pilot procurement efforts to demonstrate theory in practice. These pilot projects are likely to provide procurers and stakeholders with important learning experiences which can then be expanded into wider public sector programs to suit specific national contexts.

GPP is about integrating environmental and social criteria into public procurement processes and decisions. Environmental and social criteria must therefore be considered throughout the procurement process, especially when establishing the need to procure, setting specifications, developing pre-qualification questionnaires, establishing award criteria for the evaluation of tenders and making award decisions, and finally, in the developing and monitoring of contracts. In addition, to promote greater accountability and comparison across public institutions, buyers also need to be provided with objectives and targets against which performance can be monitored and ultimately, publicly disclosed.

However, establishing procurement objectives and targets, which in turn need to be based on methodologies for establishing the most appropriate environmental and social alternatives, is not a simple task. These decisions are based on life-cycle assessments and full-cost accounting which are unfamiliar to procurers at large. Hence they will require additional expert advice on interpreting and using such data in procurement processes.

The business case for GPP rests on the argument that governments spend over 45 to 65 per cent of their budgets, which could amount to significant per cent of the GDP on procurement. Thus they have the potential to trigger the demand for sustainable goods and services and send the right signals to the market that sustainable development is a national economic priority. In India, as in many other countries, the private sector is ahead of the public sector in green purchasing. A multi-stakeholder approach in the development and implementation of GPP programs is therefore of immense value.

While case studies on and examples of GPP best practices globally abound, it is important to study methodologies used for integrating environmental and social criteria in procurement procedures and decisions. Sufficient understanding is needed of integrating

full-life costing in the public sector budgetary processes that is typical of medium and larger procurement projects.

How can the need to procure be best assessed? How can environmental and social elements be integrated into specifications and award criteria in a non-discriminatory manner? How can environmental performance be monitored in procurement contracts during the life and at the closure of a contract?

Training programs need to be designed for public sector procurers and be targeted at building expertise in integrating product- and performance-related criteria into the procurement process: evaluating procurement needs, determining specifications and award criteria, drafting and monitoring contracts, as well as evaluating outcomes. These are the critical points in the procurement process for sustainability improvements, and the most practical elements about which procurers can dialogue with policy-makers and bidding companies on not only the most sustainable alternative, but also the “most economically advantageous” one.

Backgrounder

I. Background

Environmental issues are increasingly affecting the way business is done and individuals lead their lives. Whether proactive or reactive, governments, businesses and consumers are shifting to 'green' their purchases. Various voluntary or mandatory regulations/ legislations/ guidelines have evolved in recent years. Some of these restrict global movements of goods and services, and even impact local/ national policymaking. EU WEEE (Waste Electrical and Electronic Equipment) and REACH are recent examples. While the former assigns sole responsibility to the producer for the management and financing of the collection and recovery of end-of-life household electric and electronic products, the latter requires businesses to green their entire supply chains.

Greening supply chains necessitates Green Procurement. In other words, buyers use their purchasing power and require suppliers/ manufacturers to meet certain environmental standards if they wish to continue their business relationship.

1.1 What is Green Procurement?

Green Procurement guides every section of the society including governments, business, and consumers, when seeking to purchase products that are environment friendly.

Green procurement is the selection of products and services that minimize environmental impacts. It requires an organisation to carry out an assessment of the environmental consequences of a product at all the various stages of its lifecycle. This means considering the costs of securing raw materials, and manufacturing, transporting, storing, handling, using and disposing of the product.

Green procurement is rooted in the principle of pollution prevention, which strives to eliminate or to reduce risks to human health and the environment. It means evaluating purchases based on a variety of criteria, ranging from the necessity of the purchase in the first place to the options available for its eventual disposal.

The objectives of Green Procurement are:

- Creating awareness of environmental impact
- Rethinking material requirements and consumption
- Reducing the use of hazardous materials
- Improving energy efficiency of purchased materials
- Reducing pollution and noise levels
- Using recycled materials and recycling waste

1.2 Growing Acceptability

While, some countries in Europe – Germany, Denmark, France, the UK, Austria, and Sweden – initiated Green Public Procurement, the EU is currently trying to stimulate green public procurement for its own institutions and for the governments and authorities in the member states.

In North America, the US EPA developed Guidance on Environmentally Preferable Purchasing, whereas Canada introduced its Policy on Green Procurement.

In Asia, Japan enacted the Green Purchasing Law in May 2000 to promote green purchasing as national policy. The law requires all governmental bodies including local governments to practice green purchasing and report the summarized purchasing records to the public. Other countries such as Korea, Taiwan, and China, also have some form of legislation promoting Green Procurement.

There has been a mixed approach to making Green Procurement mandatory or voluntary. The pros and cons of mandatory approach, based on the experiences of countries leading the movement are:

Pros:

- Governments work better when regulated by law
- Clear targets and designated product categories
- Consistent practices across nation and institutions
- Easy to trace performance

Cons:

- Need additional administrative resources to keep a fair playing field
- Conflict with the voluntary nature of eco-labelling
- Perceived as trade barrier

1.3 India Experiences

Green Procurement can potentially have huge benefits for India, both environmentally as well as economically, considering huge procurement, purchasing and consumption levels of the public, business and consumer sections. There are clear benefits for every section, from financial savings to 'green' image. There is already some movement towards green procurement in certain industries involved in the global supply chain. Some multinational companies have launched green procurement programs. Though much of these developments are in response to the EU legislations such as the WEEE and RoHS.

Some dialogues and experience sharing has also taken place in India on Green Procurement or within the larger context of Sustainable Consumption and Production (SCP). The UNEP-MoEF Roundtable on SCP in 2006, and the CII-IGPN conference in January 2007 at New Delhi, were probably at the highest levels of influencers and decision-makers. The efforts now need to move further in developing proper policies and guidelines.

India needs concerted efforts for a successful Green Procurement implementation. Non-successes with schemes such as the EcoMark provide interesting guidance on not just implementation but also how the government should be approach making Green Procurement Guidelines.

II. Stakeholder Consultation

This stakeholder consultation seeks to deliberate on issues relating to green procurement in three constituencies: public sector, industry, and consumer sector. The consultations will also provide for exchange of experiences and lessons learnt on similar initiatives in India and other countries, in order to develop appropriate policy responses

and also to discuss the next steps towards preparation of Green Procurement Guidelines.

2.1 Objectives

- To understand the current status of green procurement in India and identify major issues in relation to its promotion and adoption
- To debate the objectives of a Green Procurement Policy for India
- To outline the framework of a Green Procurement Policy in the Indian context
- To recommend appropriate policy measures, implementing methodologies, and planning tools for Green Procurement in India

2.2 Scope

- Understanding of green procurement and related benefits in participating stakeholder constituencies; recent trends and emerging issues in green procurement
- Action plan for developing and implementing guidelines
- Methodologies to adopt the concept of green procurement for green supply chain management, with special emphasis on SMEs, and the role of governments in implementing guidelines
- Mechanisms to promote green purchasing or procurement and green supply chains for sustainable development
- Institutional arrangements and capacity building in this area

Programme

0930 – 1000hrs	Registration and Tea/ Coffee	
1000 – 1010hrs	Welcome and setting the day's agenda	Mr S Sandilya Chairman, National Committee on Environment, Chairman, Eicher Group
1010 – 1030hrs	Plans of the Ministry of Environment & Forests, Government of India	Mr R H Khwaja Additional Secretary Ministry of Environment & Forests Government of India
1030 – 1045hrs	Indian Industry perspective	Mr Mukesh Malhotra General Manager - Materials Hero Honda Motors Ltd.
1045 – 1100hrs	Discussions	
1100 – 1115hrs	Tea / Coffee break	
1115 – 1120hrs	Country Experiences & Learning	Session Chair Mr K P Nyati Head (Environment Policy Division) Confederation of Indian Industry; Principal Adviser CII-ITC Centre of Excellence for Sustainable Development
1120 – 1140hrs	Experience & Learning: Japan	Mr Mandar Parasnis Formerly Coordinator Green Purchasing Network India
1140 – 1200hrs	Experience & Learning: Germany	Mr Mikael Henzler Managing Director Adelphi Consult
1200 – 1220hrs	Experience & Learning: UK	Mr Paul Thomas Procurement Advisor - National Team and Head of CaPAS DFID India
1220 – 1300hrs	Discussions	
1300 – 1345hrs	Lunch	
1345 – 1430hrs	3-4 working groups on specific sub-topics	Session Chair Ms Seema Arora Principal Counsellor & Head CII-ITC Centre of Excellence for Sustainable Development

1430 – 1500hrs	Report back by group facilitators	Chair Ms Seema Arora Principal Counsellor & Head CII-ITC Centre of Excellence for Sustainable Development
1500 – 1515hrs	Next Steps; agenda setting	Mr R S Ahlawat Economic Adviser MoEF Government of India
1515hrs	Close	