



# **Sustainable Procurement for LGEs**

## **Input Paper**



**Society for Development Alternatives**

B-32, Tara Crescent, Qutub Institutional Area, New Delhi 110 016, India

Tel: +91 11 2654 4100, 2654 4200, Fax: +91 11 2685 1158

Email: [mail@devalt.org](mailto:mail@devalt.org), Website: [www.devalt.org](http://www.devalt.org)

## Abstract

The scale of such economic activity has severe consequences which can potentially hinder future socio-economic growth. Existing procurement methods, by their inherent design, are energy and carbon intensive, contributing towards declining natural resource base and a rise in atmospheric GHG emissions and other pollutants. Such concerns relating to the harmful environmental and social impacts have propelled adoption of sustainable practices in procurement process in several countries. The procurement market in India possesses significant promise in terms of supporting overall economic growth, which includes the MSME sector. MSMEs are gradually increasing their reach across various sectors of the economy by creating a wide array of products and services to cater to the demands of national and international markets. Through this paper, the authors aim to bring about the various needs and challenges to enhance **Sustainable Procurement of MSMEs** with possible policy suggestions.

## 1. Defining Sustainable Procurement

Procurement, in simple terms, is defined as the process of acquiring goods, works and services (UNDP). It is a systematic process which begins with identification of requirements, followed by adoption of the most appropriate procurement method(s), tendering and/or sourcing of suppliers/contractors, evaluation of bids and ends with the award of contract(s). The practice of procurement has an enormous impact on a country's economic performance. As per recent estimates, it is responsible for more than 12 percent of gross domestic product (GDP) in OECD countries, and 30 percent of GDP in many developing countries<sup>1</sup>.

The scale of such economic activity has severe consequences which can potentially hinder future socio-economic growth. Existing procurement methods, by their inherent design, are energy and carbon intensive, contributing towards declining natural resource base and a rise in atmospheric GHG emissions and other pollutants. Such concerns relating to the harmful environmental and social impacts has propelled adoption of sustainable practices in procurement process in several countries, as elaborated in section 5. By doing so, countries aim to leverage upon their procurement efforts to drive sustainability across the entire value chain of a product or a service. This necessitates generating demand for 'eco-friendly' products and services, through promoting their supply and prioritizing their purchase in the procurement process.

Through incorporation of various aspects of sustainability, Sustainable Procurement (SP), as it is termed, offers an improvement over the conventional means of procurement. It is due to the three-dimensional life-cycle approach in SP (focused on economy, society

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<sup>1</sup>[https://wedocs.unep.org/bitstream/handle/20.500.11822/20919/GlobalReview\\_Sust\\_Procurement.pdf?sequence=1&isAllowed=y](https://wedocs.unep.org/bitstream/handle/20.500.11822/20919/GlobalReview_Sust_Procurement.pdf?sequence=1&isAllowed=y)

and environment) against a one-dimensional, economics-focused approach in conventional procurement. This makes SP a strategic procurement practice at its most optimum. According to UNEP, Sustainable Procurement (SP) is defined as a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage to the environment<sup>2</sup>. The foundation of SP is built on the three pillars of sustainable development i.e. economy, society and environment, which also serve as the impact indicators of its success.

For an organisation seeking to implement SP practices, it becomes essential to take its considerations into account from the very beginning of the procurement process. Not only that, such considerations need to be made during various stages positioned throughout the process. Broadly, SP requires organizations to ensure that their suppliers offer decent working conditions to their employees/workers, the products and/or services purchased are eco-friendly, and where possible, prevailing socio-economic issues such as inequality and poverty, are effectively addressed. In the nearly two decades of progress, SP has gradually earned global recognition and is considered by many organizations and sectoral experts a powerful mechanism in helping to reach the global Sustainable Development Goals (SDGs).

SP will drive improved performance in an organization's triple bottom line and underpins the achievement of cost-effective and responsible procurement, thereby generating greater business value. Collectively, this will boost a country's socio-economic growth which will be in harmony with the environment and ecological systems. Potential benefits of undertaking SP are enlisted as under.

- enabling more responsible utilisation of natural resources
- mitigating the harmful effects of pollution and waste generation
- reducing the impact of toxic substances on the environment and society
- improving long-term economic performance
- promoting technological and process-based innovation
- providing strong signals to the sustainable products market
- advertising an organization's commitment towards sustainability

The scale of public procurement in India is significant. According to MOF (2018), India spends around 25 per cent of the GDP on public procurement<sup>3</sup>. In 2006, the National Environment Policy of the Ministry of Environment and Forests explicitly mandated the

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<sup>2</sup>[http://wedocs.unep.org/bitstream/handle/20.500.11822/20919/GlobalReview\\_Sust\\_Procurement.pdf?sequence=1&isAllowed=y](http://wedocs.unep.org/bitstream/handle/20.500.11822/20919/GlobalReview_Sust_Procurement.pdf?sequence=1&isAllowed=y)

<sup>3</sup> While this number is contested, since the total fiscal expenditure of the country is less than 15 per cent of GDP. However since the public procurement figure also includes public sector units at the national and state levels, this number could be 25 per cent.

public sector to encourage adoption of purchase preference for goods and services that met international environmental standards (MOEFCC 2006: 44).

## 2. Contribution of MSEs in Indian economy and importance in Sustainable Procurement

The MSME sector has a gradually developed as a significant contributor to the Indian economy by being responsible for a significant portion of the GDP, exports and employment generation. It also helps in industrialization of rural and backward areas thereby reducing regional imbalances and assuring a more equitable distribution of national income and wealth. Currently, the sector contributes to more than 28 percent of the national GDP, nearly 45 percent of the total manufacturing output and 40 percent of the country's yearly exports<sup>4</sup>. In addition, during the year 2018-19, the sector was responsible for 31.8 percent<sup>5</sup> of the country's Gross Value Added (GVA) and generated employment to the tune of 111 million people<sup>2</sup>, the second largest after agriculture. Qualitatively, the sector provides huge potential for stimulating entrepreneurial spirit and diffusion of skills, it has a high labour to capital ratio vis-a-vis other industries.

Mirroring the global scenario, the procurement market in India possesses significant promise in terms of supporting overall economic growth, which includes the MSME sector. MSMEs are gradually increasing their reach across various sectors of the economy by creating a wide array of products and services to cater to the demands of national and international markets. In all, over 6,000 types of products<sup>6</sup> ranging from traditional to high-tech items are being manufactured and sold by the MSMEs in India across the globe. The current state of public procurement for MSMEs is presented in table1.

**Table 1: State of public procurement for MSMEs in India**

| Year                          | No. of CPSEs <sup>7</sup> reported | Total procurement (Rs. Crores) | Procurement from MSMEs | Percentage |
|-------------------------------|------------------------------------|--------------------------------|------------------------|------------|
| 2017-18                       | 170                                | 114042.05                      | 26357.46               | 0.231      |
| 2018-19                       | 162                                | 152620.40                      | 40303.26               | 0.264      |
| 2019-20 (till 22nd July 2019) | 77                                 | 22658.63                       | 5631.38                | 0.249      |

Source: Sambandh portal, Ministry of MSME, GOI

<sup>4</sup> <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=924>

<sup>5</sup> [https://www.business-standard.com/article/news-cm/msme-sector-is-largest-provider-of-employment-after-agriculture-73rd-round-of-national-sample-survey-nss-119062400656\\_1.html](https://www.business-standard.com/article/news-cm/msme-sector-is-largest-provider-of-employment-after-agriculture-73rd-round-of-national-sample-survey-nss-119062400656_1.html)

<sup>6</sup> <https://economictimes.indiatimes.com/small-biz/sme-sector/coming-soon-alibaba-and-amazon-like-ecommerce-platform-for-msmes/using-effective-marketing-tools/slideshow/71216280.cms>

<sup>7</sup> Central Public Sector Enterprises

It is well understood that MSME's pose a very strong case in the sphere of SP. For MSMEs, enhanced participation in procurement offers larger and consistent orders for their goods and services and opportunities for improving production efficiencies and overall competitiveness. For the government, procurement is an effective tool for furthering its commitment towards promotion and development of the MSME sector given its significance for economic growth, indigenization and employment generation and making them competitive. Similarly, for the private sector, procurement from MSEs presents an excellent opportunity for large companies to reduce lead times, inventories and logistics costs.

Countries the world over are facing an ever growth threat from the effects of climate change, exhaustion of natural resources, biodiversity loss and increasing poverty. Tackling these issues requires a shift towards more sustainable production and consumption methods. This is where the practice of procurement assumes a crucial role. Integrating sustainability in procurement requires a change in practices and procedures across the entire value chain, in both the public and private sectors. Purchases that are in harmony with the environment and social cause are generally profitable for an organization, as resources conserved equals money saved.

In India, Sustainable Procurement still remains at a nascent stage but has started to gain traction, especially in the private domain in the past decade. Implementation of SP across all sectors assumes prime importance for a developing country like India. This is due to the fact that the country is one of the most severely affected due to climate change and has a significant proportion of population dependent upon natural resource base for sustenance. It is anticipated that wide adoption of SP practices in India can be effectively enhanced through increasing its uptake in the MSME sector. This is further explained in section 3.

### 3. Existing policies to enable/accelerate sustainable procurement from MSEs

To strengthen the regulatory framework on procurement underlying MSMEs, the Ministry of MSMEs notified the implementation of the Public Procurement Policy for Micro and Small Enterprises from 1st April 2012<sup>8</sup>. The Policy is mandatory as notified under the MSMED Act 2006 and calls for achieving an overall procurement of minimum 20% of total annual purchases of products produced/services rendered by MSEs within a period of 3 years by the central ministry, government departments and PSUs. The other salient features of the policy include reservation of 358 items which are reserved for exclusive procurement from MSMEs. Additionally, the Ministry of MSME has also launched an online registration system named as the Udyog Aadhar Memorandum in which all MSEs in possession will be provided all benefits under the policy. Another additional feature of this policy is the provision of a monitoring, review and grievance

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<sup>8</sup> <https://msme.gov.in/public-procurement-policy-micro-and-small-enterprises-mses-order-2012>

addressal mechanism in which a Review Committee has been constituted under chairmanship of Secretary, Ministry of MSME for the monitoring and review of Public Procurement Policy for MSEs. A grievance cell has also been set up in the office of DC MSME, Ministry of MSME for redressing grievances of MSEs which might arise in the process of government procurement.

Prior to the new policy, in 2009, only 5% of the Central Government and PSU's procurement came from MSEs. National Small Industries Corporation (NSIC), the national body registers MSEs under the single point registration scheme in which registration is granted for a fixed period depending on the nature of the goods, and is renewed upon application. The Department of Expenditure, Ministry of Finance (MOF), Government of India (GOI) provides the basis for implementation of sustainable public procurement through General Financial Rules (GFR). The recently revised GFR of 2017 has laid down the provisions for adding environmental criteria while undertaking procurement decisions into rule 173. The purchases by Government users through e-marketplace (GeM) have been authorized and made mandatory by the MoF by adding a new Rule No. 149 in the GFR 2017. The rule explicitly mentions that the Directorate General of Supplies and Goods (DGS&D) will ensure adequate publicity including periodic advertisement of the items to be procured through GeM for the prospective suppliers and credentials of suppliers on GeM shall be certified by the DGS&D.

In 2018, a sustainable procurement task force was constituted with a mandate of reviewing best practices in public procurement, inventorize the current status on SPP across government organizations in India, draft a Sustainable Procurement Action Plan and recommend a set of product/service categories where SPP can be implemented. In addition to this, preferential treatment policies have been introduced to support small and medium enterprises (SMEs) and take corrective measures to counter the obstacles faced in public procurement. NSIC is also responsible for coordinating the preferential public procurement efforts.

Very recently, an executive order passed by the Ministry of Micro, Small and Medium Enterprises (MSME) in 2018 and effective from 1<sup>st</sup> April 2019 has notified the procurement of 25% (from the earlier 20%) of goods and services by every central government ministry, department and public sector unit (PSU) from micro and small enterprises (MSE) through the GeM portal. The objective of Policy is promotion and development of MSEs by supporting them in marketing of products produced and services rendered by them.

#### 4. Country Take-aways

There have been some good examples of sustainable public procurement practices which have been adopted in other countries. Sections 5.1 and 5.2 presents two such examples of Mexico and Korea.

## 4.1 Mexico

### **Status of Procurement**

The Mexican procurement system was noted for its inefficiency, lack of transparency, corruption, lack of governmental capacity and an outdated e-procurement system. Followed by a financial crisis, a series of reforms were implemented, starting in 2009. The state reformed its public procurement policy to include SMEs. Targeted inclusion of SMEs in government purchasing has the potential to bring technical development, skilled jobs, and overall productivity increases. The following systems were setup to remove bottlenecks for SMEs participation in public procurement:

#### *Dedicated institutional systems*

The Mexican government setup an administrative body within Ministry of Economy to develop a strong entrepreneurial ecosystem. The mandate is to accelerate innovation and competitiveness amongst businesses.

#### *Increase in transparency and direct access to SMEs*

Public procurement Fairs-The fair is organized by INADEM, with participation of large procurers such as the ministries and federal government agencies. Through the fairs the SMEs are provided guidance to become government providers. The fair is a business forum for suppliers to meet officials to discuss needs, wants and solutions to existing problems.

E-CompraNet- The platform was created to increase efficiency, transparency and reduce transaction costs for bidders and public buyers in public tendering. System Information concerning registered suppliers, along with their products, services, and business history, is required to be posted both on CompraNet and the website of procuring entities. All invitations to bid are published on the platform which also serves as an electronic transaction tool to carry out procurement procedures.

#### *Enhancement of credit to SMEs*

National Credit Guarantee System- The system is aims at facilitating commercial banks' net credit lending to the SMEs. The system replaces the need of collateral with government guarantees. The system has been successful in lowering the interest rate to the SMEs. Between the years of 2005 and 2012, NAFIN's program guaranteed US\$8,308 million in loans benefitting 330,000 companies.

National entrepreneur Fund- This fund is awarded to the SMEs based on their projects capability to strengthen the competitiveness of the sector or the region. The grant supports 50-60% of the cost if an activity. The fund provides seed capital to increase capacity and innovation of the SMEs.

## Impacts of the reforms in procurement

The procurement reforms have increased the contracts awarded to MSMEs by six-fold since 2009, although the contracts have plateaued in the last few years. The Compranet, launched in 2010, now has over 177,000 SMEs registered. 9 out of 10 businesses that register on Compranet are SMEs. 46% of those who bid on a contract in their first year, and 26% win a contract in their first year. The value of Compranet for SMEs is further shown in that 80% of contracts reported on Compranet are awarded to MSMEs.

### *Social Impacts*

- The “Social Witness” program facilitates the participation by civil society as external observers in public procurements. Their function is to propose strategies for improving transparency, impartiality and compliance with the legal framework.<sup>9</sup>
- Ley Patrimonial del Estado de Aguascalientes (LPEA) which governs public procurement made a change in 2009 to establish criteria for procurement procedures: price, quality, financing, opportunity, energy efficiency, responsible use of water, optimization and sustainable use of resources and protection of the environment. (OECD, 2015)
- National Institute for Entrepreneurs (INADEM) includes award criteria when determining projects. They support women owned enterprises receive additional points over their male counterparts.
- NAFIN (National Development Bank) has developed a women specific credit opportunity (Mujer PYME) for women that have started a small or medium sized company.

## 4.2 Korea

### **Status of Procurement**

The SMEs promotes participation in public procurement through use of procurement platforms and wide range of supporting mechanism

### *Dedicated institutional systems*

Public procurement services (PPS) is the central government procurement agency. The main function of the central procurement agency is to supply goods and services for government use, contracting and managing public works and auditing government goods. The PPS handles procurement from SMEs and other socially disadvantaged sectors, such as regional companies and women-owned businesses.

Korean Small and Medium Business Administration (SMBA) Its primary mission is to support SMEs to maximize the growth of Korea. The SMBA is also in-charge of SME certification.

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<sup>9</sup> [http://www.oecd.org/centrodemexico/publicaciones/OECD%20\(2015\)%20Procurement%20Mexican%20States.pdf](http://www.oecd.org/centrodemexico/publicaciones/OECD%20(2015)%20Procurement%20Mexican%20States.pdf)

### *Increase in transparency and direct access to SMEs*

Bid rigging indicator analysis system is used by the Korea fair Trade Commission (KFTC) since 2009 to identify and investigate potential bid-rigging by monitoring the relevant information provided by procuring entities. This increases the chances of the SMEs to win bids.

Korea On-line E-Procurement Systems is a single portal for online bidding, contracting and payment.

### *Enhancement of credit to SMEs*

SME Network Loan Program under this programme the SMEs can borrow from 15 commercial banks upto 80% of the contract sum without security, as the security is provided by the Public Procurement Services.

### **Impacts of the reforms in procurement**

SMEs increased share of contracts won by competition, acquiring over 50% of contracts in 2013 compared to the 30% share in 2009. 99.5% of the total 191,000 registered bidders on KONEPS are SMEs. KONEPS has saved an estimated USD 8 billion annually in administrative costs – mostly through reduced burden on suppliers.

### *Social Impacts*

Korea is making multiple efforts to engage specifically with women-owned businesses:

- Article 4 of the Act on Support for Female-owned Businesses instructs, “the head of a public entity shall promote the purchase of goods manufactured and supplied by women-owned small and medium businesses.”
- For goods tenders, women-owned businesses and businesses with high employment of women are given additional points in the contract fulfilment capability test, boosting the business’ perceived ability to successfully implement the contract. (DCED, 2017).

## 4.3 Company Takeaways of Sustainable Procurement Practice

Apart from the efforts made by governments of several countries on incorporating sustainable factors in procurement, private companies have made significant efforts. After facing grave charges of forced labour, Swiss multinational Nestle launched a year-long investigation that identified slave labor in the Fancy Feast supply chain. Nestle had commissioned a third-party group to conduct an in-depth assessment on the complete supply chain. The assessment identified forced labor and unsafe working conditions, among other issues. The assessment was made public and Nestle won praise from NGO leaders, including the heads of Freedom House, Freedom Fund and Unseen UK, on the company’s transparent approach. To improve transparency on procurement, apparel, food and tech industries such as C7A, Nike, Marks and Spencer, Apple, Disney and

Microsoft have disclosed supplier details and other sustainability information in their sustainability reports. Similarly, Marks and Spencer's online supplier map provides an easy to use window to the clothing and food supply chains. Hershey has also published compelling supply chain visualizations that allow website visitors to track the flow of ingredients into key Hershey products and learn about sustainability efforts across the supply chain. Another example of sustainable procurement practice is that of American clothing company Patagonia. It's website and hangtags provide product-level supply chain transparency by identifying information about textile mills, manufacturing sites, and sustainability certifications. In addition, Patagonia gives consumers a broad picture of the company's supply chain through its Footprint Chronicles webpage, which provides maps of factories, mills, and farms, as well as a discussion of the pros and cons of chemical treatments for clothing<sup>10</sup>.

## 5. Key Challenges

MSEs they face several barriers in developing and participating in sustainable procurement requirements of government and PSUs as well as the opportunities available in the larger private sector. The challenges faced by MSMEs can be categorized as operational and policy related. The subsequent sections elaborate on the same.

### 5.1 Operational Challenges

Underdeveloped markets, size constraints, lack of finance, inadequate managerial capacity, information asymmetry, complex vendor registration process, disproportionate qualification criteria and certification requirements deter access to the public procurement market. On the other hand, central public sector enterprises (CPSEs) and other public procurement authorities are also faced with the challenge of MSE selection for procurement due to lack of requisite information on quality, capability, eligibility of MSE vendors and suppliers. Some of the other hurdles faced by MSEs are listed below<sup>11</sup>.

1. **Quality Control** - While specifying the product characteristics, many tenders focus on product description instead of functional performances, which gives rise to specification related ambiguities.
2. **Lack of a comprehensive regulatory framework** - This encourages mal practices and biased public procurements without adequate quality checks. It also leads to violation of procedural norms. Weak monitoring procedures have emerged as the pertinent causes for corrupt practices.
3. **Lack of standard bid documents** - The evaluation criteria for the bids remain ambiguous. Multiplicity of bid documents across entities in terms of addition/rephrase/repetition of clauses/provisions makes the procurement process cumbersome.

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<sup>10</sup> [https://www.bsr.org/reports/BSR\\_New\\_Models\\_For\\_Sustainable\\_Procurement.pdf](https://www.bsr.org/reports/BSR_New_Models_For_Sustainable_Procurement.pdf)

<sup>11</sup> [https://www.nipfp.org.in/media/medialibrary/2017/07/WP\\_2017\\_204.pdf](https://www.nipfp.org.in/media/medialibrary/2017/07/WP_2017_204.pdf)

4. **Delay in procurement phases** - The procurement process is often delayed at the stages of needs assessment, budget preparation and approval.
5. **Lack of awareness on the procedure of public procurement** – MSEs lack understanding of the process of public procurement and hence are unable to participate in the process. This apart, they also possess low levels of management skills<sup>12</sup>.
6. **Lack of integration of sustainability issues** - Critical sustainability issues such as environmental and social issues are usually ignored in the traditional procurement process. Some of the environmental issues both at the individual and organizational levels lack attention. Environmental issues at the individual level may include changing end user consumption patterns, consumer awareness of environmental issues and at the organizational level may include management of the purchasing interface with other functions, policy and practices relative to sourcing/use of restricted products, GHG emissions, chemicals in products etc. Similarly, social issues such as impact of ecolabels on end user buying behavior, CSR purchasing policies need to be integrated.

## 5.2 Policy Challenges

While the policies are progressive and are intended for the right purpose, the major criticism of the regulatory framework on sustainable procurement from MSMEs emerges from the fact that the existing policies are unable to generate the desired impact. As a matter of fact, piece-meal efforts to accelerate public procurement from MSME is not adequate to address the bottlenecks. Several PSUs have been unable to either meet their procurement target from MSEs or are failing to adequately measure and report their MSE procurement details to the office of DC MSME (CII, 2016). Similarly, other sustainability issues such as social and environment are not included in the existing policies thereby leading to non-implementation in the traditional procurement process. Although the private sector might include sustainability issues in procurement to leverage upon the reputational risks, the necessary actions are missing due to lack of any effective regulatory and mandatory framework. However sustainable public procurement is believed to be a driver for inclusion of sustainability issues in private procurement too. In fact, academic studies emphasize the exemplary function that governments can have on corporations through embedding sustainability into their own strategy (Steurer, 2011; Nijaki & Worrel, 2010; Preuss, 2009). According to UN Practitioners Handbook, the regulatory framework on sustainable procurement needs to enable organizations to include the following factors while taking procurement decisions.<sup>13</sup>:

- Value for money considerations such as, price, quality, availability, functionality.

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<sup>12</sup> <http://www.dcmsme.gov.in/publications/GIZ/VOL-5.pdf>

<sup>13</sup> <https://www.ungm.org/Areas/Public/pph/ch04s05.html>

- The entire life cycle of products.
- Environmental aspects; the effects on the environment that the assets, supplies and/or services have over the whole lifecycle ("green procurement").
- Social aspects: effects on issues such as poverty eradication, inequality in the distribution of resources, labour conditions, human rights, Fair-trade.
- Sustainable or recycled materials/products.

Apart from implementational challenges, absence of any overarching law governing MSME procurement hinders progress. Moreover, the notifications under existing policies do not enforce mandatory procurement measures. Overall, the lack of effective coordination between the regulatory authority i.e. Ministry of MSME, CPSUs and MSMEs leads to inappropriate implementation of the existing policies.

## 6. Way Forward

Based on existing examples and good practices in other developing economies, the following are the suggested recommendations:

- There is need of a strong coordination mechanism between the Ministry of MSME and other important stakeholders such as PSUs and MSMEs to deal with bottlenecks and hurdles in ensuring the success of existing policies on procurement.
- There is a need for regular communication among CPSEs and MSEs/ MSE associations on one hand and DC MSME, State DICs, MSME Development Institutes and State Directorate of Industries on the other hand which will help in early identification and resolution of challenges.
- The private sector involving business entities need to be incentivised to increase procurement from MSMSEs. This necessarily includes providing policy and operational incentives. However, there is a need to identify the key drivers and barriers of green procurement in the private sector.
- There is a need for an overarching policy framework rather than piece-meal efforts to accelerate procurement in both the public and private sectors.
- Practitioners have identified and stated different definitions of green and sustainable procurement with synonyms such as green purchasing, sustainable purchasing, environmental purchasing, environmental procurement, ethical procurement etc. However, none of these definitions seem to address or indicate the extent of greenness associated and the effective measures for implementation.
- Capacity building in terms of handholding support needs to be provided to the MSME sector. This support has to come from both PSUs and other private vendors to enhance capacities for ensuring preparedness in availing the benefits of existing procurement policies.

- There exists gaping potential in working with MSEs located in disadvantaged regions in India and with workers drawn from less privileged sections such as poor, women, tribals, dalits etc.
- There is a need to address the inadequate capacity on labeling and certification in India. There are many labels and certification in India for various sectors spanning across public and private domains. The zero effect and zero defect (ZED) scheme, which is voluntary, sets parameters wherein MSMEs will be assessed and rated on defined enabler and outcome parameters on operational level indicators (including process design parameters for environmental management, product design for environment, and outcomes for environmental performance). According to the latest information available on the ZED scheme, only 266 MSMEs are ZED certified (QCI 2019). The low number indicates a very low initial uptake of certification indicating the need for up scaling and building capacity of MSMEs regarding labeling and certification.
- There is also considerable potential for roping in critical environmental issues into procurement. Here a favourable role can be played by the private sector. However, a clear understanding of environmental considerations and how it can be applied to the procurement process is still lacking, especially in a developing country like India. Hence initiatives such as training programs, developing the business case for sustainable procurement, utilising reverse logistics, conducting supplier assessments etc. can be undertaken.

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