Realising Sustainable Procurement with Indian Railways

A meeting report and case study

Indian Railways is huge and, in many ways, already a leader amongst Indian and international companies. The company has over 1.4 million employees, transports 23.5 million passengers each day (i.e. population of Australia) and has a procurement budget of over 360 billion rupees. It is also already actively looking at its environmental impact and how it can improve its performance around procurement for the benefit of people and the planet. Indian Railways already engages in the disposal of scrap material and generates 35 million rupees annually, the majority of which takes place through e-auction. Indian Railways has also been the first Indian organisation to fully embrace e-procurement, meaning that today, 98 per cent of tenders go through their electronic system. Through procurement and design, they have pushed for the introduction of fluorescent tube lighting, electronic engine chokes, switching to bio-toilets and are demanding recycled content in the paper products they purchase. In an organisation that size, these mean big impacts. But, as Mr B.K. Sinha - Adviser at Railway Stores - pointed out, whilst they have made good progress, there is much more to be done in sustainable procurement.

In driving a sustainability agenda, Indian Railways faces a number of challenges. These include a lack of policy guidelines, insufficient green products on the market and lack of preparedness of suppliers to respond to sustainability demands. However, one of the biggest challenges faced relates to skills and knowledge around how to build sustainability considerations and criteria into the procurement cycle. To begin to address this challenge, ISEAL, with support from its local implementing partner, the Centre for Responsible Business (CRB), SECO and the Swiss Embassy in New Delhi, held a training workshop for group of 28 staff from across the Indian Railway network in January 2014. The training was conducted by Ecoinstitut Barcelona, along with expert sector input from staff from Transport for London (TfL).
Background to the training

Initial discussions between the ISEAL Alliance, which has a project focused on SPP in India, the Centre for Responsible Business (CRB), ISEAL’s local partner, and Sanjay Kumar, a key voice within Indian Railways for sustainable procurement, highlighted the need for increased support, awareness and capacity around sustainable purchasing on the part of the Railways. It was also suggested that much could be learned from international best practice around SPP and, in particular, from organisations with a similar transport-focused mission. With this in mind, a two-day training programme was developed to include materials from the UNEP SPP Toolkit – to be delivered by Aure Adell of EcoInstitut Barcelona – as well as practical examples of good practice, outlined by Tim Rudin, Responsible Procurement Manager at Transport for London. The range of participants was itself impressive, with staff coming from all the major regional divisions of the Railways and covering a range of roles. Some had travelled over 40 hours (by train, of course) to be at the workshop. As Dr Bimal Arora of CRB underlined at the beginning of the two days, the training was not intended as an end in itself but, rather, the beginning of an ongoing dialogue, with participants expected to return to their organisations, armed with increased understanding and capacity, and act as ambassadors for sustainable procurement.

Building the case for sustainable procurement

The training itself began with some of the key concepts and components of sustainable public procurement, including how it can be used as a policy instrument, why it is important for sustainable development, examples of its deployment internationally and the idea of considering a product’s whole lifecycle and differentiating between ‘sustainable’ and ‘green’ procurement.

Mr Sanjay Kumar outlined current state of affairs in India and the journey they had far taken thus far, with the agenda for sustainable procurement being advanced through the Public Procurement Bill (including a provision for sustainability/the environment), international agencies and agreements and the actions of the railways themselves. These have included their commitments to buy from rural producers, to LEED certification of buildings and to recycled content for paper. Dealing with paper involved appraising the available options and readiness of the market, as well as the lifecycle impacts of various products. Where there had previously been no mandate for this, there is now political and managerial support. For a sector such as IT, it may be that the market is already able to supply more sustainable products but the challenge may be in understanding the ecolabels and standards that could be used.

Mr Tim Rudin outlined the strategic approach that TfL has taken in moving towards responsible procurement. Their strategy arose out strong political commitment and support from authorities in London and the UK and encompasses a range of different issues, including employment and skills, SMEs, equality and diversity, environment and ethical sourcing. An important component has been to engage suppliers early, to understand what is already being done and to find easy wins, while celebrating success as and when it occurs. For TfL, key to successful responsible procurement has been moving it away from the margins, as an add-on, to become a fundamental and integral part of organisational purchasing.
Amid the subsequent discussion, it emerged that in some respects Indian public procurers have in some more freedom than their European counterparts, helped by a legal mandate to support small and medium enterprises, through a set-aside list of products to be supplied by them. Other questions centred on the relative costs of green products and the perceived premium that applies. Using the example of conversion to electric buses in London, Tim pointed out that although the upfront costs were often more, with the right tools and comparisons, a convincing business case can be made to demonstrate the total cost of ownership.

Delving deeper

The agenda went into some more in-depth and technical areas, including how to incorporate sustainability criteria into tenders, understanding and using ecolabels and standards to support their efforts and thinking through the whole life of different product categories. This session stimulated some lively interaction.

- Familiar concerns were raised around the ecolabels and standards on the market and available to procurers in India. Firstly, there was concern about how demanding certified sustainable goods might affect the prospects of SMEs competing for tenders. Furthermore, there was recognition that the Indian Ecomark did not cover enough categories, products or suppliers to act as a viable tool to support their efforts in its current form. Yet it was also noted how the ISO 14001 Environmental Management standard was legally used and specified for certain procurement activities and that familiarity with a range of ecolabels and standards was not as low as initially assumed. Challenges remain but the training programme also took participants through how and why such labels and standards could make the job of incorporating sustainability easier for them and their suppliers.

- Interesting and lively discussion came when the agenda moved to the sectors and products that the trainees had identified as important. Foremost among these was steel, which was highlighted due to its large social and environmental impact and its prominence as a spending category for Indian Railways. Although not an easy sector to address, the trainers agreed to work through how the procurers might approach their steel supply chains and find areas where they could begin to incorporate sustainability considerations.

- The potential to exert influence, depends greatly on the power Indian Railways have over their suppliers. With steel supply being managed by a handful of companies worldwide, Indian Railways’ capacity to affect behaviour may have limitations (although, relatively-speaking, it may be greater than transport companies in other countries due to their location, reputation and size of spend). Yet, for other sectors and purchasing categories, this influence can be very significant. The training itself could not provide ready-made answers to make the procurement of steel or other products more sustainable, but was intended to help expand participants’ thinking in terms of where sustainability impacts occur in a product or service life cycle. This would in turn spur them to understand where they could exert influence over production and supply of the goods they procure, in order to reduce those negative sustainability impacts.

- A session was also conducted on the important topic of life cycle costing and how thinking through the implications of a product from production, to procurement, to use and to disposal can bring about financial and environmental savings. This was done through a real example of different types of light bulb technology, demonstrating that this kind of methodology can help make it clearer what the cost implications are of greener products are and helps procurers balance immediate costs with later efficiency savings. The
participants was also introduced to some of the available life cycle costing tools, which help inform and facilitate these calculations, in this instance using the example of printers.

Seeing the potential

As the agenda unrolled and entered the final session, it was clear that, despite posing challenging and important questions over the two days, the participants saw the opportunity SPP presents for India and Indian Railways. This is a chance to demonstrate the railways’ leadership to the country and the world, to build trade and exchange with partner countries in the global South and to foster expertise and skills in sustainable procurement to share with similar organisations in the public sector.

- Mr Kumar, led a session to explore the current strengths, weaknesses, opportunities and threats (SWOT) of Indian Railways’ position to scale up the incorporation of sustainability into purchasing. The institutional capacity and strength of the position of the Indian Railways in the market and public sector in India really resounded when it came to thinking about what the participants could do next.
  - **Strengths:** large procurement budget and organisational influence; significant in-house expertise; established standardisation organisations in India; well defined policy aims in certain areas
  - **Weaknesses:** lack of vendors of green products; lack of standards and ecolabels available; limited knowledge and awareness around sustainable procurement; lack of specific rules and guidance
  - **Opportunities:** to become a global leader; to develop strong south-south cooperation and exchange; to build capacity within and without the organisation; potential to impact the market and lower costs for green products
  - **Threats:** impact on micro/small/medium enterprises; unforeseen impacts on the market; long-term success is uncertain/not guaranteed; potential for interdepartamental conflict/misunderstanding

- Dr Bimal Arora of CRB wrapped the day up with a discussion on how to improve the training and how to build on the momentum and enthusiasm created during the two days. It was agreed during this discussion that continued discussion would be valuable and that a network would serve a useful purpose.

- Mr Daniel Ziegere, Director of Cooperation at the Swiss Embassy, had helped open the training workshop by explaining the interest from SECO and the Swiss Agency for Development and Cooperation (SDC) in promoting sustainable public procurement. This interest is motivated by three factors – a) an environmental concern and the role procurement can play in alleviating this b) the strong business case that evolves from better and more sustainable procurement c) the desire to demonstrate leadership. Mr Ziegerer and the team at the Swiss Embassy played an invaluable role in making the training possible and he was kind enough to distribute certificates of attendance to all of the participants.
Next steps:

- Establish Indian Railways network for sustainable public procurement
- Share case study with:
  - staff within Indian Railways and ministries
  - staff at Transport for London
  - UNEP Sustainable Public Procurement Network
- Explore potential for further exchange with TfL and other railway companies
- Incorporate feedback and findings into training delivery guidance

Participating organisations:

- Indian Railways
- Indian Ministry of Finance
- Transport for London
- ISEAL Alliance
- Centre for Responsible Business
- Ecoinstitut Barcelona
- SECO/Swiss Agency for Development and Cooperation (SDC)