

Public procurement of energy efficient appliances can be improved

Government e-Marketplace (GeM) portal data shows non-compliance with the Ministry of Finance's memorandum on public procurement of energy efficient appliances.

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Finance Ministry's memorandum on energy efficient appliances

Public procurement involves purchasing of goods or services by the government and associated organizations for public service delivery. It accounts to about 20-30% of India's GDP as per various estimates. Given its large size, public procurement can be an effective policy instrument to achieve multiple social, economic, and environmental objectives. In 2013, the Ministry of Finance (MoF) in consultation with the Bureau of Energy Efficiency (BEE) issued a memorandum that prescribed minimum energy efficiency thresholds for public procurement of four commonly procured appliances with an aim 'to effect energy savings in long term by promoting procurement of energy efficient equipment'. Public institutions procuring energy efficient appliances on large scale can not only save their electricity bills but can also create a market demand which can facilitate a larger market transformation. In this article, we discuss compliance with the MoF memorandum and some recommendations to ensure the public procurement of energy efficient appliances.

Public procurement in India has a vast and complex policy landscape. There is no legislation that uniformly applies to the Centre and the States. Instead, General Financial Rules (GFR), a compilation of rules and orders from the Government of India, deal with the subject of public finance including public procurement. The MoF memorandum on energy efficient appliances was one such order. Furthermore, there are multiple avenues through which public entities procure goods and services. Public entities can have their own e-procurement systems, or they can use the central public procurement portal or similar state portals, or the recently launched Government e-Marketplace (GeM) portal. GeM was launched in 2016 as a one stop platform for common goods and services. There is a significant policy push from the government to move all the public procurement towards the GeM portal. There is no publicly available data on the total public procurement done in India on various goods and services as well as through multiple avenues. We filed an RTI application with the GeM requesting the data on the procurement of the four appliances mentioned in the memorandum done through the GeM

portal to check for the compliance. These four appliances are ceiling fans, air-conditioners, frost-free refrigerators, and water heaters.

Lack of compliance on the GeM portal

We find that about 8 lakh appliances from the 4 categories were sold on the GeM portal over the last three years (January 2018 to November 2020) with a value of about Rs 650 crores. The MoF memorandum prescribed a minimum threshold in terms of star-ratings issued by the BEE. According to the GeM data, about 49% ceiling fans, 75% refrigerators, and 36% of water heaters purchased from the portal were below the prescribed thresholds. In case of air-conditioners, there are two thresholds: a 3-star rating for limited use such as conference rooms and a 5-star rating for regular use. Only about 48% are 5 star rated while about 43% have 3 star rating while the rest are below the threshold. It is not clear whether the justification for the 3-star rated air-conditioners as prescribed in the memorandum was followed. We also looked at the models currently available on the GeM portal for purchase under these four categories. There are about 1000-2700 models per category. We found a significant number of models below the prescribed thresholds in each category. BEE publishes a list of all the approved brands and models on its website as per their star rating. We found that a few models on the GeM website were not listed on BEE's website. This raises questions on the veracity of the claimed star-ratings of some of the models available on the GeM website. The GeM portal and the procurement data thus indicates a significant non-compliance with the MoF memorandum. Although these observations are limited to the GeM they are indicative of the broader public procurement.

Ensuring procurement of efficient appliances

BEE and the MoF can take some further steps to ensure that only energy efficient appliances get procured. First, the memorandum itself needs to be periodically revised to cover additional appliances and equipment commonly purchased through public procurement. BEE's standards and labeling (S&L) programme covers 10 appliances and equipment in mandatory form and 18 in voluntary form. Some of these appliances can be included in the memorandum with appropriate thresholds. Second, the GeM portal can be modified to facilitate and ensure compliance with various GFR rules including the one on energy efficiency. Products currently available on the website with ratings below the prescribed threshold should be delisted. Also, users should be allowed to sort the products based on various features of the products including star-ratings and energy performance to facilitate ease in selecting the most energy efficient products. Third, it is important to build awareness and capacity among procurement officials on the S&L programme as well as the emphasis on product life-cycle cost calculation over the upfront cost can be crucial to the decision making. Institutions like the National Institute of Financial Management can play a key role here. Finally, it is extremely important to have strong reporting and monitoring mechanisms in place. Public institutions should be

required to submit a report on their annual procurement and their compliance with the GFR rules including the one on energy efficient appliances.

The Department for Promotion of Industry and Internal Trade (DPIIT) recently announced appointing an agency to scrutinize public tenders for compliances with public procurement regulations aimed at promoting 'Made in India' products. A similar such exercise can also be conducted to ensure compliance with the energy efficiency regulations. These suggestions can ensure public procurement of energy efficient appliances. They can also be considered by the task-force on sustainable public procurement recently constituted by the MoF to review international practices and come up with an action plan. Public procurement should be effectively leveraged to usher in sustainability in its practice.

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