

SEMINAR PROCEEDINGS
2nd High Level Seminar on Green Public Procurement (GPP)
22 April, 2016
Hotel Taj Tashi
Thimphu

EXECUTIVE SUMMARY

The 2nd High Level Seminar (HLS) on Green Public Procurement (GPP) was attended by parliamentarians from both upper and lower houses, *Thrompons* (Mayors) of Gelephu and Phuentsholing towns, officials from government ministries and corporate leaders, indicating the growing interest from Bhutanese thought leaders in understanding Green Public Procurement and its relevance to Bhutan's development philosophy and development strategy.

During the half-day seminar, value-for-money across the lifecycle of an asset - which is one of the main foundations for GPP - was acknowledged as being important for sustainable development in Bhutan. Participants were particularly enthused by the social and economic benefits of GPP. GPP as a tool for economic self-reliance, job creation and local enterprise development were recurring themes discussed. Participants expressed that through preference in procurement of local building/construction materials, agricultural products and wood-based products, Bhutan would be able to kick-start implementing GPP.

Participants agreed that coherent government policies assisted by collaborative implementation among all ministries and agencies would be important to move forward with a GPP strategy that could address many of the economic problems that Bhutan is going through.

The main take-away from the seminar were:

- GPP is timely and given the environmental leadership that Bhutan showcases in the region it is important that Government 'walk the talk' on green procurement.
- For new initiatives like Green procurement to work well it is important that all agencies work in a collaborative manner and implement activities in a cost effective and efficient manner.
- Close collaboration between the different stakeholders is a must in order to create a right ecosystem for implementation of GPP.
- Shared understanding and ownership of the GPP concept at all levels would be important for successful and sustainable implementation of GPP in Bhutan.

OPENING SESSION

Summary of opening statement by Ms. Pem Lama, Director of Communication, Research and Finance, Green Public Procurement in Bhutan

Ms. Pem Lama introduced herself and expressed gratitude to all participants for attending the 2nd High Level Seminar on GPP. She provided a brief background of Green Public Procurement (GPP) and its implementing partners, both at the international and local levels.

The main focus of GPP project is to see how procurement can be used as a strategic tool, rather than an administrative function in national development. GPP is a concept that has gained global momentum in the last five to ten years and that it is great to see Bhutan being a part of it. The basic objective of the 2nd high level seminar is to update the decision makers and implementers on the work GPP project partners' have carried out so far, and that she hopes that the seminar triggers further discussions and engagements from everyone.

She said that an important cornerstone of the GPP discourse for the GPP Bhutan project is to see 'how public procurement can be made more sustainable in Bhutan'.

Summary of the Keynote Address by His Excellency Dasho (Dr.) Sonam Kinga, Chairperson, National Council of Bhutan **Note: Address translated from Dzongkha**

Hon'ble Chairperson, Dasho Sonam Kinga welcomed all participants to the 2nd high level seminar on Green Public Procurement. He mentioned that the members of the National Council (NC) had initiated discussions on the immediate need to carry out some work in strengthening public procurement system in the country about a year ago. Public procurement system has many issues and the NC members had identified it as an area which required immediate policy intervention to streamline it. He mentioned that before the NC could act on it, GPPB coordinated a High Level Seminar in December 2015 which the parliamentarians from the NC in attendance found very useful. The Good Governance Committee then decided that there is no need for them to act upon it immediately but let GPP continue its good work. He thanked GPPB for coordinating the second Seminar and was pleased not only to be part of it but to see the number of participants increase compared to the previous year.

Hon'ble Chairperson of the NC noted that unlike many countries where 'development' invariably started with the development of industries [i.e. industrialization and the industrial revolution], Bhutan's development in the 1960s began with minimal industrialization. Bhutan's development was marked by investment in health, education, transport, communication, and environment, largely financed by external donors. Development story for Bhutan has always been underscored by sustainability principles reflected in the GNH philosophy. He said that Bhutan has enjoyed strong sustainable foundation laid down by the Kings under their wise and dynamic leadership which has enabled sustainable policies and plans to take roots in the country. Therefore, he said that green concepts are not alien to Bhutan and that the Bhutanese government has had a lot of experience implementing numerous programs that are green/sustainable. He added that Bhutan is globally recognized for its environmental and conservation efforts and that there are ample examples in the private sector where green programs are actively championed.

His Excellency said that when participants discuss procurement of goods and services, they should not just think about government actors but to bear in mind other players in the private sector. He said that although the onus of propagating green concepts, policies, plans and strategies fall on the government, discourse and discussions should transcend to sectors outside the public sphere if it was to succeed. Majority of the procurement of goods and services are done by the government and so it is called 'Green Public Procurement' at the moment but he hopes to see it being renamed as 'Green National Procurement' in the near future, where everyone understands, upholds and adopts the principles to make it a success. He also reminded that greening does not stop at procurement but it encompasses the entire supply chain. Greening efforts will need to be inculcated at individual levels, in office environments and society at large to bring about desired impacts.

His Excellency said that though green practices are followed in some sections of the public sector, the efforts are a bit disjointed at the moment. He asked the participants to use the 2nd HLS as a platform to discuss, debate and deepen their understanding of green public procurement so that in future when there are opportunities that call for reforms in the area they are well equipped with the knowledge of sustainability in procurement.

He finally thanked the GPP team for coordinating such an important seminar. He hoped that every participant's understanding of GPP broadens through the seminar and wished everyone a successful discussion and learning.

Summary of presentation - GPP Bhutan Presentation: 10 Recommendation, Mr. Yeshey Penjor and Ms. Pem Lama GPP Bhutan/IISD

Mr. Yeshey Penjor, Director of GPP Bhutan, welcomed all the participants to and said that participation led by the Hon'ble Speaker and the Chairperson of the National Council along with members of the Parliament and other senior government officials indicate the importance placed by the government and the genuine interest shown by every decision maker present in the hall.

He expressed that the main objective of coordinating the HLS is convey the concepts and principles of GPP to the high level audience who are custodians of legislation/policy so that are aware of GPP before policy reforms are proposed. The other reason, he said was that procurement is central to any economic development intervention and therefore is very important to have sound procurement policies and regulations in place.

He also pointed out that procurement is not the domain of the government alone but one that involves everyone, even at the individual level. He said that the GPP Bhutan project's focus has been narrowed down to government procurement because of the sheer volume and value involved in government procurement. He informed the floor that government procurement expenditure in the 10th FYP had been 21% of the total GDP, with an overwhelming 61% of annual budget.

The Project Director informed that for Bhutan, SPP or GPP is not something that is being started from scratch. These principles are already embedded in Gross National Happiness that is mirrored in Bhutan's laws, legislations, policies, and regulations.

Mr. Yeshey Penjor presented the 10 Recommendations put forward by the GPP Bhutan project following the research findings from the past 2 years of the project. He highlighted examples of what GPP has done so far, activities that are in the pipeline and pointed to some of the areas that government could look into to strengthen green public procurement in the country.

This was followed by more detailed explanation from Ms. Pem Lama on GPP project, its objectives, project partners and particularly an update on the progress made against each of the four key activities of the project. She also informed the participants what are some of the activities that are on-going and others that are being planned for implementation until the end of the project period. She also explained the different roles that each of the stakeholders has to play in order to support GPP and highlighted examples of pilot projects currently carried out in various spaces by project stakeholders.

THEMATIC BREAKOUT GROUP DISCUSSION

The opening session was followed by group discussion on various thematic topics and group presentations to the floor. The link between economic self-reliance/job creation and GPP was an area that piqued the interest of most participants. The main discussion points are noted below:

GROUP 1: Establishing link between Green Public Procurement and Economic Self Reliance

Main discussion points

- Some domestic goods/services identified that government could promote by expressing their preference:
 - Through use of 'Made in Bhutan' concrete and hollow bricks in all public infrastructure development works.
 - Promoting centralised procurement of school uniforms from the Bhutanese weavers. This would allow confederation of weavers as well as prevent outflow of money.
 - Furniture, cement, toilet tissue, *dapa* (wooden bowl), statues, *thangkas* (scrolls), building components (prefabricated window and door frames, interlocking bricks) were some products from Bhutan whose export need to be promoted strongly. Strong standards from Bhutan Standards Bureau and development of green labels would be crucial.
 - In the services category, consultancy services, knowledge transfer, accounts, training and education are areas that Bhutan currently loses out money through engagement of hired international services. These same services could be provided by Bhutanese vendors saving huge costs.
- In order to do the above, some policy and legislation that should be revisited: Company Act 2015, Customs Bill, Budget 2016-17, Enterprise Registration Bill.
- Some other enabling interventions necessary:
 - Increasing domestic preference from the current 5% in the PRR 2009

- Domestic value addition rule: Reduce the current value-addition rule so that more items can be “made in Bhutan” with less value-adding components
- Taxation revision so more [green] industries can emerge
- Improving ease of doing business
- Introducing green labels
- Introducing Procurement Bill
- Currency peg with Indian currency could be lifted so Bhutanese products can be competitive

Observation from the audience:

The key players and bureaucratic hurdles acting as bottlenecks in rectifying the current economic ailments are:

- Ministry of Finance: It has been observed that most of the current MoF policies are tax fixated and economic promotion averse. If economy develops, new businesses get established and tax base would automatically broaden.
- Ministry of Economic Affairs: Their role could move beyond regulating business to promoting business. Currently it exercises too much of an oversight function and too little of facilitation functions. It should move beyond ‘loose outcomes and tight procedures’ thinking to promote economic diversification.
- Department of Immigration: They need to revisit its rules pertaining especially to hiring of specialised manpower from abroad. Its blanket rule on the number of skilled manpower allowed need to be reviewed as specialised personnel need to be hired in certain circumstances when national skills are lacking.
- National Land Commission: They have to reduce the turnaround time required in order to acquire land clearances prior to setting up any business. Especially when FDI is involved NLC needs to collaborate with the relevant stakeholders to promoting FDI in the interests of the nation rather than playing spoilsport.

GROUP 2: Green Public Procurement for Green Industrial Development

The group identified the need to promote wood based industries in general in Bhutan and stimulate procurement of furniture and allied wood products from them to encourage green procurement.

Main discussion points:

- Procurement of wood products from the local wood based industries would stimulate the sustainable management of forests, development of suitable government subsidies and encourage use of local materials in construction industry.
- The development of appropriate policies to support the wood based industries would eventually pay through promoting self-sustainability and help achieve GNH.

- Other benefits and impacts that promoting local wood based industries could potentially bring are substitution of imported construction materials like furniture and crockery, import substitution saving outflow of money, reduced risks when high rise buildings are substituted with stronger reinforced traditional buildings, preservation of traditional architecture and culture, promotion of self sufficiency and environmental conservation.

GROUP 3: Inter agency cooperation for Green Public Procurement

Main discussion points:

- Should there be a central (node) agency for implementing GPP? (Role of PPPD, MoF?)
- For GPP to be adopted by all agencies, it is first and foremost important to create a common understanding of the National goals and aspirations. Many of the principal benefits that GPP espouses are in fact covered by the GNH, self reliance goals and goals on sustainable development.
- A lead nodal agency has to be established to take up the cause of GPP in Bhutan. This agency could then work with other stakeholders to develop a legal framework and subsequently a national level GPP committee could be formed based on this premise.
- There is a need to review and revise Procurement Rules and Regulations of 2009 (revised 2014).
- Capacity building of the Public Procurement Policy Division under MoF has to be carried out for the division to truly play a policy advisory role.
- A coherent and harmonized mechanism for GPP has to be worked out.

Observation from audience

When initiatives that have a far reaching positive impact on the nation are developed it is necessary for all stakeholders to work in synergy at all levels. In the past many of the well thought government policies failed because agencies involved in implementing different segments of policies never could come together at the time of implementation.

GROUP 4: Implementing Green Public Procurement in Bhutan: Opportunities and Challenges

Main discussion points

The members identified the following opportunities for in GPP in Bhutan:

- Opportunities to reduce import through adoption of green procurement
- Reduced depletion of foreign currency reserve through promotion of local CSIMs
- Growth of private sector through procurement of goods, works and services from domestic market
- Creation of job opportunities

- Reduced environmental impacts through promotion of less toxic variants of the domestic alternatives.

The members identified the following opportunities for in GPP in Bhutan:

- Lack of subsidies and incentives is one serious bottleneck in adoption of green procurement. This makes the green goods comparatively expensive than the cheaply available alternatives.
- Lack of donor assistances in promoting green goods. It might pay off to have donor supporting some of the green initiatives (example construction of green roads) when can eventually be taken over by the Government and private sector.
- For implementation of Green procurement through embedding in 12th five year plan dedicated plan is necessary.
- There is inadequate level of awareness in the procurers and suppliers on green goods, works and services.
- Many of the rules involved in procurement of goods, works and services are conflicting and need to be harmonized for green procurement to happen.

Observation from audience

For the overall benefits of green procurement to be fully reaped the different stakeholders need to be working in collaborative and coherent manner with the single minded aim of promoting the national interests. When initiatives like green procurement are available everyone must rise up to the occasion to bring about far reaching benefits.

GROUP 5: A GPP pilot tender in your constituency/ministry/agency

Main discussion points

Quality, cost, design and monitoring are the three most important when piloting green tender. For road construction the following opportunities exist to replace the current practices.

- Use of cold mix asphalt concrete to do away with the practice of using hot mix that deploy burning of fossil fuels and firewood causing emissions.
- Utilization of waste plastic in place of bitumen for polymer mix
- Cement base pavement are more durable
- In urban areas with high traffic rigid pavement, albeit expensive, could prove to be durable and eventually cost effective in the long run.
- Cut and fill method associated with Environment Friendly Road Construction(EFRC) need to be practised more

The above practices could bring about the following values.

- Reduced air pollution and minimization of use of firewood in road construction processes.
- Reduce amount of waste plastic in our environment and subsequently reduce import of bitumen

- Promote market for local cement and prevent outflow of money
- Lower maintenance cost, reduced incidences of landslides.

Some of the measures the group listed in order to practice green procurement in overall infrastructure development sphere are:

- For International Competitive Bidding (ICB) it is necessary to increase the domestic preference from the existing 5% to enable domestic contractors to participate in bigger infrastructure development projects such as highway constructions.
- The preferential scores of 10 % need to be provided to encourage domestic contractors.
- The current practices of incorporation, promoting VTI graduates employment and internship requirements could be changed and use of local skilled workers, local materials and emphasis on early completion of work need to be re-emphasised.

GROUP 6: Exploring Bhutan's role in implementing a SAARC-wide Green Public Procurement

Main discussion points:

- Bhutan with its pristine environment and strong agricultural policies provides a conducive environment for promoting sustainable development. It has potentials to be a leader in organic farming. Other areas that could capitalise on the huge biomass potential are biogas and biodiesel production.
- Niche markets for organic products from Bhutan need to be identified in the region and the movement provided with renewed push. Organic farming will not just alleviate income poverty but also provide sound rationale to small land-holding farmers in Bhutan to continue organic farming.
- Other sustainable products that Bhutan could showcase in the are: Environment Friendly Road Construction(EFRC), wind energy, its investment in clean energy like hydropower, solar energy and its plan to phase out incandescent bulbs and replace with energy efficient LEDs.

Observations from the audience:

- Bhutan as GNH country should champion GPP in the region