

Sustainable Public Procurement in South Africa

Jonathan Hanks, Incite Sustainability
Helen Davies, Incite Sustainability
Oshani Perera, International Institute
for Sustainable Development

May 2008



Norad

Sustainable Public Procurement in South Africa

Jonathan Hanks, Incite Sustainability
Helen Davies, Incite Sustainability
Oshani Perera, International Institute for
Sustainable Development

May 2008

**This project was funded by the
Norwegian Agency for
Development Cooperation –
NORAD**

© 2008 International Institute for Sustainable
Development (IISD)

Published by the International Institute for
Sustainable Development

The International Institute for Sustainable
Development contributes to sustainable
development by advancing policy recommendations
on international trade and investment, economic
policy, climate change, measurement and
assessment, and natural resources management.
Through the Internet, we report on international
negotiations and share knowledge gained through
collaborative projects with global partners, resulting
in more rigorous research, capacity building in
developing countries and better dialogue between
North and South.

IISD's vision is better living for all—sustainably; its
mission is to champion innovation, enabling
societies to live sustainably. IISD is registered as a
charitable organization in Canada and has 501(c)(3)
status in the United States. IISD receives core
operating support from the Government of Canada,
provided through the Canadian International
Development Agency (CIDA), the International
Development Research Centre (IDRC) and
Environment Canada; and from the Province of
Manitoba. The institute receives project funding
from numerous governments inside and outside
Canada, United Nations agencies, foundations and
the private sector.

International Institute for Sustainable Development
161 Portage Avenue East, 6th Floor
Winnipeg, Manitoba
Canada R3B 0Y4
Tel: +1 (204) 958-7700
Fax: +1 (204) 958-7710
E-mail: info@iisd.ca
Web site: <http://www.iisd.org/>

Foreword

The International Institute of Sustainable Development (IISD) launched a project on sustainable public procurement (SPP) in 2007. The context for this focus was the fact that governments are the largest consumers in an economy: on average the public sector spends 45 per cent to 65 per cent of their budgets and 13 per cent to 17 per cent of their GDP on procurement¹. It follows that when governments make a concerted effort to purchase sustainable products and services, their substantial buying power has the potential to create and drive markets for sustainable production and consumption both nationally and internationally.

The IISD SPP project was established in order to:

- research legal and institutional frameworks that govern public procurement at the international and national level;
- identify best practice in SPP; and
- launch subsequent country projects to engage with the public sector, their key suppliers and other stakeholders, to examine the finer details of national procurement policies and procedures and to develop blueprints for pilot SPP initiatives.

As part of their project on SPP, the IISD initiated country projects in India and South Africa with a view to promoting sustainable public procurement in emerging and developing economies. This report provides the outcomes of the country project in South Africa and serves as a springboard from which to advance SPP in the country.

Executive Summary

While Sustainable Public Procurement (SPP) activities are common in many developed countries, the awareness and implementation of SPP is still comparatively low in most developing countries. Recognising the important role that public procurement policies can play to support sustainable development, this project aims to contribute to the International Institute for Sustainable Development's (IISD) initiative aimed at promoting SPP in developing countries.

The first area of the report provides a high level current state assessment of sustainable public procurement in South Africa. This assessment explores the extent to which the country's preferential procurement legislation (which deals with the social criteria of procurement) has been effectively implemented, as well as the extent of the development and implementation of environmental (or green) procurement policies.

In terms of the preferential procurement legislation, the assessment revealed mixed results. While all public sector bodies agree with the spirit of the legislation, in certain areas it is felt that the legislation has not been implemented as effectively as possible. In terms of green procurement, while certain government bodies have developed policies to effect green procurement principles and

¹ www.iisd.org/markets/procurement/

criteria, it appears that very little along the lines of green procurement practices are currently in place.

While there are a number of environmental initiatives that would support or be supported by green procurement, officials have not recognised these as such. Most officials interviewed by environmental departments, however, are very interested in the concept of SPP and engaged readily to provide views on potential barriers and support that would be required to ensure the effective implementation of green public procurement. The research work further highlights those government bodies that are at the forefront of SPP in South Africa and would be best placed to benefit from the efforts of the IISD and act as case studies to the rest of the country.

The private sector research conducted for this report focused on a select group of South African companies for the purposes of specifically identifying examples of best practice in sustainable procurement.

This first section also provides an assessment of key individuals and organisations involved in SPP-related activities in South Africa. The preliminary engagement of these parties revealed a rather fragmented picture. While there are various stakeholders involved in activities that could support SPP, none of these is specifically set up to serve this purpose.

The second area of the report outlines the legislative framework for procurement in South Africa as well as the supply chain management function within the public sector. This area also outlines national (and case study examples of provincial) environmental or sustainability-related legislation and policies that either support or would be supported by SPP.

The final area of the report provides an outline of what support is required to implement SPP in South Africa. It also sparks discussion on an approach as to how this support could be provided and, in this context, highlights which stakeholders could potentially be involved. The beginnings of a plan are put forward for the development of a SPP National Support Unit. The final recommendations and outcomes of the report are that the ideas regarding the SPP National Support Unit and stakeholders to be engaged be taken further and that a dialogue be held with the key role players at a national level in order to advance the progress of SPP in the country.

Table of Contents

Foreward.....	1
Executive Summary.....	1
Glossary of key terms / definitions	4
1. Introduction and Overview.....	9
1.1 Purpose and aim of the document.....	9
1.2 Methodology followed.....	9
2. Overview of current SPP activities in South Africa	11
2.1 Review of SPP activities in SA national and provincial government	11
2.1.1 <i>Key Influences / Criteria for Procurement Decisions</i>	11
2.1.2 <i>Preferential Procurement: Relevance in Procurement Decisions</i>	13
2.1.3 <i>Current Use of Environmental Criteria in Procurement Decisions</i>	15
2.1.4 <i>Drivers of the Green Public Procurement</i>	17
2.1.5 <i>Identified Barriers to Green Public Procurement</i>	18
2.1.6 <i>Support required to promote Green Public Procurement</i>	18
2.1.7 <i>Level of Centralisation in Public Procurement</i>	18
2.1.8 <i>National Government Status</i>	20
2.2 State of Sustainable Procurement in SA private sector.....	22
2.2.1 <i>Capestorm</i>	23
2.2.2 <i>Exxaro</i>	24
2.2.3 <i>Medi-Clinic</i>	25
2.2.4 <i>Truworths</i>	26
2.2.5 <i>Wellness Warehouse</i>	27
2.2.6 <i>Woolworths (South Africa)</i>	28
2.2.7 <i>SPP in the SA private sector: Conclusion and Outlook</i>	29
2.3 Nature and impact of SPP-related public and private sector initiatives in SA.....	30
2.3.1 <i>Marrakech Task Force (MTF) on Sustainable Public Procurement (SPP)</i>	30
2.3.2 <i>Marrakech Task Force (MTF) on Cooperation with Africa</i>	31
2.3.3 <i>South African organisations or initiatives</i>	31
2.4 Barriers and gaps to SPP in South Africa	41
2.4.1 <i>Financial</i>	42
2.4.2 <i>Market</i>	42
2.4.3 <i>Institutional</i>	43
2.4.4 <i>Transformation / equity</i>	44
2.4.5 <i>Systems</i>	44
3. Review of SPP-related developments and trends	44
3.1 The regulatory framework for procurement in the public sector.....	44
3.1.1 <i>Background</i>	44

3.1.2	<i>National Regulatory Framework</i>	45
3.1.3	<i>Public Finance Management Act (1999)</i>	45
3.1.4	<i>Municipal Financial Management Act (2003)</i>	46
3.1.5	<i>Preferential Procurement Policy Framework Act (2000)</i>	46
3.1.6	<i>Preferential Procurement Policy Framework Regulations (2001)</i>	46
3.1.7	<i>National Treasury Regulations (2005)</i>	47
3.1.8	<i>Provincial Preferential Procurement Policies, regulations or practice notes</i>	47
3.2	The supply chain management function in the public sector	48
3.2.1	<i>Compiling the bid documents</i>	48
3.2.2	<i>Inviting the bids</i>	49
3.2.3	<i>Receiving bids</i>	50
3.2.4	<i>Evaluating the bids</i>	50
3.2.5	<i>Clearing the bids and awarding the contract</i>	51
3.2.6	<i>Concluding remarks</i>	51
3.3	Review of further SA Laws and Policies that may impact on SPP.....	51
3.3.1	<i>Relevant Laws</i>	51
3.3.2	<i>Relevant Policies</i>	56
3.3.3	<i>Case Study of Provincial Laws and Policies Supporting Green Procurement: Western Cape Provincial Government</i> ..60	
4.	SPP in South Africa: Summary of main findings	62
4.1	Strengths and weaknesses of SA's current SPP policies and initiatives	62
4.1.1	<i>Strengths</i>	62
4.1.2	<i>Weaknesses</i>	63
5.	Recommendations for a future SPP on-the-ground initiative	64
5.1	Identifying and addressing the critical gaps for SPP in SA.....	64
5.1.1	<i>Financial</i>	65
5.1.2	<i>Market</i>	66
5.1.3	<i>Institutional</i>	69
5.1.4	<i>Transformation / equity</i>	73
5.1.5	<i>Systems</i>	74
5.2	Potential role of stakeholders in implementation phase	74
5.3	Sustainable Public Procurement National Support Unit	75
5.3.1	<i>Scope of the unit</i>	75
5.3.2	<i>Aim of the unit</i>	76
5.3.3	<i>Outline of national support unit</i>	76
5.4	Approach to developing and implementing SPP.....	80
6.	Conclusion	82
	Bibliography and references	83
	Appendices:	86
1.	Sector specific SP verification schemes and eco-labels in South Africa	86
2.	Key Areas to be addressed to successfully implement GPP Principles.....	88

3. Government and external stakeholders interviewees.....89

Glossary of key terms / definitions

Definitions of words and acronyms used in this document reflect the meanings as defined below:

- 0.1 **Acquisition** means the act of acquiring goods and services for the use of a governmental activity through purchase, rent, or lease. It includes the establishment of needs, description of requirements, selection of procurement method, selection of sources, solicitation of procurement, solicitation for offers, award of contract, financing, contraction administration, and related functions.
- 0.2 **Adjudication Committee** refers to the committee that decides who will be awarded the contract for their tender.
- 0.3 **Award** means the notification to a tenderer of acceptance of a bid or tender which brings a contract into existence.
- 0.4 **Bid, Tender or Response** means is a written offer received from a vendor in response to an invitation to tender or to a solicitation, which tender invitation has been dealt with in accordance with the requirements of the general conditions and procedures contained in this document;
- 0.5 **Bid Evaluation or Evaluation of Responses** refers to the examination of responses after opening to determine the vendor's responsibility, responsiveness to requirements, and other characteristics of the solicitation relating to the award.
- 0.6 **Black Economic Empowerment (BEE)** is a program launched by the South African government to redress the inequalities of Apartheid by giving previously disadvantaged groups (black Africans, Coloureds and Indians who are SA citizens) economic opportunities previously not available to them. It includes measures such as Employment Equity, skills development, ownership, management, socio-economic development and preferential procurement.
- 0.7 **Contract** means the agreement in writing between the parties, which results from the acceptance of a tender and in which is incorporated:
 - the tender invitation;
 - the tender specifications;
 - the tender;
 - any conditions stipulated by the Tender Board upon the acceptance of the tender;
 - the KST 36; and
 - any formal contract negotiated and concluded pursuant to the acceptance of the tender, where applicable;
- 0.8 **Costing** is the process of identifying and accumulating direct and indirect overall costs related to the procurement of goods and services in order to calculate overall prices and necessary budgets.
- 0.9 **Database** is a collection of systematised data designed to respond to a particular user group's information needs.

- 0.10 **Demand Management** ensures that resources required to fulfill the objectives of the strategic procurement plan are delivered to the organisation efficiently, effectively and equitably without fruitless expenditure.
- 0.11 **Disposal Management** in public procurement refers to the decommissioning, clearance and removal of unserviceable, redundant and obsolete assets.
- 0.12 **DTI** stands for the Department of Trade and Industry, a national government body.
- 0.13 **Environmental** or **Ecological Footprint** means the impact of human activities, calculated as the amount of the environment necessary to produce the goods and services necessary to support particular human activities. It is generally measured in terms of the area of biologically productive land and water required to produce the goods consumed and to assimilate the wastes generated.
- 0.14 **Environmental Goods and Services (EGS)** are goods and services that are environmentally friendly or have superior environmental performance to conventional products.
- 0.15 **Environmentally Friendly** is an attribute to describe the activity, commodity or service that minimises the harmful impact on the natural environment.
- 0.16 **Eskom** is South Africa's electric utility.
- 0.17 **Full-life costing** (See Life-Cycle Costing)
- 0.18 **Green Procurement** or **Environmental Procurement** can be defined as taking into account environmental criteria for goods and services to be purchased in order to ensure that the related environmental impact is minimized.
- 0.19 **Green Procurement Requirement** is the institutionalised application of environmental criteria in the purchasing process of government. This requirement needs to be advertised and considered together with other purchasing requirements.
- 0.20 **Green Procurement Policy** refers to a policy that promotes the principles and criteria of green procurement.
- 0.21 **Green Public Procurement (GPP)** refers to Green Procurement in the public sector.
- 0.22 **Hazardous** is an attribute to describe products and substances that cause environmental harm, affecting humans and/or the natural environment if not stored and handled in a way that avoids their exposure to the environment.
- 0.23 **HDI** stands for 'historically disadvantaged individual' and is defined as a South African citizen who (1) due to the apartheid policy that was in place had no voting rights in the national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No. 100 of 1983) of the Constitution of the Republic of South Africa, 1993 (Act No. 200 of 1993), and/or (2) is a women and/or (3) has a disability. All with the understanding that any person who received South African citizenship on or after the introduction of the interim Constitution, is not deemed to be HDI.

- 0.24 **IFMS (Integrated Financial Management System)** is a system being developed by National Treasury. The IFMS will affect and track budgeting and procurement decisions of government bodies at the national, provincial and municipal level.
- 0.25 **LCA (Life-Cycle-Analysis or Assessment)** is the evaluation of environmental impacts of products and services, considering the full life-span (production, use / consumption, disposal) and related inputs and outputs.
- 0.26 **Life-Cycle Costing Analysis or Life-Cycle Cost Assessment** is a procurement evaluation technique which determines the total cost of acquisition, operation, maintaining and disposal of the items acquired; the lowest ownership cost during the time the item is in use.
- 0.27 **Logistics Management** in public procurement refers to the coding of items, setting of inventory levels, placing orders, receiving and distribution, stores/warehouse management, expediting orders, transport management and vendor performance.
- 0.28 **Maintenance** means the cost and efforts of keeping a property in efficient working condition; or all action to retain material in a serviceable condition or to restore it to serviceable condition or to restore it to serviceability. It includes inspection, testing, servicing, classification as to serviceability, repairs, rebuilding and reclamation.
- 0.29 **Marrakech Task Force (MTF)**: As part of the international Marrakech Process, an initiative to promote sustainable consumption and production worldwide, seven Marrakech Task Forces were set up to work on particular themes promoting sustainable consumption and production.
- 0.30 **MTEF** stands for the **Medium-Term Expenditure Framework** and consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources in the context of the annual budget process. The MTEF is intended to facilitate a number of important outcomes: greater macroeconomic balance; improved inter- and intra-sectoral resource allocation; greater budgetary predictability for line ministries; and more efficient use of public monies²
- 0.31 **MFMA** stands for the Municipal Financial Management Act and governs the financial and supply chain management functions of local (municipal) governments.
- 0.32 **NCPC** stands for National Cleaner Production Centre.
- 0.33 **PFMA** stands for the Public Finance Management Act and governs the financial and supply chain management functions of national and provincial government.
- 0.34 **Preferential Public Procurement (PPP)** refers to procurement practices carried out in accordance with the Preferential Public Procurement Framework Act (PPPFA).
- 0.35 **Preferential Public Procurement Framework Act (PPPFA)** gives effect to Government's priority of empowering historically disadvantaged individuals by giving them preferential treatment in procurement activities.

² World Bank, 1998a: 46

- 0.36 **Procurement** includes the combined functions of purchasing, inventory control, traffic and transportation, receiving, inspection, store keeping, and salvage and disposal operations.
- 0.37 **PFMA** stands for Public Finance Management Act. The PFMA governs financial management practices in South Africa.
- 0.38 **Purchasing** means the buying process within the procurement cycle.
- 0.39 **Recycling Economy** refers to any economic activity linked to recycling and more specifically those who make money from recycling related activities (e.g. collecting of recyclables, processing, the manufacturers of potentially recyclable materials, councils of certain materials to be recycled etc.)
- 0.40 **Regulatory Framework** refers to the totality of legal regulations, institutions and prescriptions that are relevant in the context of a particular activity or circumstance.
- 0.41 **SABS** stands for the **South African Bureau of Standards**. SABS is the national standardisation organisation responsible for the development, maintenance, dissemination, certification, testing and enforcement of national standards.
- 0.42 **SCM (Supply Chain Management)** is a functional unit within each department of the provincial government of the Western Cape. It involves five elements including demand management, acquisition management, logistics management, disposal management and supply chain performance.
- 0.43 **SMMEs** stands for **Small, Medium, and Micro Enterprises**. In an attempt to promote bottom-up economic development, SMMEs are granted preferential treatment in procurement and other governmental decisions in South Africa.
- 0.44 **Scorecards** are a point rating system which can be used in the evaluation of bids and proposals. A list of criteria to which values have been assigned is used to ascertain the individual merits of proposals that have met the mandatory factors specified in the invitation for tender.
- 0.45 **Suppliers** or **Vendors** are legal or natural persons whose tender has been accepted by WCPG and that have been contracted to deliver particular goods and/or services under agreed conditions.
- 0.46 **Sustainable Procurement** refers to procurement that takes into account environmental and social aspects in addition to traditional economic or financial considerations.
- 0.47 **SPP (Sustainable Public Procurement)** refers to Sustainable Procurement by public authorities and institutions.
- 0.48 **Sustainable Consumption** refers to the use of goods and services that respond to better needs and bring a better quality of life while minimizing the use of natural resources toxic materials and the emission of waste and pollutants over the life cycle, so as not to jeopardize the needs of future generations, and at a consumption level of natural resources that is indefinitely sustainable

- 0.49 **Technical Specifications** are concise statements or a set of requirements to be satisfied for materials, products or services, including the identification of the procedures which will determine whether the requirements have been met.
- 0.50 **Tenderer** means any natural or legal person submitting a tender or a price quotation;
- 0.51 **Training** is an activity enhancing skilled behaviour; it involves the transmission of knowledge and competencies, using different media and/or personal teaching.
- 0.52 **Transversal Contracts** or **Purchasing** refers to shared purchasing activities involving more than one functional unit of a department or different units within several departments. Transversal purchasing can also occur across government bodies. Such purchasing serves to reduce the market prices of products through negotiations and economies of scale.
- 0.53 **UNEP** stands for United Nations Environment Programme.
- 0.54 **Value for Money (VFM)** is a concept that traditionally refers to the purchasing of the least-cost option. Green procurement extends this definition to include life cycle costs and all factors relevant to a particular purpose including the quality, resource use, fitness for purpose, timeliness, convenience and the ability of the product to enhance government's objectives³. VFM is hence used to assess whether or not government has obtained the maximum benefit from the goods and services it acquires, within the resources available to it.³

³ Secretariat of the University of Cambridge (2006): *A Brief Guide to Value for Money*. Based on information provided by the Higher Education Funding Council for England (HEFCE). Online available: www.admin.cam.ac.uk/offices/secretariat/vfm/guide.html (20 March 2008).

1. Introduction and Overview

1.1 Purpose and aim of the document

This document sets out to provide an assessment of the status quo of procurement practices and related social and environmental programmes of government in South Africa. Developing the report included preliminary engagements with key individuals and organisations involved in SPP activities in South Africa to identify their potential role in future SPP initiatives and to test proposals developed regarding the implementation of SPP.

The report provides a set of practical, action-oriented strategic interventions that build on existing initiatives in this field (such as the development of a green procurement policy for the Western Cape Provincial Government) and that would assist the effective implementation of sustainable public procurement within national, provincial and municipal government bodies. Proposals are provided to initiate a dialogue between national government, the IISD and key stakeholders on how the required SPP support could be provided.

The report is intended to provide an important basis for further SPP-enhancing efforts intended by IISD; it includes the identification of relevant governmental departments that would be willing to be involved in the subsequent project implementation phase.

This document serves as a benchmark from which to prioritise and provide for SPP support nationally so that, as a country programme, South Africa can begin to lead the way for other developing countries in the implementation of SPP.

1.2 Methodology followed

To gain an understanding of the current state of sustainable public procurement in South Africa, telephonic interviews were conducted with representatives of selected provinces and municipalities across the country. The objective of these interviews was to understand how successful the implementation of preferential procurement⁴ (which considers social criteria) has been, and to assess the extent to which environmental criteria are currently considered in procurement decisions. For each government body, both a financial expert from Treasury or City Finance and an environmental expert from the Department of Environment were interviewed.

The study team has recently completed the drafting of a Green Procurement Policy (GPP) for the Provincial Government of the Western Cape. This work involved interviews and workshops with the supply chain management and chief financial officers of all departments in the administration, as well as intensive working with the province's Department of Environmental Affairs and Development Planning and Provincial Treasury. Information from this work was therefore also included in the current state assessment.

Senior officials of the following provinces and municipalities provided input for the current state assessment:

⁴ The Preferential Procurement Policy Framework Act gives effect to Government's priority of empowering historically disadvantaged persons by giving them preferential treatment in procurement activities.

Provinces:⁵

- Eastern Cape
- Free State
- Gauteng⁶
- Kwa-Zulu Natal
- Limpopo
- Mpumalanga
- Western Cape

Municipalities:

- City of Cape Town
- Ekurhuleni Metro
- eThekweni Municipality (Durban)
- Nelson Mandela Metro (Port Elizabeth)
- Tshwane (Pretoria)

In addition to the research done with provincial and local government bodies, telephonic interviews were held with three officials at a Chief Director level at the national Department of Environmental Affairs and Tourism. As part of the work with the Western Cape Provincial Government, a senior representative from the National Treasury was interviewed. The purpose of these interviews was to understand the extent to which SPP is being considered or driven at the level of national government.

A high level review of best practice in sustainable procurement in the private sector was carried out on a select group of South African companies. Aiming to provide an overview of good practice, the review focused on companies with generally good sustainability performance. While the reported information is mainly based on Internet research, telephonic interviews and e-mail contact with company managers added to a more holistic understanding of the different companies' procurement approaches.

To gain a picture of the stakeholders engaged with SPP-related activities in the country, telephonic interviews and web research were conducted. Twenty individuals were contacted in this regard. The research focused on understanding which organisations or stakeholders are currently providing what form of service that relates to SPP, assessing the extent to which they would be able and willing to alter their scope and / or scale up their operations to service SPP, and identifying those organisations or initiatives relating to SPP that might be in the early stages of development and that might thus need support to be developed further.

⁵ This represents 7 of the 9 provinces in the country

⁶ For Gauteng, an extensive interview was only conducted with a representative of Treasury. The interview with the representative of the Environmental Department was restricted to questions around Green Public Procurement due to the respondent's time restrictions.

2. Overview of current SPP activities in South Africa

2.1 Review of SPP activities in SA national and provincial government

Through the interviews carried out with government body representatives, it was generally found that while those officials in the Treasury or financial functions of the government departments were comfortable and able to provide good information regarding general procurement principles and Preferential Procurement, they were not, on the whole, knowledgeable with regards to green procurement. On the other hand, while the environmental specialists provided good information pertaining to green procurement, they were generally not conversant on other aspects of procurement. As a result, in some instances the representatives within the different government bodies provided contradictory information. This can be interpreted as potential gaps in information management within the province or municipality and illustrates the complexity of public procurement.

The following summary reviews the findings of the interviews.

2.1.1 Key Influences / Criteria for Procurement Decisions

The interviewees were asked to identify the key criteria used in procurement decisions in their organisation. Since general procurement guidelines are similar for all governmental bodies, interviewees generally referred to the same or similar criteria. However, the emphasis placed on the identified criteria differed: while some interviewees considered the Preferential Procurement Policy (PPP) and Black Economic Empowerment (BEE) the key factor in procurement decisions, the majority emphasised price and value-for-money as key criterion. A number of interviewees referred to the 80/20 or 90/10 rule for public procurement, that, depending on the value of the contract, allocates 80 or 90 evaluation points for price, quality and functionality, and 20 or 10 points for the supplier's Preferential Procurement compliance. It should be noted that some officials, including a Treasury official, incorrectly thought that the allocation of the 80 or 90 points was based solely on one criterion, price.

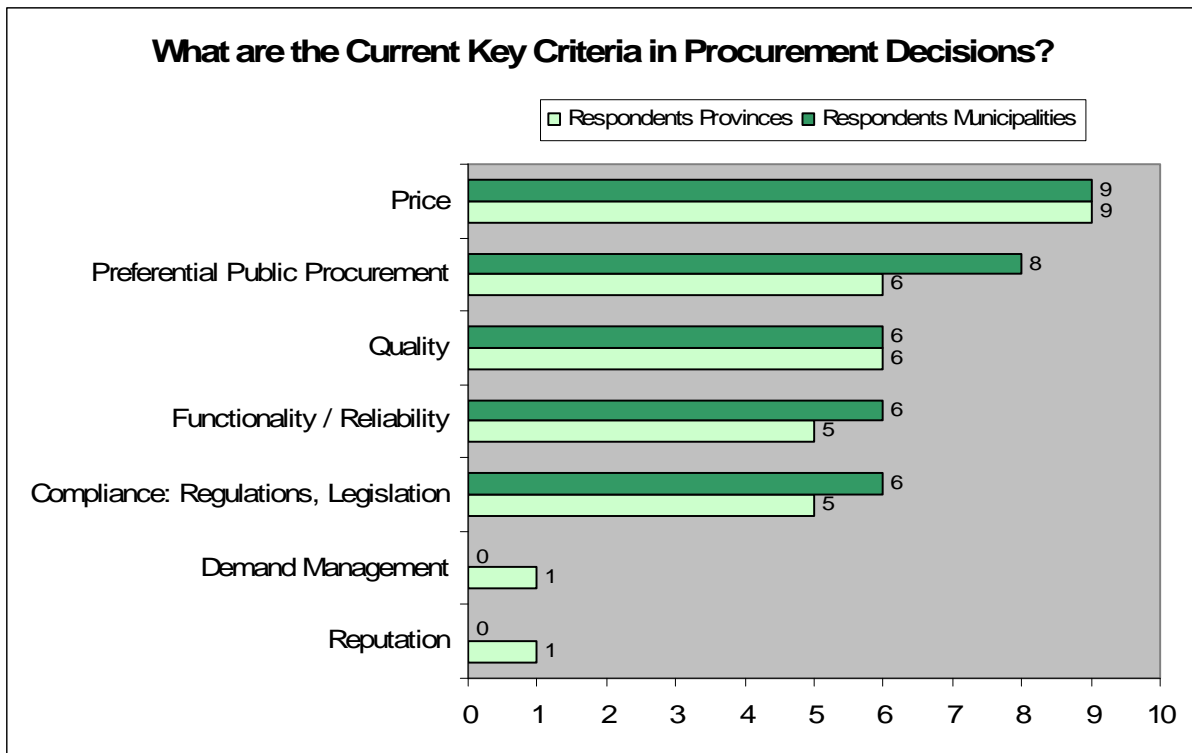


Figure 1: Key Criteria in Procurement Decisions

Some further observations by interviewees:

“The price criterion means that the total cost [of goods and services] is to some extent considered. Long-term costing is relevant for longer contracts (i.e. not once-off purchases), where aspects such as longevity and depreciation are considered. Life Cycle Assessments (LCAs) are however not considered, because it is difficult to balance the interest of the public (i.e. value for money) and the other (e.g. environmental) interests that government needs to take into account.”

Provincial Treasury Representative

“New regulations, such as BEE, dominate procurement decisions. They even tend to take priority over quality and price.”

Provincial Environmental Representative

“The price criterion is related to sustainability: The restricted budget of the different departments encourages the purchase of long-lasting quality goods rather than cheap goods that need to be replaced more often.”

Municipal Treasury Representative

2.1.2 Preferential Procurement: Relevance in Procurement Decisions

With one exception (Representative of a Municipal Treasury), all interviewees agreed that PPP is very relevant in procurement decisions. This is reflected in how the governments' budget is spent: the City of Cape Town for example spends 48 per cent of its budget with BEE suppliers. Several interviewees emphasised the benefits of the policies, such as the upliftment of previously disadvantaged individuals, and how public procurement is an opportunity for government to promote socio-economic objectives through their buying power. While some interviewees completely agreed with the policy and its objectives, others were critical of it. The following table (Table 1) summarises the perceived problems and concerns mentioned by the interviewees:

Concern	Specified Problems
Lack of Effectiveness	<ul style="list-style-type: none"> • Limited capacity of small suppliers • Lack of controls and monitoring • No broad-based effect for HDIs: Empowerment vs "enrichment" • Price still dominant criterion 80(90) points can override 20(10) points
Delivery / Quality / Reliability of BEE Suppliers	<ul style="list-style-type: none"> • Slower delivery • Capability to deliver not guaranteed with BEE suppliers • Conflict: PPP vs. Quality focus • Cash flow problems of small suppliers
Cost Premium	<ul style="list-style-type: none"> • Increased costs - BEE-premium of up to 25 per cent • Under-performance of BEE suppliers comes as an extra cost for government • Tight budgets vs. BEE-compromises on price and quality
Difficult Management of PPP	<ul style="list-style-type: none"> • Lacking understanding of BEE amongst Line Management • No effective review of the impact of PPP • Lacking access to information on BEE compliance of companies
Fraud	<ul style="list-style-type: none"> • Some companies "abuse the system" and overstate their BEE compliance • Lacking Monitoring and Enforcement
Regulation as Additional Burden in Procurement	<ul style="list-style-type: none"> • Increased bureaucracy and slower procurement processes • Procurement processes more complicated because of PPP

Table 1: Implementation of PPP – Perceived Problems and Concerns

Figure 2 (see below) illustrates the frequency with which the different concerns were raised by the different interviewees. A large number of interviewees mentioned a lack of effectiveness of the policy. While interviewees believed in the spirit of PPP, there was a general feeling that the Preferential Procurement Policy Framework Act (PPPFA) is not furthering BEE to the extent it should or could. The second-greatest area of concern is the inferior performance of some suppliers with high BEE points: Several interviewees gave concrete examples of cases where suppliers chosen for their PPP-performance under-performed. Thirdly, the price premium paid to BEE-compliant companies was a significant worry to a number of interviewees.

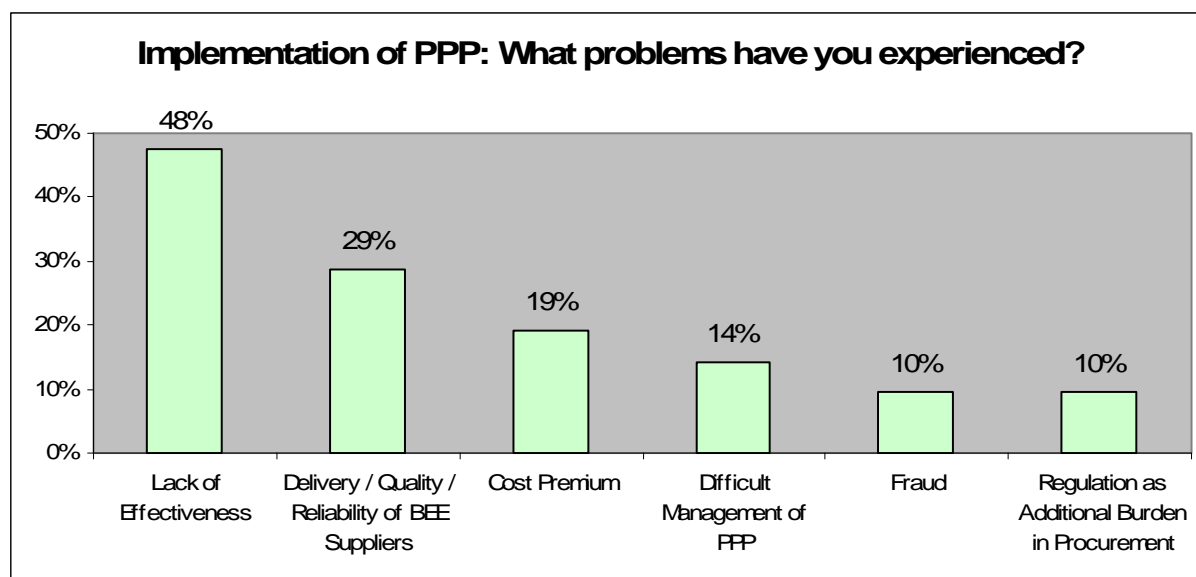


Figure 2: Problems around the Implementation of PPP

Lessons Learnt from Preferential Public Procurement:

- Recalling the implementation of PPP, several interviewees positively remembered that National Treasury provided induction training to the head personnel of provincial and municipal treasuries. This training allowed the participants to explore and fully understand the implications of the new set of criteria for procurement decisions. The head personnel then facilitated training courses for their staff at the provincial or municipal level. In this way, good support was granted to effectively implement the new policy. However, considering some of the concerns raised during the interviews, such as the lack of understanding of the policy amongst procurement officials, it appears that adequate follow-up support was not provided. The diversity of different opinions voiced on the weighted importance of PPP criteria against other factors, such as price and functionality, further indicates that there is no consistent perception of PPP amongst officials interviewed.

- Related to the interviewees' concern of insufficient ongoing support, is the perceived lack of effective monitoring of the impact of PPP: while compliance with the policy is guaranteed through a well-functioning system of guidance and control, there was some doubt regarding the extent to which the PPP is effective in achieving the underlying objective of supporting historically disadvantaged individuals. The request was made that current reporting activities go beyond budgeting and become more specific and detailed. Interviewees stressed the need for monitoring and clear, measurable targets for environmental procurement criteria should these become a formal part of supply chain management decisions.
- Provincial or municipal supplier databases were regarded as an important support tool, summarising PPP-relevant information for each registered supplier. It was noted that not all government bodies are, however, using their databases to track information related to PPP. Several interviewees suggested that the existing supplier databases could also be used to include environmental information on suppliers.
- Given the length of time required to effectively implement PPP, interviewees stressed that the introduction of any new procurement policy, for example relating to environmental criteria, would require a similar timeframe and dedicated implementation efforts. It was also noted that a legal mandate as strong as that for PPP would be needed to guarantee the long-term success of the introduction of any environmental criteria into procurement decisions.
- Under the framework of decentralised supply chain management, several provinces have developed a provincial PPP as a refined version of the national PPP (e.g. Gauteng, the Western Cape, and Kwa-Zulu Natal), whereas others use the national PPP policy (e.g. Limpopo and the Eastern Cape).

2.1.3 Current Use of Environmental Criteria in Procurement Decisions

While Green Public Procurement is still a relatively new concept in South Africa, environmental criteria have, to a certain extent, started playing a role in public procurement decisions. For larger development projects, all state entities in South Africa already consider environmental criteria through environmental impact assessments that are required by national law. Beyond this, several provinces and municipalities are pursuing the development and/or implementation of a green procurement policy.

The following table (table 2) provides an overview of initiatives being undertaken by the different governments.

Current State	Provinces	Municipalities
Green Public Procurement Policy developed or under development	<ul style="list-style-type: none"> Western Cape 	<ul style="list-style-type: none"> Tshwane Nelson Mandela Metro
Other (Environmental) Policies related to or influencing Procurement	<ul style="list-style-type: none"> Mpumalanga Kwa-Zulu Natal 	<ul style="list-style-type: none"> Ekurhuleni Metro eThekweni Municipality
No environmental criteria or guidelines considered in procurement decisions, but other environmental initiatives related to GPP	<ul style="list-style-type: none"> Limpopo Eastern Cape Gauteng 	<ul style="list-style-type: none"> City of Cape Town
No environmental criteria or guidelines and no environmental initiatives related to GPP	<ul style="list-style-type: none"> Free State 	

Table 2: Current State of GPP in Provinces and Municipalities

According to research undertaken by Professor De la Harpe at the University of the North West⁷, the municipalities of Cape Town, eThekweni Municipality, Ekurhuleni, Nelson Mandela Metro (Port Elizabeth), and Pretoria (Tshwane), all members of ICLEI (Local Governments for Sustainability), committed themselves at the World Conference on Sustainable Development (2002) to some form of green procurement. Gauteng Provincial Government apparently also committed to implementing green public procurement. Furthermore, Nelson Mandela Metro currently cooperates with their Swedish partner city (Göteborg) on GPP, and has hence benefited from first-hand experience and advice.

While certain government bodies seem to have progressed in developing green procurement policies, the implementation of these policies appears to be less than complete. Where other government policies exist that support green public procurement, these have not been explicitly developed for the purpose of GPP or recognised as supporting GPP. This suggests that the process of developing and implementing environmental procurement criteria has either been postponed or has not been effectively rolled out within the mentioned government bodies.

Reasons for this less than optimal implementation were explored in further detail and are included in the barriers to GPP. One example provided was of a government body that, although having committed publicly to the development of a green procurement policy, simply did not have the capacity to drive the work and the programme was placed on hold.

While it has to be recognised that this survey only aimed to generate a high-level overview and reflects the expertise and opinions of no more than two representatives per government body, thorough implementation of green procurement relies on all personnel within an organisation being aware of and practicing the principles of green procurement: A lack of awareness or understanding of green procurement by the personnel interviewed therefore indicates gaps in the implementation of green procurement.

In most cases where plans to introduce or develop a GPP policy were in place according to the environmental expert interviewed, the financial expert interviewed was unaware of the initiative. This indicates that GPP is currently largely being driven by environmental departments without

⁷ De La Harpe. S. (2008) Green Public Procurement – An Option for South Africa? *Article awaiting publishing.*

much involvement or contribution from treasury or financial departments. As one respondent pointed out, one of the great challenges of GPP is to “iron out conflicts” between environmental initiatives / GPP and the government’s cost-focused Supply Chain Management. “Procurement people are not environmental people”, but they must be “keen and aware” in order to “make GPP a success”. Within the government bodies where environmental criteria are currently not yet applied in procurement decisions, the environmental specialists were very supportive of a future introduction of GPP.

2.1.4 Drivers of the Green Public Procurement

The opinions as to who should drive the process of the development of GPP principles and their implementation differed largely between the interviewees. Whilst nearly half of the provincial officials referred to national government (National Government or National Treasury), most municipal interviewees referred to provincial government and their Treasury or Environmental Departments. One representative of a municipality underlined, however, that enforcement of GPP by their province would be counterproductive due to political tensions between their municipality and the province in which the municipality is based. Political conditions therefore appear to play a significant role in the introduction of GPP.

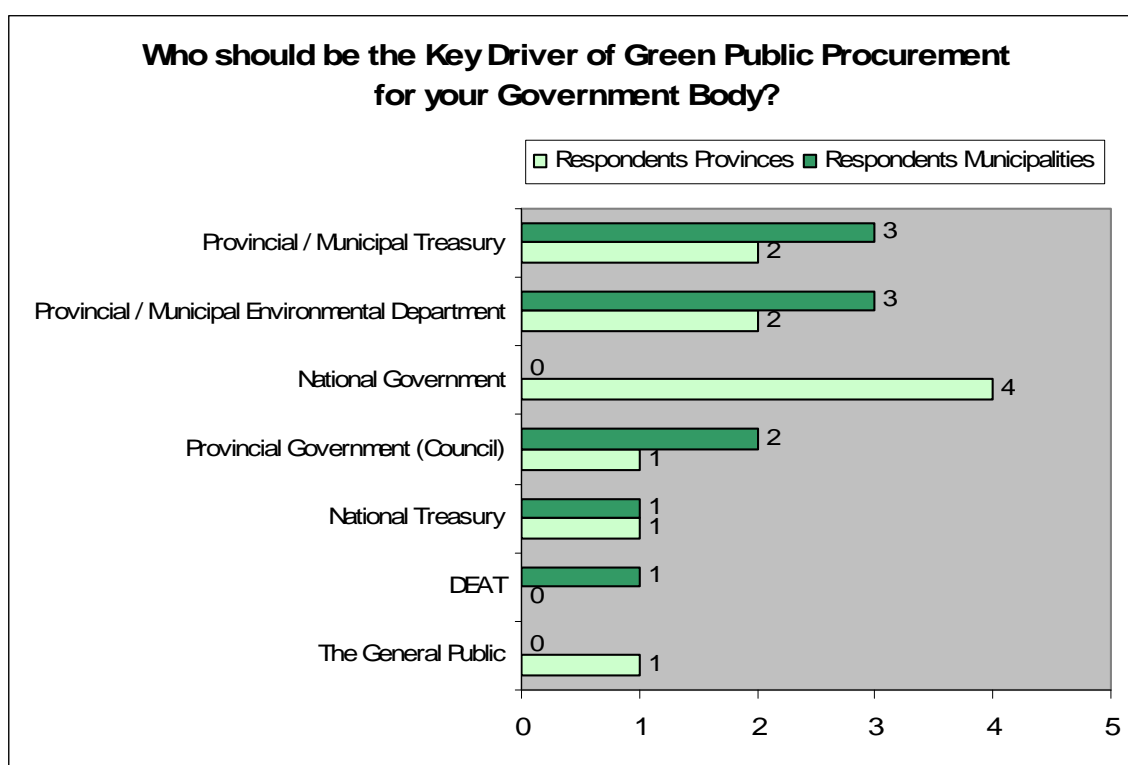


Figure 3: Key Drivers of Green Public Procurement

The variety of answers makes it clear that there is no one clear driver of GPP: The legislative framework in South Africa allows municipalities and provinces to pursue particular interests such as GPP as long as this is done so within the context of national frameworks. It prevailed, however, from the interviews that support from national government will be needed to ensure the successful implementation of GPP principles: the barriers and challenges related to GPP can more effectively be overcome if national supply chain management (SCM) regulations provide

clear guidance on the framework for environmental considerations.

2.1.5 Identified Barriers to Green Public Procurement

Discussing the potential implementation of GPP, the interviewees voiced a number of concerns. These concerns have informed the summary of potential barriers to GPP outlined in section 2.4. Figure 4 illustrates the frequency with which different concerns were raised by the interviewees, distinguishing between provincial and municipal officials.

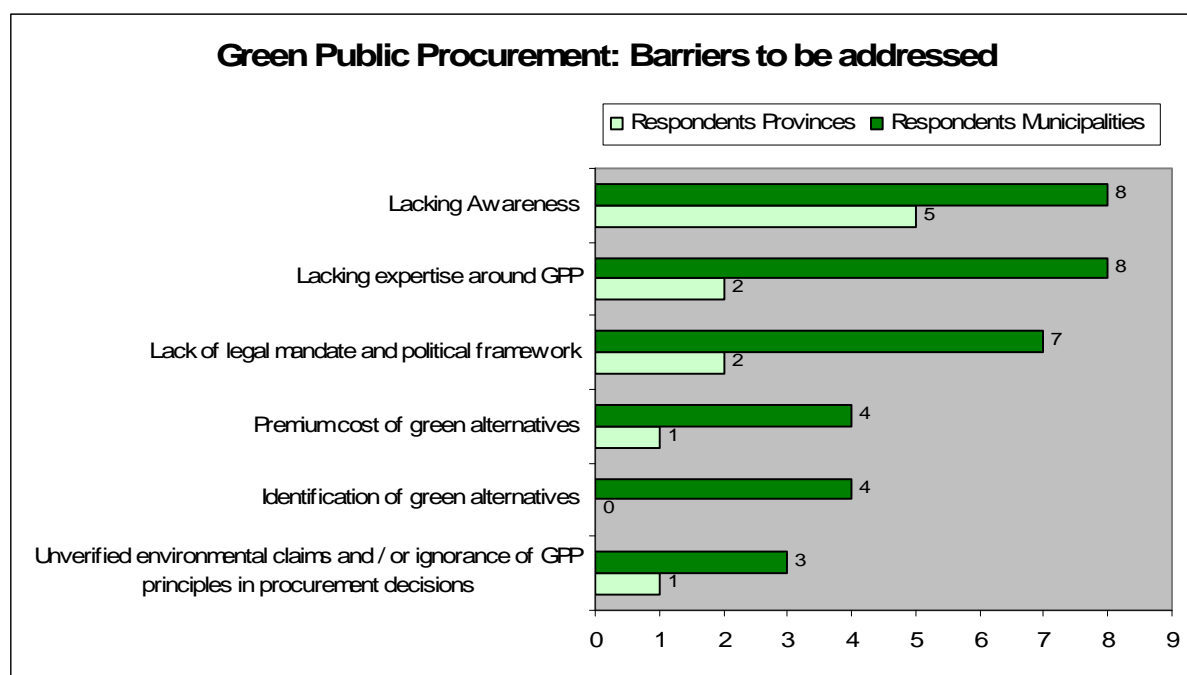


Figure 4: Environmental Procurement Criteria: Identified barriers to be addressed

2.1.6 Support required to promote Green Public Procurement

The different areas of support that the interviewees identified as useful to promote the implementation of environmental criteria in supply chain decisions are illustrated in Figure 5. Seventy-five per cent of the interviewees identified training as an important support area for the implementation of GPP. Following from difficulties encountered with PPP, a number of officials suggested that support in implementing and running a monitoring system of the impact of the GPP would be beneficial.

Section 5.1 provides further information on potential tools and mechanisms to support the implementation of GPP.

2.1.7 Level of Centralisation in Public Procurement

To understand the approach to and difficulties around implementing GPP, interviewees from provincial government were asked whether their procurement activities are organised in a centralised or de-centralised manner.

There were, in some cases, contradictions between the information provided by the environmental and the financial expert interviewed (see Table 2). This makes the results difficult to interpret, but does reveal how little awareness of procurement related issues there is amongst the officials, in particular amongst the non-financial personnel.

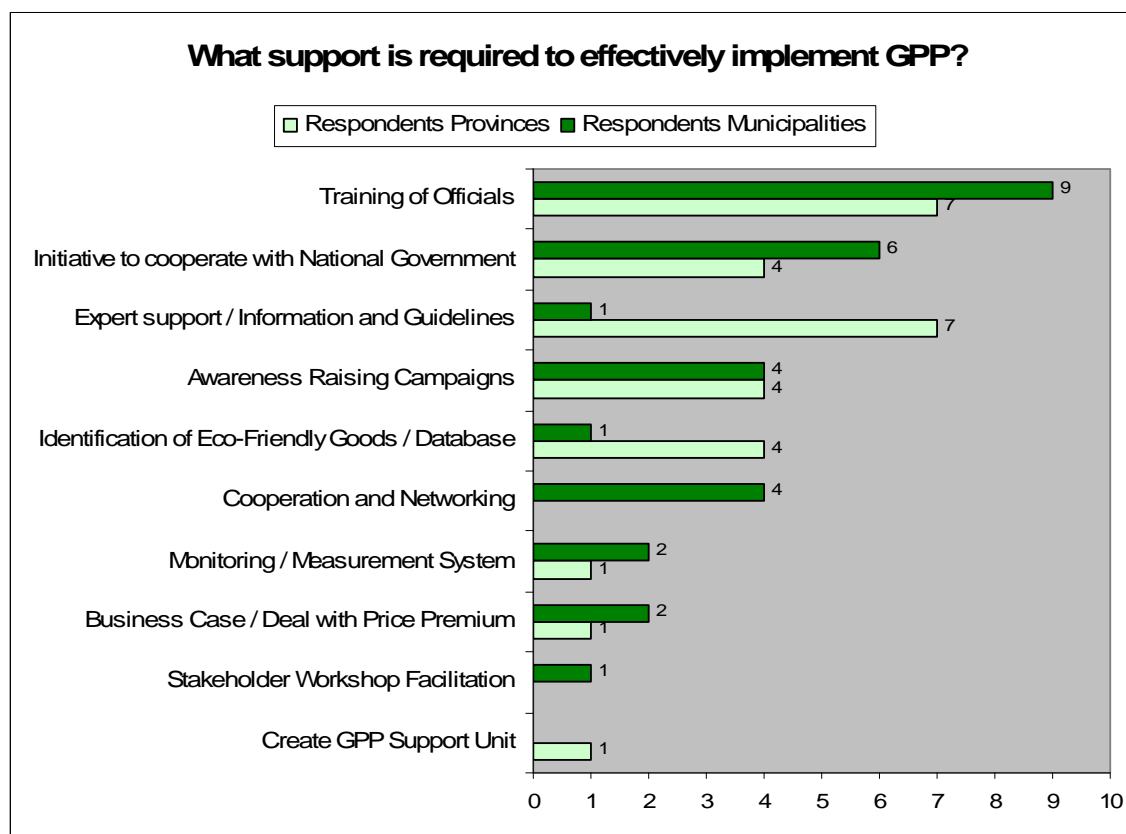


Figure 5: Identified support requirements for the effective implementation of GPP?

Organisation	Provinces T = Treasury E = Environmental	Municipalities T = Treasury E = Environmental
Centralised	Free State E Eastern Cape E	Tshwane T&E Cape Town T&E Ekurhuleni T&E Nelson Mandela Metro T eThekweni Municipality E
Partly Centralised	Free State T Limpopo T Eastern Cape T	Nelson Mandela Metro T eThekweni Municipality T
Decentralised	KZN T Limpopo E	

Table 3: Organisation of Procurement Activities

2.1.8 National Government Status

At a national level, there is no green procurement policy in place or under development. While national acts and policies that would support or be supported by a green procurement policy do exist (see further in section 3.3), these are not necessarily focused on the green procurement actions that they could support or on how a green procurement policy might support their strategic goals. No guidance material or standard clauses for tenders relating to green procurement principles have been provided to departments and there is apparently minimal evidence of green procurement being practiced within national departments.

It appears that there were moves in the past towards green procurement policy, with the Green Paper on Public Sector Procurement Reform (1997) stating that:

“Organs of State can encourage their suppliers, service providers and contractors to behave in an environmentally friendly way by integrating their concern for the environment with their procurement activities. Organs of State should implement policy which will influence the behaviour of vendors to:

- *comply with all environmental legislation;*
- *offer less environmentally damaging products and services; and*
- *develop products from recycled materials.*

Procurement policy may require vendors to provide proof of their commitment to environmental protection. This may take the form of statements on the steps companies are taking to reduce their impact on their environment, or alternatively to demonstrate that they are not in breach of any statutory requirements relating to the environment.”⁸

The green paper goes further in providing proposals for how the above concepts can be considered in supply chain management decisions:

“Organs of State should:

- *buy only from vendors who are in compliance with all environmentally-related legislation;*
- *promote environmental awareness amongst suppliers, service providers and contractors;*
- *favour procurement of less environmentally damaging products;*
- *discriminate in favour of products made from recycled materials;*
- *require that suppliers limit packaging to the minimum necessary to protect the items supplied;*
- *favour products which provide information about their effect on the environment;*
- *develop the environmental awareness of government officials;*
- *develop and maintain a database of vendors in which information relating to their environmental conduct is retained;*
- *develop and promote a code of conduct for vendors; and*
- *develop a policy with respect to the use of products containing asbestos*

Suppliers, service providers and contractors should:

- *comply with the requirements of all environmental legislation;*
- *require that their suppliers and sub-contractors in turn comply with all environmental legislation;*

⁸ Green Paper on Public Sector Procurement, 1997 paragraph 4.27

- *consider the environmental impact of their products over their full life cycle from 'cradle to grave';*
- *minimise the use of energy, non-renewable resources, hazardous chemicals and toxic substances;*
- *maximise the use of recycled materials;*
- *minimise the production of waste;*
- *dispose of all wastes in an environmentally responsible manner; and*
- *not offer products or packaging containing CFCs, HCFCs, halons, carbon tetrachloride and other ozone depleting substances.”*

These proposals were not reflected in the subsequent applicable legislation or regulations⁹.

The Department of Environmental Affairs and Tourism (DEAT) is currently, however:

- currently investigating the establishment of green procurement guidelines for the 2010 Football World Cup;
- piloting green procurement internally with certain quick win product areas;
- commissioning a new building for the department which will be built along green criteria; and
- due to host a workshop on sustainable consumption and production at the end of June that will include a session on sustainable procurement.

Furthermore, economic instruments have been used in the past to promote the development of certain markets and initiatives and green procurement is seen in the same light. The DEAT paper “Greening the 2008 Budget: Building a Fiscal Framework for Sustainable Development (draft 2007)”¹⁰ provides evidence of a move towards sustainable procurement in that it:

- Provides for key initiatives that would support sustainable procurement. These are, however, aimed at businesses and consumers rather than at the public sector.
- Recognises the “...need to internalise negative environmental externalities within the government fiscal system and correct for other market failures’ (p. 10), which would support the implementation of SPP.
- States that “...there is a need to promote established markets and facilitate new markets for environmental services as these are crucial instruments for future intervention” (p. 16);
- Mentions ‘...the inclusion of green procurement criteria...’ under the National Framework for Sustainable Development’s fourth priority area (Sustainable Human Settlements) (p. 44). And
- “Believes there is a place for voluntary reporting schemes such as labelling schemes, information and disclosure programmes, rating and ranking, and certification schemes” (p. 50).

There were further signs that the national government is poised to move towards sustainable public procurement in the budget speech of Marthinus van Schalkwyk, Minister of the Environmental Affairs and Tourism, in May 2008. In his speech, van Schalkwyk promoted a “business unusual” approach “in response to scientific realities” and climate change. The Cabinet has noted the findings of the Long Term Mitigation Scenario (LTMS) study which will,

⁹ De La Harpe. S. (2008) Green Public Procurement – An Option for South Africa? *Article awaiting publishing.*

¹⁰ *Greening the 2008 Budget: Building a Fiscal Framework for Sustainable Development (draft)*; DEAT, October 2007.

according to van Schalkwyk, “set the pathway for [South Africa’s] long-term climate policy and will eventually inform a legislative, regulatory and fiscal package that will give effect to [the] policy at a mandatory level”.¹¹ DEAT is expected to present implementation plans to Cabinet during the 3rd quarter of 2008 and these could include initiatives related to sustainable public procurement. In his budget speech, van Schalkwyk further mentioned that MATCH, the official accommodation partner for the 2010 FIFA World Cup, and the Tourism Grading Council of South Africa (TGCSA) would assist SMMEs and accommodation establishments from previously disadvantaged communities to be rated and registered as official accommodation suppliers for the 2010 FIFA World Cup. In addition to SMME development, job creation and empowerment, the minister stated that DEAT “will also ensure that a successful World Cup leaves a “green” legacy”.

The Deputy Minister of Environmental Affairs and Tourism, Rejoice Mabudafhasi, further addressed waste and air pollution as two “major environmental problems” in South Africa. The Waste Management Bill is currently being considered by Parliament “to ensure that waste management becomes everyone’s legal responsibility”. She announced that DEAT will cooperate with municipalities to assist them with the development and implementation of waste minimisation strategies. Further projects are planned, “aimed at turning waste into wealth amongst our communities”.¹² Recognising the importance of air quality, the Air Quality Act resulted in the development of Air Quality Management Plans. The Deputy Minister further confirmed DEAT’s commitment to support the second economy through the Department’s social responsibility programme, creating employment through conservation projects and the sustainable utilisation of environmental resources. In addition to this, DEAT fosters women and youth empowerment, e.g. through experiential training opportunities to equip women, youth and people with special needs with business skills on environment and tourism. The government’s People and Parks Programme furthermore assists communities living near protected areas to benefit from socio-economic opportunities. In June 2008, South Africa will host and chair the African Ministerial Conference on Environment (AMCEN) which will be an occasion for South Africa to take a leading role regarding environmental and socio-environmental issues in Africa.

It was understood that, after the WSSD in 2002, the Gauteng Provincial Government was to have developed and implemented a green procurement policy and that DEAT would use this as a pilot to roll green procurement out to the rest of the country. This does not, however, seem to have happened. The representatives interviewed at DEAT were interested to hear that the Western Cape Provincial Government was in the process of developing and implementing a green procurement policy (lead by this consultant team) and suggested that this could instead be used as the country’s pilot.

2.2 State of Sustainable Procurement in SA private sector

While social sustainability has been encouraged and enforced amongst South African companies for several years through high levels of public awareness and political regulations, environmental concerns still appear to play a secondary role in the domestic market. However, a survey conducted in 2006 by the World Wildlife Fund (WWF) found that the majority of a selected

¹¹ Van Schalkwyk, Marthinus: Budget Vote Speech, 20 May 2008 - Growing the Environment and Tourism Sectors. Ministry of Environmental Affairs and Tourism, National Assembly.

¹² Mabudafhasi, Rejoice: Budget Vote Speech, 20 May 2008. Ministry of Environmental Affairs and Tourism.

group of South African companies recognise the need for environmental responsibility and sustainability.¹³

WWF surveyed 50 companies from energy-related sectors and finance, targeting in particular companies listed on the Johannesburg Stock Exchange (JSE) and ‘green companies’. Whilst WWF admit that their results “may not represent the full range of opinions held by South African companies on the subject of corporate sustainability”, the report summarises that “all large companies responding indicated that they would give preference to environmentally certified ‘green’ products or energy in their procurement, with only half requiring such a product not to cost more than the less sustainable alternative. The difficulty in identifying such products and suppliers at present is highlighted by the difference in the proportion of companies who have preferential procurement for environmental goods (41%) and those who would like to have it (100%)”.¹⁴ Despite the positive results of the survey, the general perception remains that the South African private sector is mainly driven by economic opportunities, even if financial benefits come at the expense of environmental or social consideration.

The following review provides high-level information on sustainable procurement in the private sector, portraying the activities of a number of selected South African companies. Aiming to provide an overview of good practice, the review focused on companies with known sustainable procurement activities and across different sectors. For example, all Johannesburg Stock Exchange (JSE) listed companies included in this research are members of the JSE Socially Responsible Investment (SRI) Index.

The following companies were reviewed for their sustainable procurement activities:

- Capestorm – textile sector
- Exxaro – energy sector
- Medi-Clinic – health sector
- Truworths – fashion retail sector
- Wellness Warehouse (South Africa) – retail sector
- Woolworths (South Africa) – retail sector

While the reported information is mainly based on Internet research, telephonic interviews and e-mail contact with company managers added to a more holistic understanding of the different companies’ procurement approaches. The information presented for each company includes a brief overview of the main activities of the company and summarises general commitments to sustainable procurement, distinguishing between general, environmental and social aspects related to procurement.

2.2.1 Capestorm

The Company



Based in Cape Town, Capestorm is a South African company that was founded in 1996 and currently employs 220 people. Capestorm has grown to become a major supplier of technical outdoor apparel to the South African market. The design of all Capestorm products is South African, and the majority of Capestorm products are also made locally, using yarns and textiles

¹³ Du Ploy, Peet: South African Companies in the 21st Century: Opportunities for Global Leadership. WWF Trade and Investment Programme. October 2006.

¹⁴ Ibis., p. 4.

sourced both domestically and internationally. Capestorm products are made primarily from man-made fibres (e.g. polyesters) and are suited to diverse outdoor activities.

Sustainable Procurement

General Procurement-Related Principles

- Proudly South African (PSA): Capestorm is a registered Proudly South African Member Company. “The PSA mark signals our commitment to job creation and training, environmental responsibility and quality assurance.”¹⁵

Environmental Initiatives and Principles related to Sustainable Procurement

- Local manufacturing and sourcing (as far as possible).
- Commitment to source their high-quality yarns from domestic suppliers. However, currently there is only one South African supplier that conforms to Capestorm’s high quality standards.
- Environmentally preferable materials: Exploring high ethical standards around environmental initiatives, wanting to first clearly establish the “genuine” benefits of environmental alternatives before they promote them. Example Organic Cotton: land, water, and electricity intensive production (uses for example 10 000 litres of water per garment, as opposed to 5 litres for garment made of polyester).
- Exploring recycled yarns: Investigating the use of recycled yarns (e.g. nylon) with their current (overseas) suppliers.
- Introducing bamboo yarns: Bamboo component in polyester yarn to be introduced soon.
- In-house initiatives: Use of energy-efficient appliances, computers and lighting only.
- Green energy: Intending to source sustainable energy at a premium price to promote green energy solutions. Developing plans to install wind and solar generators on the company building’s roof.

Social Initiatives and Principles related to Sustainable Procurement

- Local manufacturing and sourcing (as far as possible).
- Social standards of suppliers: Working towards a social-environmental code.

2.2.2 Exxaro

The Company



Exxaro is a South African-based mining group, listed on the JSE Limited. Exxaro employs approximately 11 000 people and holds interests in coal, mineral sands, base metals and industrial minerals and iron ore commodities. As the fourth-largest South African coal producer and the third-largest global producer of mineral sands, Exxaro is a significant participant in the coal and mineral sands markets. As South Africa’s largest black-controlled, diversified mining company, Exxaro aims to grow domestically and internationally through operational interests in Namibia, Australia and China.

Sustainable Procurement

General Procurement-Related Principles

¹⁵ Capestorm: . Online available: (26 May 2008).

- A formal policy sets out the Exxaro standards and guidelines for sustainability, focused on the following areas:
 - Financial
 - Governance, ownership and control
 - Resource utilisation
 - Workplace
 - Environmental
 - Community and external stakeholders
 - Suppliers
 - Customers
- Sustainability is integrated as a measurable performance indicator in the economic, social and environmental aspects of the company.

Environmental Initiatives and Principles related to Sustainable Procurement

- Integrated risk management programme that evaluates environmental management risks.
- All sites have approved environmental management plans and environmental management systems in place, with applicable provision for rehabilitation.
- Exploration of new commodities for environmentally responsible energy generation.
- Declared aim: Ensure sustainable exploitation of natural resources through dedicated programmes focused on water resource management, air quality management and biodiversity management. Exxaro operates a Land Management division.

Social Initiatives and Principles related to Sustainable Procurement

- In 2006, procurement from HDI companies amounted to 37 per cent of total procurement.

2.2.3 Medi-Clinic



The Company

Founded in 1993, Medi-Clinic is a JSE-listed South African private hospital group with operations in South Africa, United Arab Emirates and Switzerland. Medi-Clinic offers a diverse range of specialised healthcare services to their patients and employs more than 12 000 employees.

Sustainable Procurement

General Procurement-Related Principles

- “Strict code of ethics” compelling high standards of integrity throughout the company.¹⁶
- Use of software procurement solution to ensure policy enforcement and assurance that all sourcing activities comply with the group’s rules, regulations and policies.
- Medi-Clinic’s annual Supplier of the Year Award: awarding a supplier who has provided the most exceptional service to the group, rated on a set of weighted criteria (currently no sustainability criteria).
- The Medi-Clinic Ethics Line is also available to suppliers to report unethical behaviour.

Environmental Initiatives and Principles related to Sustainable Procurement

¹⁶ Medi-Clinic: Annual Report 2007, p.29.

- Different environmental management programmes.
- General waste: Active encouragement of reduction, re-use and re-cycling.
- Hazardous Waste: Compliance with legal and other requirements and application of international best practice approaches where possible.
- Environmental performance of suppliers: Cooperation with all suppliers and service providers on environmental issues to limit the group's overall impact on the environment.
- Water and Electricity: Conservation of resources as one of the group's key environmental objectives.
- Energy: Research into cost-effective energy-efficient model for future hospitals and possible upgrades to existing hospitals.

Social Initiatives and Principles related to Sustainable Procurement

- Committed to the government's BBBEE Preferred Procurement Strategy and supports the Health Charter Targets for Preferential Procurement: Pro-active use of the BBBEE status of a supplier in the awarding of contracts.
- Governance: Medi-Clinic follows a strict policy relating to any invitations, gifts or donations received from suppliers or any other party, in terms whereof personnel are compelled to declare these to management.
- Member company of the "Proudly South African" campaign.

2.2.4 Truworths



The Company

Truworths International Limited is a South African fashion retail company, widely represented throughout the country with their three brands Truworths, Young Designers Emporium (YDE), and Uzzi. Approximately 10 000 people are directly employed by the group with its headquarters in Cape Town.

Sustainable Procurement

General Procurement-Related Principles

- Risk management: Truworths' Risk Committee monitors the management of critical risks, and specific sustainability risks have been identified and included in the enterprise risk management process.

Environmental Initiatives and Principles related to Sustainable Procurement

- Awareness: Recognises its responsibility to encourage suppliers to adopt environmentally-friendly practices.¹⁷
- Supplier Code: Truworths' social responsibility committee in the process of establishing a code of conduct for the Group's procurement partners to ensure that the Group's suppliers focus on the environmental impacts of their operations.
- Recycling: Suppliers of packaging or raw materials are urged to use recycled material as opposed to virgin material. Preference is also given to bio-degradable products.
- Re-use and recycling: 2000 timber pallets and 8 million plastic hangers were re-used or sold back to suppliers in 2007.

¹⁷ Truworths International Limited: Annual Report 2007, p. 99.

- Head office: Water conserving installation and waste recycling. Future energy projects include the installation of solar water heaters on the roof of the head office.

Social Initiatives and Principles related to Sustainable Procurement

- Proudly South African member company: Historically focused on local sourcing, locally sourced proportion of fashion apparel is increasing.
- Supplier relationships: Group has “excellent relationships with hundreds of local manufacturers and suppliers, many of whom are significantly dependent on the Group’s success for their own prosperity”.¹⁸
- CSI: Active participation in the Cape Clothing and Textile Cluster (CCTC) – an initiative to increase the competitiveness of the local manufacturing sector and ensure its viability. The CCTC is a public-private partnership between the Western Cape government and major regional manufacturers representing over 10 000 textile workers.
- CSI cooperation: Truworths encourages its suppliers to partner with them to support its CSI initiatives.
- BEE: Truworths’ transformation strategy covers all aspects of empowerment as laid out in the DTI code, with an initial focus amongst other things on procurement. Black Economic Empowerment (BEE) procurement amounted to 24 per cent of all procurement spent.
- Human rights: The Group prohibits the use of child, compulsory or forced labour. This prohibition is enforced throughout the operations of the business, and the Group uses its buying-power to prevent the use of child, compulsory or forced labour in its supply chain.
- Payables: Policy of paying all suppliers as early as 30 days from statement date.

2.2.5 Wellness Warehouse

The Company



Wellness Warehouse is a privately owned retailer group, specialising in food, health, beauty products, health books and stationery, and other wellness products. The first shops opened in Cape Town in 2007, and a national roll-out has begun. The Wellness Warehouse product range includes branded and own label products that are sourced from national and international suppliers. A particular emphasis is on environmentally friendly and health-promoting products.

Sustainable Procurement

General Procurement-Related Principles

- Offers a mixture of mainstream products and innovative and sustainable product alternatives, aiming to enable consumers to shop “with awareness and [practice] responsible consumerism”.¹⁹
- “Best value for money” offer of environmentally friendly, organic, bio-degradable and ethical products and services.
- Promotion of “fair and ethical interactions and business dealings”.

Environmental Initiatives and Principles related to Sustainable Procurement

¹⁸ Truworths International Limited: Annual Report 2007, p. 26.

¹⁹ Wellness Warehouse: Environmental Support. Online available: www.wellnesswarehouse.com (26 May 2008).

- Organic: Promoting organic products.
- Waste: Packaging reduction and avoidance on Wellness Warehouse products.
- Animal Welfare: “Organically raised animals have free movement in free range open air areas, they are not caged and sufficient fresh air and natural daylight is available.” Support of products that are not animal-tested.
- Additives: No support of production methods using growth hormones, artificial meat tenderisers, preservatives or colorants.

Social Initiatives and Principles related to Sustainable Procurement

- One of Wellness Warehouse’s core values: Empowerment of communities and suppliers.



WOOLWORTHS
the difference

2.2.6 Woolworths (South Africa)

The Company

Woolworths is a chain of retail stores operating under the Woolworths brand throughout South Africa, and in other key cities in southern and central Africa and the Middle East. In total, there are around 350 Woolworths stores. Woolworths employs approximately 18 000 people. Its product range includes clothing and general merchandise and food, mainly sold under the Woolworths brand name.

Sustainable Procurement

General Procurement-Related Principles

- All Woolworths suppliers both local and international, are bound by the Supplier Code of Business Principles which requires “conformance to the highest legal and ethical standards and environmental practices”²⁰.
- The code covers the following:
 - child labour;
 - forced labour;
 - health and safety;
 - wages, hours of work and entitlements;
 - discrimination;
 - freedom of association and the right to collective bargaining;
 - harsh or cruel treatment; and
 - environment.
- Business partners are required to ensure that this code is applied in respect of subcontracting or secondary supplier arrangements and compliance with the code is monitored through a formal auditing process.

Environmental Initiatives and Principles related to Sustainable Procurement

- “Woolworths eco-efficient supplier awards”: Awarded to suppliers for environmental innovation in their production processes (since 2006).
- Free range: First retailer to sell only free range eggs. Also sells free range meat products.

²⁰ Woolworths Holdings (2006): Woolworths Sustainability Report, p. 8.

- Organic: Leading South Africa in organic food and cotton products. Further growth of the organic range is one of the marketing objectives of Woolworths. Strategy to promote the growth of their organic supplier base.
- Natural food: As few chemical additives as possible are used in Woolworths conventionally farmed ranges. Initiative to remove preservatives from food wherever possible.
- Farming Practices: All fresh fruit and vegetable farmers adhere to Eurepgap farming practices.
- Local Suppliers: More than 90% of goods sold in Woolworths stores, by volume, are manufactured in South Africa. Plans to further increase this share.
- Waste and Packaging: “Reduce levels of waste” as one of the core 2008 objectives. Promotion of re-use (e.g. hangers and crates) and recycling. No rigid PVC is used for clothing packaging.
- Animals: Woolworths Animal Welfare Code. No animal testing for beauty & health products.
- Others: Support of MSC, all honey labelled with honey-badger friendly label, no GMO products.
- Renewable Fibres: Introduction of bamboo fabric to clothing range.

Social Initiatives and Principles related to Sustainable Procurement

- Fair trade: Sourcing strategies are “fundamentally in line with the Fair-trade™ principles”.²¹
- Community Initiatives: E.g. Involved in the set-up of a farm producing herbs, creating employment for previously disadvantaged individuals.
- Local Wool: Commitment to provide a sustainable platform for the local wool value chain.
- Woolworths co-founded Hangerman, a hanger recycling company that employs mainly handicapped individuals.

2.2.7 SPP in the SA private sector: Conclusion and Outlook

The companies featured in this review have recognised the need for socially and environmentally responsible business practices and the opportunity to actively manage their impact on their supply chain. Focusing on the good practice of a few selected companies, this summary highlights a number of innovative approaches to procurement and corporate responsibility.

While socially sustainable procurement has been a focus for several years already, most companies are only beginning to understand the importance of the procurement leverage they hold to improve the overall environmental impact of their business operations. The companies featured in this overview have taken a lead or at least made a pioneering attempt to assume ownership of this opportunity and challenge in the South African business environment.

As general environmental awareness levels are expected to grow in the near future, environmentally friendly business practices and green procurement are apt to play an increasingly important role in the near future. Successes such as Woolworths’ launch and promotion of green products encourage followers. Furthermore, perceived responsible business practices can increase a company’s brand value. All companies portrayed in this review already enjoy high

²¹ Woolworths Holdings (2006): Woolworths Sustainability Report, p. 9.

levels of brand admiration and are constantly reviewing their strategy to keep their brand in tact in the rapidly changing South African business environment.

There remain, however, a number of obstacles to green procurement that need to be overcome. The local availability of innovative sustainable products is currently still limited (Wellness Warehouse sourcing sustainable products from overseas due to no local alternatives being available) and there are some uncertainties as to the most sustainable choices (Capestorm and organic cotton). Developing corporate sustainable procurement principles that suit the individual company's needs and opportunities requires time, expertise and dedication. The initiatives illustrated above, however, highlight how certain companies are using their buying power to positively influence their suppliers, stipulating minimum environmental and social standards (e.g. Woolworths).

As the domestic demand for sustainable solutions grows (from companies as well as from consumers) it can be expected that the market will respond positively. The 'first movers' will then not only benefit from early expertise and sustainable business practices, but also from established brand integrity and potential branding advantages. Sustainable procurement appears to be on the rise in the private sector.

2.3 Nature and impact of SPP-related public and private sector initiatives in SA

Internationally, the Marrakech Task Forces for Sustainable Public Procurement and Cooperation with Africa provide context for sustainable public procurement initiatives in South Africa. At a local level, the information collected on South African initiatives provides a baseline for assessing the extent to which support required for implementing SPP is currently catered for and for identifying potential gaps that exist in providing this support.

2.3.1 Marrakech Task Force (MTF) on Sustainable Public Procurement (SPP)

The Marrakech Task Force (MTF) on Sustainable Public Procurement (SPP) forms part of the Marrakech Process to promote sustainable consumption and production, and is chaired by the Swiss government. Its key objective is the development and provision of tools and support to developing and developed countries to promote and facilitate the implementation of SPP. Amongst the MTF's thirteen partnering countries, Ghana is the only African country. The declared goal, however, is to contribute to the implementation of SPP in ten per cent of countries in all regions by 2010²². In support of this goal, the following activities are being pursued:

- Development of a practical toolkit for stakeholders.
- Research and preparation of policy papers on SPP.
- Promotion of the implementation of SPP through pilot projects.
- Cooperation and facilitation of dialogue between different countries and stakeholders interested in SPP.

²² Browne, Christopher: MTF Sustainable Public Procurement Task Force – Update. Third Expert Meeting on SCP, Stockholm 2007.

Having completed the status assessment and established principles for SPP, the MTF on SPP is progressing with the development and reviewing of support tools and training strategies. South Africa is currently not involved with the MTF on SPP.

2.3.2 Marrakech Task Force (MTF) on Cooperation with Africa

The Marrakech Task Force (MTF) on Cooperation with Africa forms part of the Marrakech Process to promote sustainable consumption and production, and is chaired by the German government. The partnership is being implemented in Egypt, Mauritius, Mozambique, and the United Republic of Tanzania, and pursues the following objectives:

- Strengthening existing organisational structures and establishing new ones where necessary to promote sustainable consumption and production in all African countries (e.g. supporting the development of national action plans on SCP);
- Developing and supporting projects for implementing sustainable consumption and production methods: initiating the development of an eco-labelling mechanism for African products; and supporting the development of networks and knowledge based information tools in selected fields of action (e.g. waste management and recycling, biofuels, drinking water);
- Supporting the integration and mainstreaming of environmental education in African schools and universities;
- Promoting sustainable procurement by governmental organisations through training courses and awareness-raising in cooperation with the Marrakech Task Force on sustainable public procurement.²³

The MTF on Cooperation with Africa has amongst other things initiated the development of an African eco-labelling scheme with the objective of promoting better market access for African products on regional and global markets. Partnering with the United Nations Environment Programme (UNEP) and the African Roundtable on Sustainable Consumption and Production (ARSCP), a dedicated programme has been developed to promote eco-labelling in developing countries. South Africa and five other countries have been selected to participate in a project by UNEP aimed at developing eco-labelling, with South Africa focusing on the clothing and textile industry (this is being run by the National Centre for Cleaner Production).

2.3.3 South African organisations or initiatives

At a South African level, a number of organisations have been established and initiatives undertaken that are related to sustainable procurement. These may not be specifically targeted at sustainable *public* procurement, but rather at the householder or consumer level. They may also not be specifically targeted at procurement and rather at, for example, environmental and economic improvement initiatives. Despite the different current focus, these organisations or initiatives could still serve the implementation of SPP. Below follows a summary of the current role and core activities of each of these organisations or initiatives. Also included is a brief assessment of the strengths and weaknesses of each organisation or initiative in terms of the role that they could play in furthering the implementation of sustainable public procurement.

²³ United Nations: Marrakech Process Task Force on Cooperation with Africa (2007). Online available: <http://webapps01.un.org/dsd/partnerships/public/partnerships/2271.html>

State of Eco-Labeling in South Africa

While the demand for environmentally friendly goods is increasing, the South African market does not currently have its own established mechanisms of certifying environmental claims. South African companies, therefore, generally refer to and utilise international standards. Woolworths and Pick'n Pay for example use the European standard for organic products for their organic range. At the same time, there are several South African initiatives that have established themselves as credible certifiers of environmentally friendly alternatives for particular product groups, such as the Honey Badger-friendly label, the Carbon Standard, and the Biodiversity and Wine Initiative (BWI). The success of such schemes is partly achieved through the support of retail chains.

While the certification with international schemes tends to be costly for producers, local schemes have the advantage of being more affordable and sometimes also more relevant in the local context. There is therefore a strong lobby that has supported the introduction of South African eco-standards for several years. Resulting from this, a South African organics standard has been developed in a stakeholder process presided by the Department of Agriculture (DoA). The draft is currently being reviewed and commented on by the World Trade Organisation (WTO), and the adoption of the standard is expected for 2009.

Furthermore, several other sector-specific certification schemes have been initiated, such as GreenStaySA (accommodation sector), Cape Green (building products and services) and the Department of Minerals and Energy's (DME) energy efficiency rating system. In a move towards addressing the broader eco-labelling framework, South Africa has been selected as a pilot country for UNEP's initiative to promote eco-labelling in African countries. Textiles and clothing have been chosen as the stepping-stone to developing a national eco-certification label.

Considering the user-friendliness and accessibility of environmental certification to the consumer, the concept of one eco-label for all product categories appears desirable. Large-scale eco-certification such as the European "Eco-Flower" have, however, not lessened the success of international, sector-specific labelling initiatives such as the Marine Stewardship Council (MSC) for sustainable fisheries, the Forest Stewardship Council (FSC) for sustainable forestry, or TCO Development labelling for IT equipment – initiatives that are still dominant in their sectors. This confirms that perceived credibility and consumer awareness are key criteria for the success of any labelling scheme.

ICLEI – Local Governments for Sustainability (www.iclei.org)

Current role

International association of local governments and national and regional local government organizations that have made a commitment to sustainable development. The ICLEI Africa office is based in Cape Town, South Africa.

Core activities

ICLEI provides technical consulting, training, and information services to build capacity, share knowledge, and support local government in the implementation of sustainable development at the local level. ICLEI runs a number of sustainable procurement programmes, with the flagship campaign being Procura⁺, an initiative designed to help support public authorities across Europe in implementing Sustainable Procurement.

ICLEI Africa has four focus areas: energy and climate change, water and sanitation, biodiversity (and co-ordinates the international Local Action for Biodiversity programme) and Sustainable Procurement. Their work on sustainable procurement is currently in its initial stages, at a level of discussing approaches and possibilities. ICLEI Africa intends to slowly build this focus area up and establish a unit which will build on the Procura⁺ EU programme, but be tailored to the South African context.

Strengths

Have undertaken work on SPP in other developing countries.
 Access to good network of support, guidance documents and tools.
 Have eleven members in South Africa and 33 members in Sub-Saharan Africa.
 While focused on local government, their SPP programme also works with other spheres of government (e.g. provincial and national).
 Proven track record.
 Have examples of tender documents and technical specifications.
 Promote open sharing of information and best practice – all to be made available electronically.
 Link to existing databases and websites as far as possible.
 While SPP efforts are currently more focused on Europe, ICLEI Africa is well positioned and ready to tailor these efforts to the South African context.

Weaknesses

Question regarding how hands-on their programmes are

Further contact:

- Kobie Brand; Regional Director: ICLEI Africa. kobie.brand@iclei.org; +27 (0)21 487 2293
- Mark Hidson; Director of ICLEI's International Programme on SPP. mark.hidson@iclei.org;

Environmental Goods and Services Forum

Current role

The Environmental Goods and Services (EGS) Forum was established in 2007 and is aimed at expanding the EGS sector to not only be able to help industry meet environmental regulatory requirements (end-of-pipe / clean-up approach), but also to stimulate the drive towards cleaner and more resource efficient processes, products and materials, with an increasing emphasis on life-cycle thinking (sustainable production and consumption). The aim of the Forum is to develop a cohesive and organized domestic EGS sector which is able to supply tailor-made solutions and technologies and contributes to sustainable industrial competitiveness through the facilitation of legal compliance and technical barriers to trade conformity.

Core activities

The EGS Sector Forum in partnership with the Department of Trade and Industry (DTI) and key government entities aims to take up the challenge to formulate an EGS Sector Action Plan and take into account:

- Sustainability support to government supply side measures;
- SMMEs' challenge to afford environmental goods and services;
- Demographic balance in the EGS sector;
- Utilisation of technology programmes such as the Support Programme for Industrial Innovation (SPII) and the Technology and Human Resources for Industry Programme (THRIP);
- A comprehensive statistical database to fill information gaps;
- A market information system to position South Africa as a springboard for taking EGS partnerships into African and other markets;
- Communication structures to advise government in policy formulation;
- Training and other forms of capacity building;

Strengths

Already have good credibility and networks with industry.

Being driven by DTI who might have funding available to provide support
Have plans to build and use a database of suppliers

Weaknesses

Focused on the EGS sector – i.e. those businesses that already recognise that they provide a form of environmental good or service. This means that they might not be willing or have the scope to raise awareness among all government suppliers.

Forum is still in initial stage of establishment

Further contact:

Marba Visagie (DTI); Deputy Director: Environment; Department of Trade and Industry; +27 (0)12 394 1360; marba@thedti.gov.za

National Business Initiatives (NBI) (www.nbi.org.za)

Current role

A leading business coalition of South African and overseas companies focused on the broader role of business in sustainable development. A key driver of this vision is the belief that the mobilisation of business leadership and corporate support can play a pivotal role in entrenching social, economic and environmental stability as the pillars of a fully inclusive, non-discriminatory democracy. The annual contributions of member companies are deployed to enhance sustainable growth and development through the identification of critical programmes that require funding for analysis, research and implementation. NBI is one of the global regional partners to the World Business Council for Sustainable Development (WBCSD).

Core activities

Programmes focused on:

- Education & skills development
- Economic Growth
- Sustainable development:
 - The Sustainable Futures Unit (SFU) seeks to mobilize business leadership in support of sustainable development, with an emphasis on environmental issues, through partnership-building, information sharing, advocacy and practical initiatives.
 - Energy efficiency accord: working with industry to improve energy efficiency, sign up to the energy efficiency accord, contributing to the South African Energy Strategy. Secretariat to the Energy Efficiency Technical Committee (set up to implement the accord).
 - Carbon Disclosure Project: administering the initiative in partnership with Incite Sustainability
 - Global Compact Network: The NBI became focal point to the Global Compact Network in South Africa in early 2007
 - Produce sustainability newsletters and executive guides and host events (including workshops, business leader dinners and seminars) on topical sustainability issues.

Strengths

Have good membership nation wide

Good reputation and credibility with both industry and government bodies

Currently provide hands-on support to businesses

Weaknesses

Focused on private sector and might be limited in the support they could provide to the public sector.

Currently capacity stretched

Further contact:

Hermien Botes (NBI); Programme Manager: Sustainable Futures Unit.
botes.hermien@nbi.org.za; +27 (0)11 5446000.

National Cleaner Production Centre (South Africa) (www.ncpc.co.za)

Current role

To enhance the competitiveness and productive capacity of the national industry, focusing on SME's through Cleaner Production (CP) techniques.

Core activities

- Waste minimisation clubs (25 clubs with 272 company members in South Africa – but a number of these have closed down)
- Sector programmes
- Facilitate capacity building programmes focused on cleaner production.
- Provision of both technical and policy advice
- Co-ordinating the South African component (one of six countries) of UNEP's 'Enabling developing countries to seize eco-label opportunities' project. The South African project is focused on the use of eco labels in the Clothing and Textiles industry, but the NCPC are using this as a stepping stone for developing an eco-label framework for the country as a whole.

Strengths

Have facilitated the establishment of 25 waste minimisation clubs.
Focus on sharing of best practice, tools etc.

Seem to run well attended workshops and source appropriate trainers.

Driving the country framework for eco labels.
Good networks established with industry.

Weaknesses

Cleaner production focus – i.e. might not be able to provide all support functions required.
Might not have the strategic intent or expertise to play the major SPP role.
Not necessarily focused on the industry sectors that would be priority areas for SPP in South Africa.

Further contact:

- Ndivhuho Raphulu; Director: National Cleaner Production Centre (CSIR, Pretoria). NRaphulu@csir.co.za; +27 (0)12 841 3772.
- Fatimah Boltman: Regional office: Cape Town. FBoltman@csir.co.za; +27 (0)21 685 6126.

Sustainable Energy Africa (SEA) (www.sustainable.org.za)

Current role

Sustainable Energy Africa (SEA) promotes sustainable energy approaches and practices in the development of South Africa and Africa. This is done through research, capacity building, information dissemination, project implementation, lobbying and networking.

Core activities

- Capacity Building
- Policy & Planning
- City Energy Strategy
- Transport
- Renewable Energy & Energy Efficiency
- Cleaner Production
- Climate Change

Strengths

Established contacts within a number of local and provincial government departments.

Experienced in developing and implementing sustainability-related policy for (and with) government bodies.

Involved in the development of accommodation and energy efficiency labelling schemes.

Weaknesses

Focused on sustainable energy.

Further contact:

Mark Borchers; Director. mark@sustainable.org.za. +27 (0)21 702 3622

Institute of Waste Management South Africa

Current role

The Institute is a professional, multi disciplinary organization with voluntary membership established to promote the science and practice of waste management and is a non profit organization.

Core activities

Provide opportunities to network and exchange information with experts, platform for debate, lobby with regards to legislation, advise business growth:

- access to the latest waste management technology, trends and legislation
- seminars, conferences and workshops
- newsletter
- official journal RéSource
- Buyer's Guide and Directory
- courses to upgrade and develop skills within the industry

Strengths

Could provide essential support function to disposers of products.

Have good networks with all government bodies.

Respected as an effective platform for information and best practice sharing.

Weaknesses

Focused on the waste element of supply chain management, so their role in the promotion of SPP would be a focused one.

Further contact:

Shirleigh Strydom; Council President. strydomm@lantic.net; +27 (0)43 726 4860.

Green Building Council of South Africa

Current role

To drive the adoption of green building practices in the SA property industry, and move the industry towards sustainability through market-based solutions.

Current activities

- Promote green building (through presentations, conferences and media)
- Make knowledge and resources on green building available (information and case studies, technical information, information on materials, practitioners, etc.; learning from other GBC's)
- Educate property industry people about green buildings (courses, accreditation of practitioners, research)
- Establish a rating system and rate green buildings (selecting and customizing a tool (rather than 'reinventing the wheel') with industry buy-in, conduct ratings, ongoing review and improvement)

Further contact:

Bruce Kerswill; GBCSA Facilitator (and Managing Director of Spire Property Management); info@gbcsa.org.za

Other Industry Sectors

Current bodies

- IT Association
- Packaging Association
- Chemical Allied Industries
- National Recycling Forum

Environmental products / services databases

Current role

A number of databases are currently publicly available that provide information on environmental products and services and contact details of suppliers of these products and services. Following is a sample of some of these databases (this sample does not pretend to be exhaustive).

Database

Green Space (www.greenspace.co.za)

Urban Sprout (www.urbansprout.co.za)

Green Building (www.greenbuilding.co.za)

Enviropaedia (www.enviropaedia.com)

Current focus

Started two and a half years ago and focuses on products that are made in South Africa or made with South African materials. Currently aimed at the household consumer and has recently experienced a sudden increase in interest.

This website or blog has a comprehensive range of products and services, but suppliers are able to upload their own information and their products and services are not strictly verified.

A directory of building service providers and is hosted by the South African Journal of Green Building

Provides a database of environmental issues and concepts and a directory of environmentally focused companies and service providers. Currently provide the web portal for the EGS Forum This website may be at the right level for servicing the SPP needs of government and corporate bodies.

View on current availability of products and service in South Africa

The view is that the availability of green products and services in the country is definitely increasing.

The increase is a mixture of large suppliers developing green ranges or expanding their green product (e.g. PG glass and Plascon (‘low VOC range’)) and service offerings and new businesses developing around green products and services. Many of these companies are developing green products for the export market rather than the South African market as the South African market is regarded as being far too small at present. None of the businesses that have registered on the websites have specifically mentioned targeting the public sector or corporates.

Strengths

A few of the databases have the potential to be scaled up and their scope broadened to service the needs of SPP.

Increased interest in the databases from consumers and suppliers is apparent.

Weaknesses

None of the current databases are yet at the scale of providing the full service that would be required for the purposes of SPP implementation.

Range of products needs to be expanded, but database organisations are constrained by funding, capacity and a system to verify the environmental criteria of the products. The focus on locally produced products has revealed quality issues in some cases (e.g. solar panels).

Databases either showcase products which have received no form of environmental verification (and could lead to the threat of ‘greenwash’) or are limited by what products and services they can showcase if they chose to only display those that have some form of environmental verification.

2.4 Barriers and gaps to SPP in South Africa

A number of potential barriers to the successful implementation of sustainable public procurement were identified through the development of a green procurement policy for the Western Cape Provincial Government and the telephonic interviews held with provincial, local and national government departments as outlined above. Each of these barriers was interrogated in order to identify possible solutions to overcoming them. The realisation was that certain barriers can be overcome with minimal effort, while others require strategic decisions and potentially the investment of time and money to be overcome.

A description of each of the key barriers, potential solutions to each of the barriers and levers for change for each of the potential solutions is detailed below. The solutions have been roughly prioritised in terms of their level of impact and ease of implementation.

2.4.1 Financial

i. Premium on green products

It is perceived that the majority of green products carry a price premium. This price premium can either be due to the product costing more to manufacture, take-back or disposal scheme costs, limited availability / supply of the product, costs of green verification or increased transport costs if imported from elsewhere. With public sector funding being limited and having to be motivated for on an annual basis, concerns exist around departments not being able to justify or afford the price premiums for green products. The principal challenge is to shift the procurement mindset from a cost-focused approach (i.e. limited by short-term budgetary limits) to a consideration of the best value across the life-cycle of products and services.

2.4.2 Market

ii. Verification of green products

Limited green verification schemes are used for products in South Africa. There appears to be no one organization that provides environmental verification for products and services in the country. The green verification schemes and eco-labels that are currently utilised are mainly from existing international verification or eco-label schemes.

At one stage, the South African Bureau of Standards (SABS) began to develop norms and standards for green verification and labelling, but this did not go ahead and resulted in uncertainty in the market.

While the number of databases showcasing green products and services is increasing, a limited number of these will only display products that have not had their environmental credentials verified, while most display all products and services who claim to be green and will potentially narrow the list down as verification schemes become available.

The lack of verification schemes is due to a mixture of not having the systems or criteria against which to validate the products, a lack of expertise in verification for specific product areas and a lack of time and financing to audit the products and services.

There is also concern that organisations that take on the task of establishing verification schemes would suffer from the administrative burden of having to carry out continuous audits to maintain the label's integrity.

In the absence of independent green verification schemes, officials fear the misrepresentation of environmental attributes of products and the lack of transparency as to production methods and components. The concerns around the verification of green products centre on *how* procurement officials would know that the products being supplied to them are indeed green.

iii. Availability of products

Although the availability of green products in South Africa is currently on the increase, it is still very limited. This could lead to a price premium for those green products that are available in the country. Concern also exists as to whether imported green products would override local non-green versions of a product.

iv. Availability of suppliers

The number of suppliers of green products in South Africa is currently limited, which could lead to a price premium and discrimination against those suppliers who are not able to provide green products or services.

v. Quality of green products

The general view among those surveyed and interviewed is that green products are of an inferior quality to non-green versions. This perception has largely been fuelled by green products that were developed in the early stages indeed being of inferior quality and by manufacturers of non-green products whose businesses would be damaged by a move towards green versions of their products. Concern also exists that if green or, for example refilled supplies / consumables, are used in a product, the product warranty might be nullified.

vi. Competition with well known existing products (non-green)

It might be difficult for green versions of products to compete against existing, well-known brands. Mindsets might be very difficult to change with regards to trusting the lesser-known green products.

2.4.3 Institutional

vii. Unwillingness of or fear to change to an adjusted procurement approach

The implementation of green public procurement relies on all personnel responsible, in some form or another, for the procurement and use of products and services. Should the purpose of green public procurement or the way in which it is to be implemented not be fully understood, resistance to change may be felt.

viii. Management buy-in

Without management buy-in and leading by example, the drive for change is likely to be lost. In particular, without drive from the political level, the implementation of green public procurement might struggle.

ix. Limited expertise

The implementation of green procurement criteria in all bid documentation and decision-making requires knowledge of green procurement. The development of technical specifications and scorecards, in particular, would require relevant expertise which, it is largely felt, does not currently exist within government bodies in South Africa.

x. Burden on procurement officials

It is feared that the implementation of green procurement would add significantly to the supply chain management workload. Concerns exist around additional time required to perform the market research, develop specifications and scorecards and verify suppliers' claims.

xi. Decentralised procurement structure

The implementation of green public procurement in a decentralised procurement structure would require increased technical expertise development, extensive awareness raising and would need to contend more with the issue of using local suppliers versus green suppliers than in a centralised procurement structure.

2.4.4 Transformation / equity

xii. Putting SMMEs out of business

Concern exists that SMME's will be put out of business through not being able to supply green versions of products and through certain products (for example bottled water) no longer being bought by government bodies in their move towards reducing unnecessary spend and waste.

xiii. Conflicts with preferential procurement policy

Concern exists that the criteria for GPP would conflict with the criteria of the preferential procurement policy and that GPP could lead to emerging black suppliers being prejudiced against.

2.4.5 Systems

xiv. Integrated Financial Management System (IFMS)

New systems (such as the IFMS) are being developed by National Treasury. Without ensuring that provincial or municipal authorities have a clear understanding of how these will be rolled out and how they will affect procurement in their organisations, the integration between these new systems and green procurement is not yet understood.

xv. Theft of products

There is concern that more durable products are more likely to be subject to theft. Products that are, therefore, bought with the intention of being paid back through being used within the government body for a long period of time, might in fact have a very short government body lifespan as systems of control might not be working as effectively as possible.

3. Review of SPP-related developments and trends²⁴

3.1 The regulatory framework for procurement in the public sector

3.1.1 Background

The Public Finance Management Act (PFMA) of 1999 governs financial management practices in South Africa. The PFMA required that all government departments maintain a 'fair, equitable, transparent, competitive and cost effective' procurement system. Subsequent regulations were promulgated to entrench these principles and to eliminate fraud from the procurement process. The PFMA moved the procurement process in government from a 'rules based system' run by the State Tender Board to a more flexible and decentralised system managed by the Accounting Officers of Departments and Provinces.

In 2003, recognising the need to reform the system further and align it with international best practice, Cabinet approved the new Supply Chain Management Policy applicable to national and

²⁴ Taken largely from the Western Cape Provincial Government Green Procurement Policy Research Report (2008) (project managed by Incite Sustainability in partnership with EnAct International, Development Network Africa and EnviroSense).

provincial departments. Supply Chain Management is a process driven function, which aims to integrate individual functions within an organisation into a supply chain. The move towards supply chain management also contributes to better financial management within an organisation by streamlining individual functions and considering the full chain of events from the sourcing through to the use and disposal of the product. The Municipal Finance Management Act (MFMA) of 2003 covers the supply chain management functions of local government.

3.1.2 National Regulatory Framework

Supply Chain management operates within a regulatory framework set by National Government and extended by provinces and local government bodies to specific policies, legislation and regulations. Key legislation influencing this function includes the Public Finance Management Act (1999), Preferential Procurement Policy Framework Act (2000), Preferential Procurement Framework Regulations (2001) and the National Treasury Regulations (2005). Moreover, the Black Economic Empowerment Codes of Good Practice, which were released by the Department of Trade and Industry (DTI) in 2007, will impact on supply chain management once they have been incorporated into the revised Preferential Procurement Act.

Provincial governments within South Africa have developed and adopted their own Preferential Procurement policies, which, while aligned with the National Preferential Procurement Act, set out targets for provincial departments and entities.

In addition to the legislative framework for government supply chain management, the National Treasury has released supply chain management guidelines, practice notes and policies that guide the implementation of Supply Chain Management in National, Provincial and Local Government Departments.

In developing sustainable public procurement policies, government bodies would need to ensure that these policies:

- are aligned with their existing Supply Chain Management regulatory frameworks;
- avoid conflict between the Preferential Procurement regulations and environmental principles or criteria in the policy;
- integrate the sustainable procurement policy in all dimensions of the supply chain management cycle; and
- institutionalise sustainable procurement within existing structures created by the regulatory framework.

A brief discussion of each of the above mentioned laws, regulations and policies and their implications for supply chain management follows.

3.1.3 Public Finance Management Act (1999)

The Public Finance Management Act provides the overarching framework for supply chain management in national and provincial government. The Act defines the principles of a procurement system as being fair, equitable, transparent, competitive and cost effective. It assigns overall responsibility for setting up a procurement system to the Accounting Officers of national departments or provincial government bodies and sets out the responsibilities of the National Treasury.

3.1.4 Municipal Financial Management Act (2003)

The Municipal Financial Management Act (MFMA) aims to modernise budget, accounting and financial management practices by ensuring that local government finances are managed in a sustainable manner so as to enable municipalities to deliver the best possible service to communities. It also provides for a sound financial governance framework by clarifying and separating the roles and responsibilities of the council, mayor and officials. Amongst other objectives, it sets out to establish norms and standards for supply chain management.

3.1.5 Preferential Procurement Policy Framework Act (2000)

The Preferential Procurement Policy Framework Act gives effect to Government's priority of empowering historically disadvantaged persons by giving them preferential treatment in procurement activities. The Act entrenches the obligation of government to award preferential procurement points to enterprises owned by historically disadvantaged persons and for certain government priorities. The Act also provides for exemptions to preferential procurement in certain sectors and industries.

3.1.6 Preferential Procurement Policy Framework Regulations (2001)

The Preferential Procurement Policy Framework Regulations control the implementation of the Act. The Regulations describe the preferential points system for evaluating tenders. The 90/10 point system applies to tenders over R 500 000 in value. This point system allocates 90 percent of the evaluation points to the price and functionality of a product or service and 10 percent to preferential procurement criteria. The 80/20 point system is used for tenders below the threshold of R 500 000 and allocates 80 percent of the evaluation points to the price and functionality of a product or service and 20 percent to preferential procurement criteria. The Regulations furthermore define the criteria for awarding the preference points and describe the processes for verification.

In addition to the preferential points awarded for procurement from enterprises owned by historically disadvantaged person, preferential points can be allocated on the basis of the following criteria:

- a) the promotion of South African owned enterprises;
- b) the promotion of export orientated production to create jobs;
- c) the promotion of Small, Micro and Medium Enterprises (SMMEs);
- d) the creation of new jobs or the intensification of labour absorption;
- e) the promotion of enterprises located in a specific province for work to be done or services to be rendered in that province;
- f) the promotion of enterprises located in a specific region for work to be done or services to be rendered in that region;
- g) the promotion of enterprises located in a specific municipal area for work to be done or services to be rendered in that municipal area;
- h) the promotion of enterprises located in rural areas;
- i) the empowerment of the work force by standardising the level of skill and knowledge of workers;

- j) the development of human resources, including by assisting in tertiary and other advanced training programmes, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills; and
- k) the upliftment of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organisations.

The inclusion of the above-mentioned criteria, and the number of points allocated to them, is left to the discretion of government bodies or national departments. These criteria can be used to help government bodies (national, provincial and local) achieve their strategic objectives and/or their priorities.

3.1.7 National Treasury Regulations (2005)

The National Treasury Regulations reinforce the provisions of the PFMA and MFMA, finalise the devolution of the supply chain management function to the Accounting officer, and formalise the integration of various functions into a single supply chain management function. The National Treasury regulations provide the broad legislative framework for Supply Chain Management by:

- defining the various elements of supply chain management such as demand management, acquisition management, logistics management, disposal management, and supply chain management performance;
- institutionalising the creation of a supply chain management unit in the office of the Chief Financial Officer;
- specifying the roles of the accounting officer in the management of the bidding process;
- providing for processes and procedures in the case of abuse of the supply chain management system within a department; and
- requiring the National and Provincial Treasury and Municipal Finance Department to establish a system to collect and report on the performance of the supply chain management system within their defined jurisdictions.

All the National frameworks discussed above (including legislation and regulations) outline minimum requirements in the areas of supply chain and preferential procurement. National departments and provincial and local governments are allowed to extend and develop their policies, systems and structures within the ambit of the national regulatory framework.

3.1.8 Provincial Preferential Procurement Policies, regulations or practice notes

Certain provinces have developed their own preferential procurement policies, regulations or practice notes or integrated these into their supply chain management or procurement policies. While these policies are aligned with the national Preferential Procurement Policy Framework Act (2000), they are tailored to the socio economic environment of the province. The policy creates the space for the development of a province-wide database of suppliers in contrast to the guideline from National Treasury that each department maintains its own database.

3.2 The supply chain management function in the public sector

Although policy has moved towards an integrated supply chain management function, a combination of historical legacies, lack of resources and inadequate capacity means that the focus of supply chain managers often remains on the procurement component of supply chain management.

In order to understand how a sustainable procurement policy could be integrated into the supply chain management system, it is important to understand the functioning of the current bidding process in the government bodies.

The bidding process consists of five stages:

- 1) compiling the bid documents;
- 2) inviting the bids;
- 3) receiving the bids;
- 4) evaluating the bids; and
- 5) clearing the bids and awarding the contract.

Each of these stages is governed by a standard set of regulations and guidelines from the National Treasury, though implementation of these processes is different across different provinces and municipalities and can be different within a province or municipality.

3.2.1 Compiling the bid documents

In addition to the standard bidding documents containing the conditions of contracts, price, tax clearances and participation in the National Industrial Programme declaration, all bid documents must contain the technical specification of the products or service to be procured. The technical specification is usually drafted by the specifications committee, which consists of both responsibility (line) managers and supply chain managers.

The technical specification describes the technical specification of the product, the quantity to be delivered, the timeframe for delivery and any other factors relevant to the purchase and usage of the product such as warranties and after sales maintenance. In the case of a service, the technical specification will include the scope of work and any factors other than price that are relevant to the rendering of the service such as the experience of consulting firms. The bid specifications contain the breakdown of points for price and functionality. Specifications can also include pre-qualifying criteria so that bidders complying with the set criteria or standards will be eligible to bid.

The responsibility managers draft the technical specifications and hand them over to the bid specification committee for review and approval. Upon receiving an approved specification, the Supply Chain Management Unit initiates the process of issuing a tender.

In addition to this, in certain government bodies, industry can be invited to comment on draft specifications as part of the bid specification process. This serves two purposes: first to improve the quality of the specifications by taking into account the recommendations of service providers and to capture the latest innovations in the market and second to inform potential bidders of the needs of government and foster widespread consultation.

In the context of implementing sustainable public procurement in government, it will be important to minimise the potential conflict between the preferential procurement legislation and green procurement. Green procurement will need to fit within the National Treasury regulations, which could be done through the incorporation into the point system as either one or a combination of the following:

- Technical specifications for products or services should include the general principles for green procurement (e.g. no toxic substances) and can include specifications regarding environmental criteria. These would therefore set the criteria against which suppliers would need to bid.
- Environmental criteria could be stated as a minimum requirement or pre-qualifier in the bid. This means that only suppliers meeting the minimum standard will qualify for consideration during the evaluation process. The advantage of this method is that it forces the organisation to purchase particular green products or disqualify those products that are particularly harmful. This channel should only be used where it is not possible to use the specifications route.
- In many instances, green procurement enhances the functionality of a product. In terms of the supply chain management guidelines released by National Treasury, functionality is simply defined as the quality of the product or service to be procured. Green procurement principles expand this definition to incorporate the capability, usefulness and durability of a product. Using this expanded definition, additional functionality points could be awarded for the purchase of green products
- Should there be no readily available green products on the market, departments could reduce their environmental footprint by awarding 'RDP' points within the Preferential Procurement Policy Framework Act to enterprises located in the province.

As more environmentally favourable products and services become available in the country, suppliers will need to increasingly compete on the basis of environmental criteria for these products and services. The involvement of industry in the compilation of the technical specifications will ensure that the specifications are appropriate to the availability of the products and services in question.

3.2.2 Inviting the bids

During this stage, supply chain managers decide on the method of procurement depending on the type and value of the contract. For bids of up to a certain value, SCM units need to obtain a minimum of three telephonic or advertised quotations from suppliers (preferably off a database of suppliers). For bids greater than this threshold value SCM units have to run competitive bidding procedures. Should any of the contracts exceed R30 000, then the provisions of the Preferential Procurement Policy Framework Act (2000) apply.

In order to create awareness of the government's intentions towards sustainable public procurement, all green procurement requirements should be clearly stated in bid documents. Where additional points for functionality are awarded, the criteria used to evaluate functionality should be clearly described. Moreover, in instances where environmental standards or scorecards are set as minimum standards, this pre-qualifying requirement should be visible in both the tender documents and the adverts.

3.2.3 Receiving bids

For the sake of transparency and fairness, all bids received are opened at the same time. The supply chain management units check documentation for completeness. All bidders are checked against the National Treasury Database of Defaulters to ensure that they are still eligible to take part in the bidding process. Supply Chain Management Units summarize the bids and prepare a comparative schedule for the bid adjudication committee. For the purposes of SPP, this comparative schedule should include a comparison of the specifications regarding environmental criteria that were included in bid documents. In instances where, for example, suppliers claim to meet the minimum standards in the bid, supply chain management should verify whether the submissions are complete and include documents supporting the suppliers' claims.

3.2.4 Evaluating the bids

The Accounting Officer delegates the responsibility for evaluating bids to the bid adjudication committees. The adjudication committees sit at regular intervals to evaluate bids in accordance with the criteria set out in the bid documents. All bids are evaluated on the basis of price, functionality (where applicable) and preferential procurement. In certain cases, the bid evaluation committee can set a minimum threshold for qualification in terms of these three criteria. For example, should a product be required to adhere to a minimum environmental standard, then only those bids meeting this standard should be considered by the bid adjudication committee. If functionality points are awarded, then the adjudication committee should understand the criteria for evaluation clearly (through the use of the scorecards) and score bids against these criteria to remove ambiguity or subjectivity. For the purposes of SPP, scorecards for environmental criteria could be included in the evaluation. Since the evaluation process is formulae driven, the bid adjudication committee can apply the price formula and eliminate the bidders scoring below a certain threshold before proceeding to the next round of deliberations. In municipalities, councillors or those who develop financial policies may not sit on bid committees.

3.2.5 Clearing the bids and awarding the contract

Prior to awarding the contract, supply chain management units must clear certain bidders by performing a vendor assessment. The vendor assessment includes establishing the financial standing of the company, assessing its past performance in delivering services, checking the legal compliance of the company with taxation, labour and corporate laws and inspecting the capacity of the company to deliver where necessary.

Upon finalisation of the vendor assessment, a contract and a service level agreement is prepared for sign-off by the Accounting Officer. Once the contract is awarded, supply chain management becomes responsible for contract management functions such as monitoring performance and compliance with socio-economic objectives.

Green procurement would require that the process of vendor assessment includes validating the green credentials and past environmental performance of suppliers. Contracts should include penalties for not adhering to green minimum standards for suppliers.

3.2.6 Concluding remarks

Many of the principles of green procurement enhance the current principles of the supply chain management function. For example, while demand management is the key starting point of green procurement it is also a basic principle of prudent public procurement. Green procurement also serves the interests of preferential procurement in favouring the selection of local suppliers.

There might, however, be areas of conflict between green procurement and preferential procurement, which could complicate the implementation of sustainable public procurement.

3.3 Review of further SA Laws and Policies that may impact on SPP

Policies dealing with preferential procurement serve the purpose of the social component of sustainable public procurement and are dealt with in section 3.1.

3.3.1 Relevant Laws

Constitution of the Republic of South Africa, Act 108 of 1996

The Constitution includes the following provision in the Bill of Rights, which is relevant to green procurement:

- Section 24 of the Constitution provides that everyone has the right to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that:
 - prevent pollution and ecological degradation;
 - promote conservation; and
 - secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development.

The right applies between State and citizen,²⁵ and therefore any person can enforce the right against an organ of state, such as a provincial department or municipality, where it feels (and can show) that the State entity is violating the right, or is failing to protect it.²⁶ The right is also applicable between individuals, and thus may be enforced by State or non-State parties against private parties who are failing to act consistently with its provisions.²⁷

From a green procurement point of view the right contained in section 24 of the Constitution is significant in that it imposes a duty on the provincial legislature, executive, organs of state and municipalities, to protect the environment through reasonable legislative and other measures. Legislative measures would include measures imposed in terms of national or provincial legislation, or by-laws. The term “other measures” would include policies, such as a sustainable procurement policy, plans or guidelines.

National Environmental Management Act, 107 of 1998 (NEMA)

NEMA is South Africa’s framework environmental statute and provides for co-operative environmental governance by establishing principles for decision-making on matters affecting the environment.

Section 2 principles apply throughout the Republic to the actions of all organs of state that may significantly affect the environment. The principles serve as guidelines by reference to which organs of state must exercise their functions when taking decisions concerning the protection of the environment. Certain of the national environmental management principles are significant from a green procurement perspective. These are:

- Sustainable development requires that the development, use and exploitation of renewable resources do not exceed the level beyond which their integrity is jeopardised.²⁸
- Negative impacts on the environment must be anticipated and prevented, and where they cannot be altogether prevented, must be minimised and remedied.²⁹
- Responsibility for the environmental health and safety consequences of a policy, programme, project, product, process, service or activity exists throughout its life cycle.³⁰
- There must be intergovernmental coordination and harmonisation of policies, legislation and actions relating to the environment.³¹

It is important to recognise that the obligation to apply the national environmental management principles is limited to *performing any action that may significantly affect the environment* and that the principles guide the interpretation, administration and implementation of NEMA and all other laws concerned with the protection or management of the environment.³² The extent to which

²⁵ Section 8(1).

²⁶ It is important to recognise that the environmental right is **not absolute**, but may be restricted in accordance with the **limitations clause** (section 36) in the Constitution. A right may be limited under the limitations clause, only by a law of general application, and only to the extent that the limitation is “reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom”.²⁶ Courts considering whether a limitation of a right is reasonable and justifiable will apply a balancing test, in terms of which the right is weighed up against the limitation, to reach their conclusion.

²⁷ Section 8(2).

²⁸ Section 2(4)(a)(vi).

²⁹ Section 2(4)(a)(viii).

³⁰ Section 2(4)(f).

³¹ Section 2(4)(l).

³² Section 2(1)(e).

the application of these principles supports green procurement is, therefore, limited to procurement decisions which may significantly affect the environment. For example, only where a department procures goods or service which are produced or disposed of in a manner that potentially causes environmental harm or degradation of natural resources, would it need to apply the NEMA principles when deciding to procure such goods/service. It is important to note though that one of the principles requires consideration of the environmental health and safety consequences of procuring a product or service throughout its life cycle.

National Environmental Management: Waste Bill, [B 39-2007]

The Waste Bill aims to reform the law regulating waste management in order to protect health and the environment by providing reasonable measures for the prevention of pollution and ecological degradation and for securing ecologically sustainable development. The Bill is significant in that it provides national norms and standards for regulating the management of waste by all spheres of government.

Provisions of the Bill that should be considered for procurement purposes include the following:

- The general duty on the State to put in place uniform measures that seek to reduce the amount of waste that is generated and, where waste is generated, to ensure that waste is re-used, recycled and recovered in an environmentally sound manner before being safely treated and disposed of.³³
- The Bill requires the Minister to establish a national waste management strategy which must include objectives, plans, guidelines, systems and procedures relating to the protection of the environment and the generation (including the avoidance and minimisation of such generation), re-use, recycling, recovery, treatment, disposal, use, control and management of waste in order to achieve the objects of the Bill.³⁴
- The National Waste Management strategy must also include practical measures for achieving co-operative governance in waste management matters³⁵ as well as approaches for securing compliance with the requirements of the Bill including the monitoring of compliance.³⁶
- Targets for waste reduction may be included in the National Waste Management Strategy.³⁷
- The National Waste Management Strategy binds all organs of state in all spheres of government.³⁸
- Extended producer responsibility is applicable to products or classes of products identified by the Minister.³⁹
- The Bill contains general requirements for storage of waste⁴⁰ and collection of waste⁴¹ and imposes obligations on persons transporting waste.⁴²
- Persons undertaking an activity involving the reduction, re-use, recycling or recovery of waste must before undertaking such activity, ensure that the reduction, re-use,

³³ Section 3.

³⁴ Section 6(1)(a).

³⁵ Section 6(1)(c).

³⁶ Section 6(1)(e).

³⁷ Section 6(2).

³⁸ Section 6(3)(a).

³⁹ Section 18(1)(a).

⁴⁰ Section 21.

⁴¹ Section 24.

⁴² Section 25.

recycling or recovery uses less natural resources than the disposal of such waste and to the extent that it is possible, is less harmful to the environment than the disposal of such waste.⁴³

It is important to note that the provisions of the Waste Bill are not yet in force. The Bill is however currently before Parliament and it is expected that it will be passed during 2008. Once this happens, it will be important for procurement purposes. In particular, the National Waste Management Strategy when established may contain targets and measures which will need to be included in sustainable procurement policies as the Strategy will be binding on all organs of State.

Hazardous Substances Act, 15 of 1973.

The primary purpose of the Hazardous Substances Act is to provide for the control of substances which may cause injury, ill-health or death of humans because of their nature, which may, among other things, be toxic, corrosive or act as an irritant.⁴⁴ The Act defines and provides for four groups of hazardous substances, to be declared by the Minister of Health and categorised according to their nature and the degree of danger they pose. Group I (divided into Categories A and B) and Group II substances are dangerous to humans due to their toxic nature, Group III substances concern electronic products and Group IV substances are radioactive.

The provisions of the Act support the provisions of a sustainable procurement policy in that they provide existing legal measures to regulate the use of substances that are potentially harmful. In terms of the Act:

- No person may sell any Group I Hazardous Substance unless he is the holder of a license issued to him in terms of the Act.⁴⁵
- No person may sell, let, use, operate or apply any Group III substances unless a licence is issued to him in terms of the Act⁴⁶.

Group I Hazardous Substances include amongst others, cyanides of potassium and sodium, lead acetate and arsenic and its salts. The Environmental Score Card for Cleaning Products and Services in the Green Procurement Policy therefore needs to include a requirement for the producers of the chemicals to check that their suppliers have complied with the necessary licensing provisions of the Act.⁴⁷

Group III substances refer to those used in electronic products, which would mean that the specifications for electronic products under the green procurement policy would need to include a requirement for the supplier to be in possession of a licence in terms of the provisions of the Act.

Consumer Protection Bill, 2007

The Bill aims to promote a fair, accessible and sustainable market place for consumer products and services. It recognises that it is desirable to promote an economic environment that

⁴³ Section 17(1).

⁴⁴ Preamble.

⁴⁵ Section 3(1)(a).

⁴⁶ Section 3(1)(b)

⁴⁷ We anticipate that the technical experts can carry out this task. Due to the specifications in the Score Card not being comparable with the list of substances in terms of the Act, we were unable to assess this.

supports and strengthens a culture of socially responsible use of environmental resources.⁴⁸ It further aims to promote sustainable and environmentally responsible consumption, and protect consumers from hazards to their health and safety.⁴⁹ While the Bill does not apply to any transactions if the consumer is the State, or an organ of State, it is still relevant for the purposes of Green Procurement in that its principles are a useful guide to be used in considering similar transactions concerning the Department.

By means of the Bill, consumer education, including education concerning the environmental, social and economic effects of consumer choices will be promoted and provided for.⁵⁰ Included among its purposes is the promotion of social, economic and environmental responsibility in consumer markets.⁵¹ Provisions of the Bill that are significant for the purposes of Green Procurement include:

- Producers or importers of any goods that are required to have a trade description applied to them must apply a trade description to those goods disclosing the country of origin of the goods and any other prescribed information.⁵²
- The Minister may prescribe categories of goods that are required to have a trade description applied to them.⁵³
- The Minister may also prescribe information that is required to be included in any trade description from among the categories of information contemplated in the Act.⁵⁴ The definition of trade description refers to any description, statement or other direct or indirect indication, other than a trademark, as to, amongst others, the
 - ingredients of which any goods consist, or material of which any goods are made;
 - number, quantity, measure, weight or gauge of any goods; and
 - place or country of origin of any goods.
- Where a person packages any hazardous goods for supply to consumers, he must display on or within that packaging a notice that meets the requirements of the Act and any other prescribed standards, providing the consumer adequate instructions for the safe handling and use of those goods.⁵⁵
- Where hazardous goods contain any ingredients or components that have been determined, in terms of a public regulation or otherwise, to present a chemical or biological risk to humans or the environment, a person who packages such goods must relative to their concentration in those goods display on or within that packaging a notice that meets the prescribed standards informing the consumer of the appropriate steps to:
 - contain those ingredients or components so as to inhibit human exposure and minimise the risk of human or environmental contamination.⁵⁶
 - remedy or mitigate the effects of those ingredients or components in the case of human or environmental exposure to them.⁵⁷
 - safely dispose of those goods, ingredients or components at the end of their useful life.⁵⁸

⁴⁸ Preamble to the Bill.

⁴⁹ Preamble to the Bill.

⁵⁰ Preamble to the Bill.

⁵¹ Section 3(1)(e).

⁵² Section 30(1).

⁵³ Section 30(5)(a).

⁵⁴ Section 30(5)(c).

⁵⁵ Section 63(2)(a).

⁵⁶ Section 63(2)(b)(i).

⁵⁷ Section 63(2)(b)(ii).

The above provision regarding labelling does not apply to any hazardous goods to the extent that a substantially similar label or notice has been applied in terms of any other public regulation.⁵⁹

At present, the third draft of the Consumer Protection Bill (which was approved in December) is due to be introduced to Parliament during the last week of April 2008. At the time of writing, the version being submitted to Parliament was not publicly available; however it is expected to be released shortly. The above provisions have therefore been extracted from the second draft of the Bill.

While the Bill is not yet of legal force and effect, this position may soon change in light of its introduction to Parliament. Should it be approved by Parliament, the Bill will be binding on suppliers and consumers whose conduct it seeks to regulate. Specifications for products and services under the green procurement policy would then need to include the required labelling as detailed in the Bill.

3.3.2 Relevant Policies

Energy Efficiency Strategy of the Republic of South Africa, 2005

The Energy Efficiency Strategy was the first consolidated Governmental Document geared towards the development and implementation of energy efficiency practices in South Africa. It links energy sector development with national socio-economic development plans and is in line with other government departmental initiatives. The strategy provides clear and practical guidelines for the implementation of efficient practices within South Africa's economy and this includes the setting of governance structures for activity development, promotion and coordination. While the strategy aims to contribute towards affordable energy for all, it is also focused on minimising the negative effects of energy usage upon human health and the environment.

The strategy proposes a final energy demand reduction of 12% by 2015 for South Africa.⁶⁰ With regards to the Commercial and Public Building Sector, a target final energy demand reduction of 15% is proposed by 2015.⁶¹ One of the core objectives for this sector is to demonstrate the government's commitment to sustainable energy development within its own building stock. Furthermore, it is envisaged that the energy performance of existing public and commercial building stock will be progressively upgraded. In order to achieve this, the following approach has been suggested:

- Government will lead by example through raising energy efficiency awareness and by implementing specific measures within its own estate.
- Energy efficiency standards for buildings will be introduced and made mandatory, together with a building Energy Audit Programme.
- Emphasis will be placed on incorporating energy efficiency into building design and energy efficient technologies will be introduced in existing buildings.
- Energy management systems for buildings will be tested, demonstrated and promoted.

⁵⁸ Section 63(2)(b)(iii).

⁵⁹ Section 63(3).

⁶⁰ Page 12.

⁶¹ Page 15.

- Together with the implementation of SANS 204, energy labels will be developed to assist with compliance rating
- SANS 204 will be made mandatory by incorporation into the National Building Regulations.

National Climate Change Response Strategy, 2004

This strategy addresses issues that have been identified as priorities for dealing with climate change in South Africa. It aims to achieve national and sustainable development objectives while simultaneously responding to climate change. The strategy aims to support the policies and principles laid down in the Government White Paper on Integrated Pollution and Waste Management, as well as other national policies including those relating to energy, agriculture and water.

The strategy recognises that general awareness within government on the likely impacts of climate change is somewhat limited to those departments directly involved with the issues.⁶² Capacity therefore has to be built in order to adapt to climate change and to prepare for its likely impacts. This will result in policies that are formulated being able to adequately address climate change adaptation.

Interventions identified in the strategy as part of mitigation action include the following:

- Harnessing the efforts of all stakeholders to achieve the objectives of the Government's White Paper on Renewable Energy and the Energy Efficiency Strategy, promoting a sustainable development path through coordinated government policy.⁶³
- Implementing a transport sector mitigation programme through the National Department of Transport, in conjunction with the government's energy efficiency strategy, and the joint implementation strategy for the control of exhaust emissions from road-going vehicles.⁶⁴
- Implementing sustainable industrial development through coordinated policies, strategies and incentives through the Department of Trade and Industry and the various industry sectors.⁶⁵
- Optimising waste management practices to minimise emissions of green house gases and develop a government position, through all relevant departments and all spheres of government and industry, to implement a waste sector mitigation programme.⁶⁶

The strategy recognises that energy efficiency programmes could include the implementation of energy efficient buildings and retrofitting efficient heating, ventilation and cooling systems.⁶⁷ Fuel switching options identified include liquefied petroleum gas, biochemical fuels, compressed natural gas, and electric and hybrid electric propulsions technology.⁶⁸ Travel demand management is also recognised as offering significant opportunities to mitigate growth of emissions from private car users⁶⁹. With regards to the pulp and paper industry, the upgrading

⁶² Page 10.

⁶³ Page 23.

⁶⁴ Page 25.

⁶⁵ Page 26.

⁶⁶ Page 27.

⁶⁷ Page 24.

⁶⁸ Page 25.

⁶⁹ Page 25.

or replacing of recovery boilers will increase the boiler capacity and the energy values of higher black-liquor solids. Efficiency improvements and recycling of paper are feasible options to be considered.⁷⁰

The strategy recognises that waste avoidance and minimisation should be given priority, with full recognition of the in-built energy of materials entering the waste stream.⁷¹ It emphasises that re-use and recycling should be encouraged.

White Paper on the Energy Policy of the Republic of South Africa, 1998

The White Paper on Energy Policy is significant in that it that it deals with improving energy governance and requires government to improve its ability to address long term issues such as the development of renewable energy resources to achieve a more sustainable energy mix.⁷²

Important considerations include:

- The paper provides that coordination between government departments, government policies and the different spheres of government will be improved in order to achieve greater integration in energy policy formulation and implementation.⁷³
- For the management of energy-related environmental impacts (Objective 4), the paper provides that the Government will work towards the establishment and acceptance of broad national targets for the reduction of energy-related emissions that are harmful to the environment.⁷⁴

White Paper on Integrated Pollution and Waste Management for South Africa

The White Paper represented a shift from dealing with waste only after it is generated towards amongst others, pollution prevention, waste minimisation and the involvement of all sectors of society in pollution and waste management. It is applicable to all government institutions, and to all activities impacting on pollution and waste management. Among the fundamental approaches of the policy are the prevention of pollution, minimisation of waste and the controlling and remediating of impacts.

The policy is significant for the green procurement policy in that it:

- adopts the duty of care principle which requires any institution generating waste to always be accountable for the management and disposal of the waste and to be penalised appropriately for any and every transgression committed.⁷⁵
- requires the historical focus on pollution impact management and remediation to shift to a management approach, combining pollution and waste prevention and minimisation at source, impact management and, as a last resort, remediation.⁷⁶
- recognises that pollution prevention encourages cost savings through efficiencies and conservation.⁷⁷
- recognises that pollution and waste avoidance, prevention and minimisation are to be achieved by adhering to mechanisms to ensure appropriate design parameters, optimising operating procedures and good housekeeping for all waste-generating process.⁷⁸

⁷⁰ Page 26.

⁷¹ Page 27.

⁷² Page 25.

⁷³ Page 25.

⁷⁴ Page 27.

⁷⁵ Page 13.

⁷⁶ Page 25.

⁷⁷ Page 25.

The above policies are relevant to the Green Procurement Policy in that they form the broad framework within which procurement considerations need to be incorporated. The Green Procurement Policy will need to be aligned to the provisions of these policies and in keeping with the targets they put forward. Many of the programmes, actions and efficiency standards that these policies seek to implement are significant in that they lend support or in some cases require the incorporation of similar measures in the Green Procurement Policy.

Draft Green Paper on the Consumer Policy Framework, 2004

The aim of this policy was to provide a broad framework for consumer protection including the promotion of consistency, coherence and efficiency in the implementation of consumer laws. It recognised that there was no over-arching consumer law regulating issues such as product safety and labelling.⁷⁹ It also sought to outline a framework to clearly define the role of government and other stakeholders such as business and consumer champions. This policy has resulted in the necessary legislation (the Consumer Protection Bill) being formulated in order to implement a comprehensive consumer policy and to establish the infrastructure necessary to implement and control consumer protection.

This policy is relevant for the purposes of Green Procurement in that it:

- recognises that the right to a safe and sustainable environment imposes obligations on consumers as their conduct may have a direct impact on the environment;⁸⁰
- recognises that it is necessary for government, business and consumer groups to influence consumption patterns so that South Africans consume less non-renewable resources and non-bio degradable goods;⁸¹
- emphasises the necessity for government to implement regulatory instruments such as pollution control, product standards, awareness raising campaigns and eco-labelling;⁸²
- makes reference to the UN Consumer Guidelines which recognise that governments should encourage the design, development and use of products and services that are safe and energy and resource efficient, considering their full life-cycle impacts;⁸³
- recognises that product labelling is a critical component of information disclosure and is a tool which informs consumers about the contents and safety of goods and services;⁸⁴
- further recognises that information disclosure needs to go beyond the label and in this regard emphasises that consumers need a description of environmental effects;⁸⁵ and
- stresses the need to put in place mechanisms to ensure transparency and the flow of information so that products and services can be tracked through the production and distribution chain which in turn will facilitate more accuracy in labelling and ethical standards.⁸⁶

The above policy is extremely significant for purposes of Green Procurement in light of the attention it draws to resource efficiency as well as regulatory mechanisms such as labelling.

⁷⁸ Page 35.

⁷⁹ Paragraph 1.1 at page 9.

⁸⁰ Paragraph 2.5 at page 19.

⁸¹ Paragraph 2.5 at page 20.

⁸² Paragraph 2.5 at page 20.

⁸³ Paragraph 2.5 at page 20.

⁸⁴ Paragraph 3.4.2 on page 28.

⁸⁵ Paragraph 3.4.2 at page 28.

⁸⁶ Paragraph 3.4.2 at page 29.

These provisions lend support to the incorporation of similar measures in the Green Procurement Policy with regards to the specifications for cleaning products and services.

White Paper on Environmental Management Policy, 1998

The White Paper on Environmental Management Policy for South Africa sets a number of objectives for integrated pollution and waste management. These include setting up information systems on chemical hazards and toxic releases and insuring the protection and proactive management of human health problems related to the environment in all forms of economic activity. It contains the government's environmental management policy and sets out governments strategic goals in supporting objectives to begin addressing major issues facing environmental management and the sustainable use of resources. It also sets out the powers and responsibilities of the spheres and agencies of government. Measures in the policy that are relevant for purposes of Green Procurement include:

- Eco-labelling is identified as a proactive indirect measure which could encourage people to change their behaviour in return for the benefits derived from sustainable development;⁸⁷ and
- Information on the state of the environment and activities with an adverse or damaging effect is essential for effective environmental management, protection and coordination. The policy identifies eco-labelling, eco-accounting and the reporting and publication of information as some of the ways of promoting accessibility of information.⁸⁸
- In the absence of other legislation and policies dealing comprehensively with labelling, the White Paper on Environmental Policy is an effective tool as it specifically deals with eco-labelling and highlights it as one of the measures that may be introduced. This further adds weight to the requirements in the Green Procurement Policy for products to be clearly labelled.

3.3.3 Case Study of Provincial Laws and Policies Supporting Green Procurement: Western Cape Provincial Government

Provincial Sustainable Development Implementation Plan (SDIP)

The vision of the SDIP is aligned to the broader strategic framework of the national government as defined by the Constitution, the National Framework for Sustainable Development and other key documents. It aims to provide a clear and sound action plan to ensure that the principles of sustainable development are effectively embedded in the policies, strategies, programmes and projects of the Western Cape Government.

Provisions of the SDIP relevant for green procurement include the following:

- In developing and implementing policy and strategy within the Western Cape, sustainability considerations are required to be mainstreamed into all policy, planning and decision-making processes. This requires that policy decisions are taken on the basis of a complete and accurate assessment of the full market and non-market environmental and social costs throughout the life-cycle of the products and services.⁸⁹

⁸⁷ Page 54.

⁸⁸ Page 59.

⁸⁹ Page 9.

- Responsibility for the assessment, avoidance and mitigation of the social, economic, and environmental impacts of any policy, programme or project should exist throughout its life-cycle.⁹⁰
- Priority actions identified include the alignment to existing policies in the Provincial Government.⁹¹
- Priority actions include incorporating sustainability principles into existing provincial policy and sector strategies, as well as departmental strategic and annual performance plans.⁹²
- The setting of resource management targets, e.g.: waste minimisation, energy efficiency, resource intensity targets for the province as a whole and for selected sectors.⁹³
- Developing and implementing environmental economy policy (inclusive of recycling economy) and developing intervention strategies to facilitate equitable access to and participation in the environmental economy.⁹⁴
- Implementing the Sustainable Energy Strategy for the Western Cape in conjunction with and in contribution to the Western Cape Climate Change Response Strategy and Action Plan.⁹⁵
- Developing and implementing resource efficiency policies and guidelines, revising existing policies and realigning budget priorities to support resource efficiency, eg:
 - Energy Procurement for Government
 - Asset Management Policy
 - A “Waste to Energy” Technology Policy
 - Environmental Procurement Policy for Government
 - Water Demand Management Policy, Strategy and Guidelines
 - Provincial Green Buildings Policy and Construction Policy and Guidelines⁹⁶

Specific programmes that the SDIP plans to implement to promote resource efficiency include:

- retrofitting government buildings to ensure improved energy and water efficiency;
- implementing cleaner production projects with efficiency targets for specific sectors;
- implementing a Renewable Energy Programme; and
- implementing Green Architecture and Engineering Design Programme⁹⁷.

Proposed SDIP targets include the following:

- Sustainable buildings and construction materials and methodologies to be used in 80% of all public sector infrastructure and capital projects by 2009.⁹⁸
- Government vehicles to be converted to cleaner fuel: 50% by 2008.⁹⁹
- Policies and guidelines for development and implementation of resource efficiency to be developed by 2009.¹⁰⁰

⁹⁰ Page 9.

⁹¹ Page 12.

⁹² Page 15.

⁹³ Page 16.

⁹⁴ Page 17.

⁹⁵ Page 20.

⁹⁶ Page 20.

⁹⁷ Page 221.

⁹⁸ Page 18.

⁹⁹ Page 20.

¹⁰⁰ Page 20.

- Policies and guidelines on resource efficiency to be implemented by all organs of state by 2009.¹⁰¹
- Resource efficiency and demand management strategies to be in place and implemented for all public buildings by 2010.¹⁰²
- By 2009, 80% of strategic plans must have integrated sustainability considerations.
- Provisions for energy-efficiency targets to be established and programmes implemented for conservation of energy.¹⁰³

Climate Change Strategy and Action Plan for the Western Cape, 2007

This strategy seeks to strengthen the Western Cape's resilience to climate change and its adaptive capacity. One of the aims of the strategy and action plan is to maintain the province's status as a relatively low greenhouse gas emitter. This will be achieved by means of the following:

- The mitigation-based strategy response and action plan seeks to reduce the province's carbon footprint. One of the ways in which this will be achieved is through coordinating the Western Cape's input into climate change mitigation strategies at national, regional and local levels. This will also be achieved by the development of innovative responses.
- An assessment of policy, possible incentives and appropriate processes to achieve integrated waste management is required with reference to waste management and climate change in achieving Key Outcome 4 (reducing the carbon footprint).¹⁰⁴
- A clear waste management solution and an action plan for its implementation is also required to be developed in order to reduce the carbon footprint.¹⁰⁵

4. SPP in South Africa: Summary of main findings

4.1 Strengths and weaknesses of SA's current SPP policies and initiatives

This section summarises the key strengths and weaknesses of South Africa's current SPP policies and initiatives in the light of determining the implications for future initiatives or research programmes. The areas of strength highlight good practice that should be rolled out to other initiatives or government bodies and the areas of weakness highlight where future support might be required to ensure the effective implementation of sustainable public procurement.

4.1.1 Strengths

- The social element of SPP has largely been implemented in South Africa due to the legal framework and drive of the country's preferential procurement initiatives.
- Well established verification schemes are in place for BEE. These are recognised as being credible and are accredited by the Association of BEE Verification Agencies (ABVA).
- The rollout of the Preferential Procurement Policy Framework Act was done effectively, with all provinces and municipalities taking responsibility for its implementation in the supply chain management functions.

¹⁰¹ Page 20.

¹⁰² Page 20.

¹⁰³ Page 27.

¹⁰⁴ Page 167.

¹⁰⁵ Page 167.

- While few government bodies have developed formal green procurement policies, there are a number of initiatives in place that support green procurement.
- While the organisations and initiatives that provide SPP support and consultancy-related services in South Africa are fragmented and many are sector-specific, they are established and are currently providing a valuable service. If co-ordinated effectively, national support could largely be provided to government bodies through these existing organisations and initiatives.
- With the current energy crisis in South Africa, there is momentum for the promotion of environmentally beneficial procurement practices that would assist in alleviating the crisis.
- Although the current databases that showcase green products and services (detailed in section 2.3.3) might not yet be suited to serving SPP, many of them would be able to provide a platform from which an SPP database could be developed and many have contacts with industry.

4.1.2 Weaknesses

- SPP is not currently being driven by National Government. If National Government was to drive SPP, they would provide clarity and guidance on how environmental criteria could be considered within the framework of preferential procurement legislation. They would also provide the political impetus for government bodies to begin to consider SPP in their supply chain management decision making.
- With the move towards procurement being decentralised across government bodies, opportunities for collaborative tender and specification development and bidding have been lost.
- Very few government bodies have any form of green procurement policy in place. Thus, while they may be practicing forms of green procurement, these may be overridden by other perceived priorities, with short-term thinking allowed to prevail.
- Very little in the way of formal environmental verification schemes currently exist in South Africa. This results in difficulties for public sector officials when trying to assess the 'greenness' of products or supplies. It also provides complications in the auditing of environmental claims made by suppliers.
- While the Preferential Procurement Policy Framework Act was rolled out effectively, there is little monitoring or clarity on the extent to which its positive impact on the intended recipients of the legislation benefits have in fact benefited.
- Supply chain management decisions generally do not take life cycle costing into account. They also generally focus on the cheapest rather than best value for money (in the long-term and in terms of environmental and social impacts) products and services.
- There currently exists very little in the way of awareness and expertise around SPP. This will add challenges to the capacity available to drive the implementation of SPP.
- Many government departments are currently engaged in long term contracts with their suppliers. While exit clauses could be considered for certain contacts should they be highly detrimental to the goals of SPP, relationships currently exist between government bodies and their suppliers, which might lead to resistance of contract cancellations. This has been identified by one external stakeholder as a potentially critical stumbling block to more widespread adoption of SPP practices.

- The current practice of fiscal dumping (i.e. sudden spending of budgets at the financial year end) that takes place in many government bodies is a reaction to the national government budgetary frameworks. While the Medium Term Expenditure Framework (MTEF), which allows for budgeting of projects over a three year time frame, should have partly alleviated fiscal dumping by removing the threat of unspent budgets not being rolled over at year end, it has in practice not done so. This is thought to be due to the fact that the consequences for under expenditure are more serious than those for fruitless expenditure.
- Certain government departments interpret national procurement legislation as preventing them from buying green products or services at a premium. Current reporting mechanisms are not robust enough to be able to identify and reward departments for savings through good demand management and instead focus on initial capital costs. Little has been done to challenge National Treasury in this regard¹⁰⁶.

5. Recommendations for a future SPP on-the-ground initiative

This section of the report draws together the key findings of the research work and:

- provides potential solutions to the barriers and gaps identified in section 2.5;
- highlights support required to realise these solutions and effect the implementation of SPP;
- identifies which of the current stakeholders could provide the above areas of support;
- proposes the establishment and function of a SPP national support unit; and
- recommends an approach to the development and implementation of SPP.

5.1 Identifying and addressing the critical gaps for SPP in SA

The gaps in implementing SPP are identified as follows (detailed in section 2.4), with the most significant denoted with an asterisk (*):

Financial

- i. Premium on green products*

Market

- ii. Verification of green products*
- iii. Availability of products
- iv. Availability of suppliers
- v. Quality of green products
- vi. Competition with well known existing products (non-green)

Institutional

- vii. Unwillingness of or fear to change to an adjusted procurement approach
- viii. Management buy-in
- ix. Limited expertise

¹⁰⁶ Interviews with government bodies

- x. Burden on procurement officials
- xi. Decentralised procurement structure

Transformation / equity

- xii. Putting SMMEs out of business
- xiii. Conflicts with preferential procurement policy*

Systems

- xiv. Integrated Financial Management System

Below follows a detailed response in terms of potential solutions to each of the identified gaps and the support that would be required to realise these solutions.

5.1.1 Financial

- i. Premium on green products**

Potential solutions

The concept of full life costing needs to be utilised over ‘short-term’ thinking. The ‘value for money’ principle of procurement includes considering the full cost of the product over its full life – not its cost over one year. Costs of non-firm contracts are currently spread over three years and are often higher in year one (due to initial implementation costs). Budgetary mechanisms need to be put in place by National Treasury, Provincial Treasuries and Municipal Finance Departments to encourage whole life costing. These could include the request for departments to provide a business case for what they buy, whether what they buy is priced at a premium (to encourage departments to show how the costs would be offset over the longer term) or whether they are proposing to purchase non-green alternatives (to encourage thinking of full life costs and not simply cheapest option). All personnel involved in supply chain management would also need to be trained on the concept and implementation of life cycle costing.

Benchmarking of green against ‘non green’ products (e.g. rechargeable vs. disposable batteries) needs to be illustrated to show that green products are not always at a cost premium when considered over their full life.

Resources need to be dedicated (or a new unit potentially established) to develop the business case for environmentally preferable goods and services.

Increased use of transversal contracts within and across government bodies would help to achieve economies of scale. Even if final purchasing is not carried out on a

Support required

Training of all personnel engaged with supply chain management decisions on full life costing. Possibly through a train-the-trainer programme.

Engagement with National and Provincial Treasuries and municipal finance departments to explore how to integrate life cycle costing into their procurement policies and practices.

Business case illustrations through case study development.

Collaborative working across government departments.

Potential solutions

transversal basis, government bodies should at least be able to share resources in developing tenders and specifications to take environmental criteria into account.

There might initially be a cost premium on certain products, but this should drop off as the market becomes more competitive.

Lessons from preferential procurement were that:

- Policy forced suppliers to look elsewhere for supplies, which actually led to the identification of reduced cost options.
- No additional budget was provided in the first year of implementation of PPPFA for departments, which created problems. It is therefore recommended that additional budget be provided in the first year.

Departments could absorb initial costs of a green procurement policy, particularly given the focus on demand management – i.e. saving through reducing unnecessary spend could fund products initially priced at a premium.

Support required

Sharing of sample tenders, specifications etc.

Provide illustrations of the drop-off in prices as the market advances

Additional resources (financial)

Showcase of benefits achieved (i.e. savings made) through behavioural changes and demand management practices.

5.1.2 Market*ii. Verification of green products****Potential solutions**

Green suppliers would need to state their green credentials in their bid applications and log these credentials against their registration on the provincial or municipal suppliers' database. Consequences for overstating or misrepresenting their green credentials will be communicated. Support could also be made available to suppliers wishing to clarify how green they are and what they need to do to become green.

National Treasury are currently designing the Integrated Financial Management System (IFMS) and discussions could be held with them regarding how green procurement could be built in as a pre-requisite.

Discussions could be held with SABS to explore the inclusion of the relevant environmental criteria in their product verification.

The national, provincial or municipal supplier database could be extended to include environmental information. The information on the database provided by the bidders is verified by the respective service providers. It should be

Support required

Enforcement of misrepresenting green credentials

'Guidance audits' for suppliers

Liaison with National Treasury

Liaison with SABS

Liaison with database service providers

Potential solutions

explored whether service providers could provide a knowledge function with regard to eco-information.

Alternatively, the information provided could be verified by an internal GPP unit within the government bodies, specialising in administering and verifying environmental product and supplier information. The cooperation between units of different government bodies could generate synergies and allow for nationally coherent environmental information systems.

Provinces and municipalities should help SABS to establish a body that sets standards for green products and services (a standards generating body⁷). This should lead to a market realisation of the prioritisation being given to green public procurement and develop an expectation of future expansion of GPP in South Africa. It would also set the stage for increased green procurement in the private sector.

Labelling schemes that could provide a form of verification need to be further explored for availability in and relevance to the South African market. In addition to this, there are a number of sector specific verification schemes and eco-labels that currently exist or are under development (see Appendix x) and could be assisted in developing further.

In the long run, all procurement could become green procurement if Government implements and enforces high environmental standards for all products (e.g. through SABS).

*iii. Availability of products***Potential solutions**

Acceptance in the short term that not all green versions will be available immediately, but that over time, the range of alternatives will slowly increase.

Implementation of any green public procurement should be phased in accordance with product availability or potential product availability.

Raise awareness regarding the move towards green public procurement among the market so that suppliers are able to

Support required

Training of government personnel (focused on GPP)

Inter-governmental co-operation forums

Liaison with SABS

Inter-governmental co-operation forums

Expertise regarding developing technical standards and verification systems

Development of verification and labelling schemes for the South African market: based on internationally available schemes relevant to South Africa and providing a framework and support for existing providers / developers of labelling schemes.

Liaison with national government to develop legislative changes

Support required

Awareness raising and communication of how to phase in green public procurement

Maintain database and track product and service availability.

Hold supplier workshops and training sessions and

Potential solutions

prepare themselves and start sourcing green versions of products.

Access to relevant product information would need to be provided to raise awareness of the green options available locally.

Imported products might have a higher carbon footprint than locally produced products and would score negatively in terms of social gain (job creation). They should, therefore, not necessarily ‘win’ over ‘non-green’ local products, unless the ‘non-green’ local products contain excessive toxic substances or anything that is regarded as being banned.

*iv. Availability of suppliers***Potential solutions**

Green public procurement should not be implemented overnight, but instead be phased in.

Raise awareness regarding the move towards green procurement among the market so that suppliers are provided with an opportunity to green themselves

*v. Quality of green products***Potential solutions**

Tender requirements would include a need for green products to meet the standards of ‘non green’ versions.

Certain products (such as recycled paper) should be tested with a sample of machines for compatibility and quality.

Support required

run advertisements and awareness campaigns for suppliers.

Actively help suppliers to understand what products and services are available elsewhere and encourage local development.

Engage with existing database providers (see current database initiatives in 2.5) in order to select a key provider of a centralised database. Alternatively, select one of the database providers to co-ordinate a number of other product or service-specific database providers.

Provide authorities with information on environmental, social and cost comparisons for select products and services.

Support required

Hold supplier workshops and training sessions and run advertisements and awareness campaigns for suppliers.

Support required

Assist authorities with the inclusion of green criteria into tender documents.

Demonstrations of testing and communication to all

Potential solutions

The results should be communicated as demonstrations to alleviate concerns.

Ensure that supplier warranties cover the use of green products when bids are being tendered for and contracts drawn up.

Product testing days and/or supplier specification meetings where various suppliers can openly debate the merits of the various products.

vi. Competition with well known existing products (non-green)

Potential solutions

Highly visible communication campaigns of the success stories of green procurement would need to be run.

Down the line, harsh decisions might need to be taken to only allow green products for certain commodities.

Presentations and 'free' trial runs given by suppliers of competing green products.

5.1.3 Institutional

vii. Unwillingness of or fear to change to an adjusted procurement approach

Potential solutions

Establish green procurement policies at municipal, provincial and national levels to provide clarity that green procurement is not voluntary.

Senior management in all government bodies and departments will need to stress the message that GPP is to become ingrained in the culture and that everyone will need to adjust to the reality of the current environmental challenges.

Through broad-based awareness raising sessions, ensure that there is a common understanding amongst all officials involved in procurement activities of what green procurement is and illustrate elements of green

Support required

government bodies.

Provide example templates of warranties that provide cover for the use of green products.

Assist authorities in their initial contract negotiations.

Set up and run product testing days and supplier specification meetings.

Support required

Publishing of case studies of success stories

Support in building pre-requisites into tenders without conflicting against procurement legislative frameworks.

Set up and run trial days for suppliers.

Support required

Policy templates available to authorities.

Hands on support provided to authorities to tailor templates to suit their needs.

Change management seminars for senior management of government bodies

Development of business case for green procurement with case studies of success stories attached.

Potential solutions

procurement that are currently already being practiced.

Identify key drivers with decision-making power who will communicate issues around green procurement to remove the resistance to change.

Identify departmental champions to drive the process within the various departments and have quarterly meetings with departmental champions and across government bodies to share knowledge and experience.

Wide consultation (as per the process used in the implementation of PPPFA) including setting up discussion groups and providing guidelines/templates.

In the initial phase, if internal capacity constraints threaten to inhibit the successful implementation of green public procurement, allow for additional capacity within the different departments involved.

Provide clear environmental guidelines and criteria to inform and facilitate procurement decisions that favour environmentally preferable goods and services. These will also serve to standardise the approach towards implementing environmental criteria in supply chain management decisions.

Run broad-based awareness raising campaigns to ensure that the behaviour of all officials aligns with and encourages the 'greening' of procurement activities.

*viii. Management buy-in***Potential solutions**

Green Public Procurement needs to be formalised, publicised and enacted.

Set clear GPP targets for every department and implement a suitable monitoring system for regular performance assessment.

Support required

Provide train-the-trainer and change management workshops to key drivers

Provide training workshops and material to green champions.

Facilitate inter-governmental forums for information sharing.

Provision of training and awareness campaign material.

Running of awareness sessions and training (particularly with supply chain management personnel).

Provision of advisory services so that personnel not trained in green procurement can take on the necessary function.

Provision of technical specifications and guidelines for product and service areas and for general green procurement principles.

Provision of training and awareness raising material.

Support required

Policy templates available to authorities.

Hands on support provided to authorities to tailor templates to suit their needs.

Support of authorities in setting targets for their green procurement activities.

Potential solutions

Amend the job descriptions of supply chain management personnel and senior managers so that their performance appraisals include a consideration of the extent to which they have progressed the implementation of the GPP.

Full engagement needs to take place with CFOs who understand the budgetary issues and make strategic decisions.

The implementation of green public procurement needs to be driven to the same extent as preferential procurement to achieve a cultural change such as that achieved with preferential procurement. The establishment of a change management plan will be key to achieving this culture change.

ix. Limited expertise

Potential solutions

Environmental departments of the government bodies would need to provide support to develop criteria for relevant (i.e. department-specific) products and services.

Extensive training would need to be provided to SCM personnel as well as line managers. This should be integrated as far as possible with existing training e.g. when the Accounting Officers SCM system is reviewed annually

Temporary employment of consultants with expertise in green procurement to provide training and help establish environmental purchasing criteria.

Institutionalisation of inter-governmental networking and cooperation to enable synergies between the different provinces and municipalities in the development and implementation of green procurement.

Creation of an official inter-governmental GPP task force (linked to the above networking) to accumulate GPP expertise (including developing specifications and scorecards and performing market analysis) and making this

Support required

Provision of monitoring systems for tracking performance.

Support provided to assist in developing relevant KPIs.

Training sessions with CFOs.

Provision of change management planning, messages and support.

Support required

Provision of clearly defined criteria and training of those delivering department-specific support.

Provision of training and awareness raising material.

Support in how to integrate green procurement into existing systems.

Provision of training and awareness raising material, technical specifications and criteria.

Hands on support.

Establishment of inter governmental forum.

Establishment of inter governmental GPP task force.

Potential solutions

available to all interested government bodies.

A phased implementation approach will help establish the necessary expertise to develop relevant environmental procurement criteria. This would help with, amongst other, an avoidance of impact shifting between different kinds of environmental harm.

*x. Burden on procurement officials***Potential solutions**

Implementation of the new policy should minimise burden on procurement officials and also involve line functions.

Guidance materials and formulae similar to those provided for preferential procurement that reduce subjectivity and provide tools for easy decision-making need to be developed.

Easy access to information on green products and behaviour needs to be provided.

A forum could be set up for supply chain management personnel to raise concerns and discuss potential solutions regarding GPP requirements and practices. This could be established within government bodies as well as across government bodies to solve more complex issues and to support those government bodies where required.

*xi. Decentralised procurement structure***Potential solutions**

The procurement of products that are currently bought in a decentralised manner and which would be suited to a transversal contract should be centralised.

Extensive training and awareness raising would need to be provided to all those responsible for procurement. A train-the-trainer system could be established to facilitate this training.

Support required

Support in implementing green procurement one focus product or service area at a time and in monitoring and reviewing of results. Further support of adjusting approach as necessary.

Support required

All support provided should help to alleviate the burden

Provision of guidance material, tools and formulae.

Provision of database of green products, services, availability, costs etc.

Establishment of inter governmental forum.

Guidance on establishing internal forums.

Support required

Provision of support to establish joint / transversal contracts for key commodities and services.

Sharing of the development of specifications, tender documents and pricing information across government bodies.

Provision of train-the-trainer workshops and training material.

Potential solutions

Systems would need to be established to ensure the implementation of green procurement.

Creation of an official inter-governmental GPP task force with accumulated GPP expertise could facilitate the cooperation between and alignment of departments within the different government bodies.

Support required

Provision of monitoring systems and support in the development of targets and KPIs.

Establishment of inter governmental task force.

5.1.4 Transformation / equity*xii. Putting SMMEs out of business***Potential solutions**

Suppliers and potential suppliers will be given time to prepare for the changes towards green procurement.

If more goods begin to be purchased on a bulk basis to achieve economies of scale, a condition of the contract could include that the supplier who is awarded the contract enters into a partnership with an SMME in delivering the contract (to help deliver the contract and to build capacity).

*xiii. Conflicts with preferential procurement policy****Potential solutions**

The preferential procurement points will not be adjusted as these are defined by national procurement frameworks. The selection of local companies will meet the needs of both the preferential and green procurement policies.

Suppliers and potential suppliers will be given time to prepare for the changes towards green procurement.

Support required

Provision of material for and running of awareness campaigns with suppliers, particularly through small business forums, associations etc.

Provision of support in setting up partnerships with SMMEs

Support required

National Treasury will need to provide support and clear guidance on how green procurement can be considered without conflicting against preferential procurement.

Provision of material for and running of awareness campaigns with suppliers, particularly through small business forums, associations etc.

5.1.5 Systems

xiv. Integrated Financial Management System (IFMS)

Potential solutions

Engage in discussions with National Treasury regarding the role out of the IFMS and any potential conflicts.

Support required

Liaison between National Treasury and government bodies.

5.2 Potential role of stakeholders in implementation phase

Organisation or initiative	Potential role
ICLEI	<ul style="list-style-type: none"> • Home for and coordinator of SPP national support unit • Provision of training and tools to government bodies at all levels. • Hands-on support of government bodies to build environmental specifications into their tender documents and to tailor policy templates to their needs. • Establishment of inter-governmental forums for information and experience sharing
Environmental Goods and Services Forum	<ul style="list-style-type: none"> • Awareness raising and training of suppliers • Communication structures with government • Development and maintenance of suppliers database including environmental criteria • Development of environmental verification system or standards for products and services • Access to finance to help suppliers to green themselves or to be able to supply green products. • Guidance audits for suppliers wishing to green their products, services and practices
NBI	<ul style="list-style-type: none"> • Private sector SPP support • Awareness raising of sustainable procurement with their members so as to further stimulate market development.
National Cleaner Production Centre	<ul style="list-style-type: none"> • Development of guidelines and training for suppliers on how to improve the sustainability of their operations • Development / tailoring of specifications for waste management • Facilitation of further waste minimisation clubs for the public sector • Development of framework for national eco-labelling scheme.
Sustainable Energy Africa	<ul style="list-style-type: none"> • Access to information on products and suppliers for energy efficient products and services.

Organisation or initiative	Potential role
SURF: Sustainability Institute Institute of Waste Management South Africa Industry Sector Bodies: IT Association Packaging Association Institute of Waste Management Chemical Allied Industries National Recycling Forum	<ul style="list-style-type: none"> • Development of technical specifications for energy efficient products and services. • Provide training to suppliers of housing and construction projects on green design and product use. • Support, training, financing access, sharing of best practice in the waste industry • Bridge between government and the waste industry • Support, training, financing access, sharing of best practice in the specific industries • Bridge between government and the industry sectors

5.3 Sustainable Public Procurement National Support Unit

Much of the support required to implement sustainable public procurement is common to all public sector bodies. Similarly, the support required by suppliers and disposal companies who serve public authorities and who would be affected by the moves towards SPP is common across these businesses. It is proposed that these common needs would best be served by a Sustainable Public Procurement National Support Unit. The proposals below incorporate ideas from the various interviews and from the models and approaches of programmes such as GRIP¹⁰⁷, WRAP¹⁰⁸, Envirowise¹⁰⁹, the South East England Sustainable Business Partnerships¹¹⁰ and ICLEI: Sustainable Procurement¹¹¹.

5.3.1 Scope of the unit

A national support unit would need to provide support to the full value chain: not only to the purchasers of green products and services (i.e. government departments / officials), but also to the suppliers of green products and services and those responsible for the 'disposal' of the products.

While the initial focus of the unit would be to support public sector supply chain management, a large proportion of the services provided by the support unit would be relevant to the private sector. The unit could, thus, over time, be adapted to support both sectors, providing increased motivation for the suppliers of green products and services to engage with the unit, provide

¹⁰⁷ www.grip.no/Felles/english.htm

¹⁰⁸ www.wrap.org.uk

¹⁰⁹ www.envirowise.gov.uk

¹¹⁰ www.egeneration.co.uk

¹¹¹ www.iclei-europe.org/index.php?id=procurement

verification of their products and services and understand the potential extent of future sustainable procurement.

5.3.2 Aim of the unit

The aim of the SPP National Support Unit would be to:

- encourage and enable public procurement officers to take environmental criteria into consideration in their supply chain management decisions. This includes considering all components of supply chain management from demand management, to final disposal.
- prepare the market for moves towards SPP.

5.3.3 Outline of national support unit

While a new body could be established to provide for the functions of the unit, given that there are existing bodies that could provide for the require functions, it is recommended that one of the existing stakeholder organisations rather be selected to host and co-ordinate the national support unit and that existing service providers are contracted for servicing the functions as and where appropriate. Below is an outline of the functions that the national support unit would fulfil (broadly categorised into: capacity building, information accessibility, marketing, financing and tracking) as well as proposed roles that existing stakeholders bodies could play in this regard. It must be recognized that there are a number of proposed functions for which there are no existing service providers in South Africa.

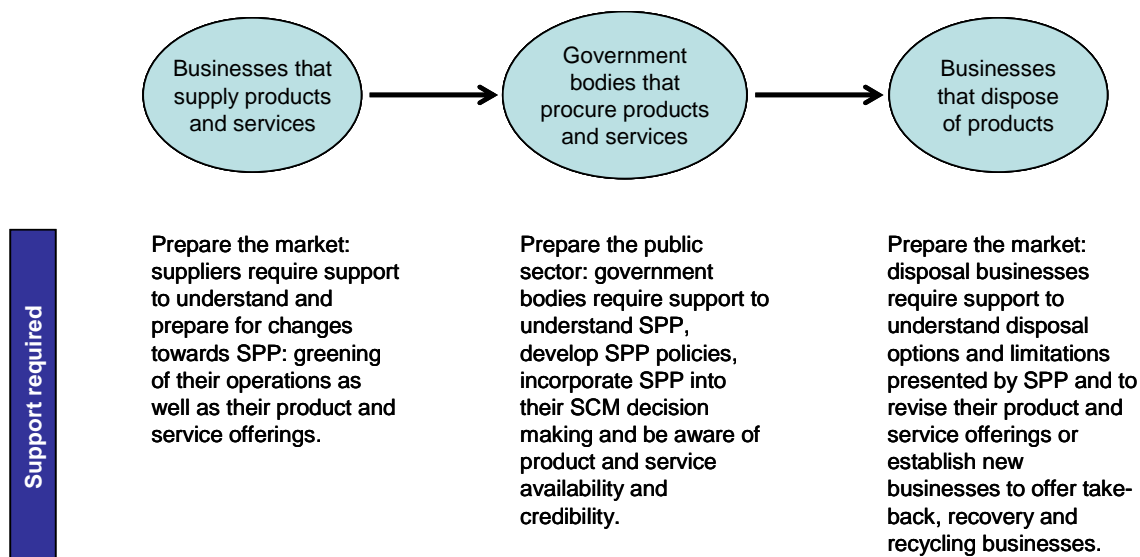


Figure 6: Outline of support required by government bodies and businesses that would be affected by sustainable public procurement

	Procuring government bodies		Suppliers of products / services to government bodies		Businesses that dispose of products from government bodies	
	Support required by procuring government bodies	Potential service providers of support required by procuring government bodies	Support required by suppliers of products / services to government bodies	Potential service providers of support required by suppliers of products / services	Support required by businesses that dispose of products from government bodies	Potential service providers of support required by businesses that dispose of products
Capacity building	Awareness and understanding of SPP	NBI; WWF; WESSA, ID; SAT	Awareness and understanding of SPP	NBI; DTI		
	Training workshops: implementation of SPP	SETA; ID	Training workshops: criteria and preparation for SPP	NBI; EGS	Training workshops: responsible disposal, recovery, recycling	IWMSA; EGS
	Newsletters sharing best practice	NBI; ID	Newsletters informing of product / service environmental criteria & global trends	NBI; IDC; EGS; SBD		
	Case studies sharing best practice	NBI; ID; NCPC	'Guidance audits' to help suppliers prepare for SPP changes: how to green their business and products – could extend to operational / production issues	NCPC		
	Self-help tools	NBI				
	Policy templates	SEA (energy focus)				
	Support to tailor policy templates	SEA (energy focus)				
	Forum for government bodies to share knowledge	NBI; ICLEI; IDASA; Other inter-governmental bodies				

	Procuring government bodies		Suppliers of products / services to government bodies		Businesses that dispose of products from government bodies	
	on SPP					
Information accessibility	Database of products and services including availability, price, supplier contact information, technical specifications for product / service areas*	CD; ND			Information provision regarding licensing and open channels for applying for licences.	DEAT
Marketing			Database to advertise products, services and 'greenness' of business operations*	CD; ND	Database to advertise waste management service and operations*	CD; ND
	Advertisements to government suppliers: SPP future expansion	DTI?	Case studies and awards schemes	NBI; NCPC	Case studies and awards schemes	NBI; NCPC
			Green verification / certification / standards	SABS; CSIR, ES; SAT	Green verification / certification / standards	SABS; CSIR, ES; SAT
			Link to public sector organisations to demonstrate products / services	DTI		
Financing	Product / service subsidies	NT	Financing to set up 'green-friendly' businesses or to improve current state or products of current business	IDC; EGS (DTI)	Financing to establish recovery or recycling businesses	IDC; EGS (DTI); IWMSA

	Procuring government bodies		Suppliers of products / services to government bodies		Businesses that dispose of products from government bodies	
	Central buying negotiations	NT				
Other	Tracking of implementation of SPP	NT				

* this would be the same database – could have limited access to certain components of database

Note: The service providers identified are a preliminary assessment of who could provide this function. This is open to comment.

Some of the above services might need to be paid for, particularly the more intensive / tailored services provided to suppliers (e.g. guidance audits).

Service providers

CD	Current database providers e.g.: Enviropaedia, Urban Sprout, Green Space, CapeGreen
CSIR	Centre for Scientific and Industrial Research
DEAT	Department of Environmental Affairs
DTI	Department of Trade & Industry
EGS	Environmental Goods & Services Sector Forum
ES	Eco-Specifier
ICLEI	International Council for Local Environmental Initiatives
ID	Indalayethu
IDASA	Institute for a Democratic Alternative for South Africa
IDC	Industrial Development Corporation
IWMSA	Institute of Waste Management South Africa
NBI	National Business Initiative (member support only)
NCPC	National Cleaner Production Centre
ND	New database
NT	National Treasury
SABS	South African Bureau of Standards
SAT	South African Tertiary Institutions
SBD	Small Business Development organisations
SEA	Sustainable Energy Africa
SETA	Sector Education & Training Authorities
WESSA	Wildlife & Environment Society
WWF	World Wildlife Fund

5.4 Approach to developing and implementing SPP

The following provides a recommended approach to developing and implementing SPP in all government bodies within South Africa. The approach is outlined in a suggested chronological order. It is recommended that:

- The Western Cape Provincial Government (WCPG) should provide a presentation to the Mintech (Ministerial Technical Committee), outlining their work in developing a green procurement policy and the implementation plans thereof. The work of the WCPG would therefore serve as a case study for potential rollout to other government bodies in South Africa.
- A presentation be made on the findings of this report to the Mintech to provide an understanding of the state of SPP in the country and to propose an approach to progressing

SPP in the country.

- An initial dialogue be held between national government departments who would play a role in defining national policy and initiatives related to SPP. These would be the Department of Environmental Affairs and Tourism (DEAT), the Department of Trade and Industry (DTI) and National Treasury. This dialogue should include discussion on the commitment to SPP, the approach to be taken in implementing SPP and the role that each department would play in advancing the state of SPP in the country.
- Dialogue be held between DEAT and key stakeholders to design and agree on the composition of the SPP national support unit, and decide on mandates and roles and responsibilities for the SPP national support unit. Funding of the unit should also be discussed. One of the key stakeholders should be established as the host body for the SPP national support unit.
- In parallel, DEAT should use the work of the WCPG to develop a national SPP policy paper, as a directive from national government will provide the impetus required to move SPP forward in other government bodies.
- Once roles and responsibilities of the SPP national support unit have been agreed upon, a big roll out to all government bodies should be carried out. This would focus on awareness raising and training regarding SPP. Hands on support should also be provided to help government bodies develop SPP policies. Initially, the programme should be rolled out with simple messages and good guidance, slowly introducing more complex messages through the technical specifications to be included in tender documents.
- Workshops should be held with suppliers and disposal companies who service public sector organisations to prepare them for the changes ahead regarding SPP.

6. Conclusion

While the social element of sustainable public procurement appears to be well provided for through national preferential procurement legislation, green procurement does not appear to be a current priority of most government bodies in South Africa.

The report provides recommendations regarding the support required to promote the implementation of SPP and identifies a proposed structure and approach to the provision of this support. It serves as a point of departure for a process of dialogue between public sector institutions and key stakeholders in further defining how SPP can be driven forward in South Africa and assigning roles in this respect.

The work that the Western Cape Provincial Government has undertaken in the development of a provincial green procurement policy should be supported through its implementation and serve as a pilot for other public sector authorities in the country.

Sustainable Public Procurement will form a key contribution to achieving the sustainable development goals of the government of South Africa. A significant opportunity waits to be grasped, but requires pressing and focused action and the drive to enable the necessary behavioural changes from all government bodies within the country. All in the South African public sector need to become aware of the power of their spending as a tool towards delivering a more sustainable future.

Bibliography and references

1. Browne, Christopher: MTF Sustainable Public Procurement Task Force – Update. Third Expert Meeting on SCP, Stockholm 2007.
2. Capestorm: Available online: www.capestorm.co.za/aboutUs.jsp. Accessed 26 May 2008.
3. De La Harpe, S (2008) Green Public Procurement – An Option for South Africa? *Article awaiting publishing*.
4. Department of Environmental Affairs and Tourism (1998) White Paper on Environmental Management Policy for South Africa, Government Notice No. 749 of 1998.
5. Department of Environmental Affairs and Tourism (2000) White Paper on Integrated Pollution and Waste Management for South Africa, Government Notice No. 227 of 2000.
6. Department of Environmental Affairs and Tourism (2004) *National Climate Change Response Strategy*.
7. Department of Environmental Affairs and Tourism (2007) Greening the 2008 Budget: Building a Fiscal Framework for Sustainable Development (draft), October 2007.
8. Department of Minerals and Energy (1998) White Paper on the Energy Policy of the Republic of South Africa 1998.
9. Department of Minerals and Energy (2005) Energy Efficiency Strategy of the Republic of South Africa 2005.
10. Department of Trade and Industry (2004) Draft Green Paper on the Consumer Policy Framework, Government Notice No. 1957 of 2004.
11. Du Ploy, Peet: South African Companies in the 21st Century - Opportunities for Global Leadership. WWF Trade and Investment Programme (2006).
12. Enviropaedia: www.enviropaedia.com. Accessed 12 May 2008.
13. Envirowise: www.envirowise.gov.uk.
14. Exxaro: Annual Report 2006.
15. Green Building Council of South Africa:
www.greenbuilding.co.za/index.php?option=com_content&task=view&id=242&Itemid=181
16. GreenStay: www.greenstaysa.org.za
17. Green Space: www.greenspace.co.za. Accessed 10 March 2008.
18. GRIP (2007) Norwegian National Program on Green Public Procurement. Available online: www.grip.no/Felles/Vedlikehold/English/GRIP_procurement.pdf. Accessed 25 February 2008.
19. ICLEI: Sustainable Procurement. Available online: www.iclei-europe.org/index.php?id=procurement. Accessed 5 May 2008.
20. ICLEI (2008) Sustainable Procurement: Training and Consulting Services to Make Procurement Sustainable. Available online: www.iclei-europe.org/index.php?id=5070. Accessed 19 May 2008.

21. International Institute of Sustainable Development: Sustainable Markets and Responsible Trade. Available online: www.iisd.org/markets.
22. Le Houerou. P and Taliencio. R (2002) Medium Term Expenditure Frameworks: From Concept to Practice. Preliminary Lessons from Africa. Africa Region Working Paper Series No. 28
23. Mabudafhasi. R (2006) Budget Vote Speech, 20 May 2008. Ministry of Environmental Affairs and Tourism.
24. Medi-Clinic: Annual Report 2007.
25. Medi-Clinic: Vision and Values. Available online: www.ir.mediclinic.co.za/vision.htm. Accessed 26 May 2008.
26. National Business Initiative: www.org.za.
27. National Cleaner Production Centre: www.ncpc.co.za.
28. National Treasury (2004a) Overview of a Framework for Supply Chain Management. Pretoria.
29. National Treasury (2004b) Supply Chain Management – A Guide for Accounting Authorities. Pretoria.
30. National Treasury (2005) National Treasury Regulations issued in terms of the Public Finance Management Act (1999). Pretoria.
31. Provincial Government of the Western Cape (1998) *Constitution of the Western Cape*. Cape Town.
32. Provincial Government of the Western Cape Department of Environmental Affairs and Development Planning (2007) *Climate Change Strategy and Action Plan for the Western Cape 2007*.
33. Republic of South Africa (1973) Hazardous Substances Act No. 15 of 1973.
34. Republic of South Africa (1996) Constitution of the Republic of South Africa No 108 of 1996. Pretoria.
35. Republic of South Africa (1998) National Environmental Management Act No. 107 of 1998.
36. Republic of South Africa (1999) *Public Finance Management Act No.1* of 1999. Pretoria.
37. Republic of South Africa (1999) Public Finance Management Act No 29 of 1999. Pretoria.
38. Republic of South Africa (2000) Preferential Procurement Policy Framework Act No 5 of 2000. Pretoria.
39. Republic of South Africa (2000) *General Procurement Guidelines*. Pretoria.
40. Republic of South Africa (2001) Preferential Procurement Policy Regulations made in terms of the Preferential Procurement Policy Framework Act No. 5 (2000). Pretoria.
41. Republic of South Africa (2003) Local Government: Municipal Finance Management Act *No 53 of 2003*. Pretoria.
42. Republic of South Africa (2007) Consumer Protection Bill 2007 (Second Discussion Draft 21 September 2006).
43. Republic of South Africa (2007) National Environmental Management: Waste Bill No. 39 of

- 2007.
44. South East England Sustainable Business Partnership: www.egeneration.co.za.
 45. Truworths: Annual Report 2007.
 46. Truworths: Environmental Impact. Available online: www.truworths.co.za/cms/cms11.asp?cmsid=2830&act=cm. Accessed 26 May 2008.
 47. Truworths: Social Impact. Online available: www.truworths.co.za/cms/cms11.asp?cmsid=2829&act=cm. Accessed 26 May 2008.
 48. United Nations Environmental Programme (2007) 3rd International Expert Meeting on 10 Year Framework of Programmes on SCP (Marrakech Process); Background paper 3: Mechanisms of the Marrakech Process.
 49. United Nations: Marrakech Task Force on Sustainable Public Procurement (SPP). Available online: www.esa.un.org/marrakechprocess/pdf/Fact_sheet_MTF_procurement.pdf. Accessed 26 May 2008.
 50. United Nations: Marrakech Process Task Force on Cooperation with Africa. Available online: www.webapps01.un.org/dsd/partnerships/public/partnerships/2271.html. Accessed 26 May 2008.
 51. Van Schalkyk. M (2008) Budget Vote Speech, 20 May 2008 - Growing the Environment and Tourism Sectors. Ministry of Environmental Affairs and Tourism, National Assembly.
 52. Wellness Warehouse: Environmental Support. Available online: www.wellnesswarehouse.com/company_environment.php. Accessed 26 May 2008.
 53. Wellness Warehouse: Core Values. Available online: www.wellnesswarehouse.com/company_values.php. Accessed 26 May 2008.
 54. Western Cape Provincial Government (2007) Sustainable Development Implementation Plan, Cape Town, South Africa.
 55. Western Cape Provincial Government (2008) Green Procurement Policy for the Province of the Western Cape (draft) *Not yet publicly available*.
 56. Western Cape Provincial Government (2008) Green Procurement Policy for the Western Cape Government: Background Research Report (draft). *Not yet publicly available*.
 57. Western Cape Provincial Government (2008) Implementation Plan for the Green Procurement Policy of the Province of the Western Cape (draft). *Not yet publicly available*.
 58. Woolworths Holdings Limited: Annual Report 2007.
 59. Woolworths Holdings Limited: Sustainability Report 2006.
 60. Waste Resources Action Programme (WRAP): www.wrap.org.uk

Appendices:

1. Sector specific SP verification schemes and eco-labels in South Africa

Verification scheme	Focus	Driven by	Current state
SABS	Standard for solar water heaters which companies wishing to be accredited on Eskom's solar water subsidy list need to comply with to qualify for the subsidy.	SABS & Eskom	The standard is apparently expensive to obtain and significant problems have apparently been experienced in accessing the subsidy. No plans for the development of environmental verification systems or criteria for further products or services by SABS are currently known
GreenStaySA	An environmental grading system for the accommodation sector in South Africa that will help to reduce the environmental impact of tourism before, during and beyond the Soccer World Cup in 2010.	Department of Environmental Affairs and Tourism, Tourism Grading Council of SA and Indalo Yethu.	Currently under development.
Eco-Specifier	Greening of building products and services. Will be able to be used by businesses wishing to meet the green rating requirements of the Green Building Council of South Africa.	Eco-Specifier (Australian rating scheme)	Being introduced to South Africa in July 2007
Energy efficiency rating	Energy efficiency of equipment	DME – part of the national energy team workplan (but to be performed by SABS)	Currently being investigated? Further info from SEA
Verification	Focus	Driven by	Current state

scheme			
Cape Green	Rating system of greening of building products and services	Mark Bromage (Cape Green)	System currently under development
National Cleaner Production Centre's eco-labelling initiative	UNEP country pilot eco-labelling project exploring developing an eco-certification label for the textiles and clothing industry. The vision is for this to be a stepping-stone to developing a national eco-certification label.	NCPC: CSIR	Currently underway
Association of BEE Verification Agencies (ABVA)	Aims to facilitate the accreditation of qualifying BEE verification agencies as set out in the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice and guide the development of the industry by standardizing the ratings methodology, setting the standards for ethical behaviour, professional development and the achievement of excellence in the profession.	ABVA	ABVA is working hand-in-hand with the South African National Accreditation System (SANAS) to establish BEE Verification Agency accreditation requirements

2. Key Areas to be addressed to successfully implement GPP Principles

Observations / Concerns	Provinces (Number of interviewees mentioning concern)	Municipalities (Number of interviewees mentioning concern)
Political Framework and Mandate	<ul style="list-style-type: none"> • Need for political framework (2) 	<ul style="list-style-type: none"> • Mandate and driving champions required (4) • Integrate GPP with existing procurement framework (3)
Awareness / Training	<ul style="list-style-type: none"> • Increased awareness amongst officials needed (2) • High environmental awareness levels and motivation among provincial officials (1) • CFOs and procurement officials need to be highly trained (2) 	<ul style="list-style-type: none"> • Need for training (for Treasury in particular) (3) • Clear guidance needed (3) • Training for everyone to ensure buy-in (2)
Timeframe for Implementation	<ul style="list-style-type: none"> • Phased approach needed (2) • Allow for long process (2) 	<ul style="list-style-type: none"> • Phased approach (2) • Cautious approach: Life-cycle thinking: avoid impact-shifting (e.g. bio-fuel) (1) • Long process (2)
Premium Cost	<ul style="list-style-type: none"> • Cost increase (1) 	<ul style="list-style-type: none"> • Challenge of life-cycle costing (3) - establish business case for GPP. • No increased budgets expected for GPP (as this was case for PPP) (1)
Guidelines for GPP	<ul style="list-style-type: none"> • Clear (product-specific) guidelines needed (2) 	<ul style="list-style-type: none"> • Specific and easily understandable specifications in addition to general criteria (5) • Rather general specifications (2): Fast changes in environmental criteria. • Eco-criteria need to be implemented in bid specifications (1)
Monitoring GPP	<ul style="list-style-type: none"> • Monitoring (2) 	<ul style="list-style-type: none"> • Monitoring System and targets (2) • Need for objectives and targets (1)
(Un)availability of Green Alternatives		<ul style="list-style-type: none"> • Green supplier database (1) • Unavailability of "green products" (2) • But: public procurement is a way to start to create a market for these goods (1)
Others	<ul style="list-style-type: none"> • "Dedicated and focussed" efforts will be needed. (1) • Consultants should not be used: Sufficient capacity within government (1) • Government should implement high environmental standards for all products (e.g. through SABS) (1) 	<ul style="list-style-type: none"> • Important to "sell" environmental criteria to Treasury to ensure their buy-in (1) • First step towards GPP must be in-house focused (e.g. behavioural changes, strict demand management) (1) • Cautious approach: Life-cycle thinking: avoid impact-shifting (e.g. bio-fuel) (1) • Procurement not first priority for Environmental Management Department (1) • GPP-cooperation with other cities, nationally and internationally (1) • Cooperation between Treasury and Environmental Department: Committee on GPP (1) • Capacity constraints to manage GPP within Environmental Department (2)

3. Government and external stakeholders interviewees

The following national, provincial and municipal government bodies were contacted and provided input to the current state assessment of SPP in South Africa:

Municipalities	
Municipal Government	Department
City of Cape Town	Environmental Management
	City Finance (Treasury)
	Strategic Development Information and GIS
Ekurhuleni Metro	Environment
	Treasury
eThekweni Municipality (Durban)	Environmental Affairs
	Treasury
Nelson Mandela Metropolitan Municipality (Port Elizabeth)	Department of Health and Environment
	Treasury
Tshwane (Pretoria)	Environmental Management
	Treasury

Provinces	
Provincial Government	Department
Eastern Cape	Economic Affairs, Environment & Tourism
	Treasury - Procurement
Free State	Tourism, Environmental and Economic Affairs
	Treasury
Gauteng	Agriculture, Conservation & Environmental Affairs
	Treasury
KwaZulu-Natal	Agriculture and Environmental Affairs
	Treasury SCM
Limpopo (Northern Province)	Economic Development, Environment and Tourism
	Treasury
Mpumalanga	Agriculture and Land Administration
	Treasury
Western Cape	Treasury
	Environmental Affairs and Development Planning
	Waste Management
	CFOs: All departments
	SCM: All departments

National Government Departments
Department of Environment Affairs & Tourism
National Treasury SCM

The following external stakeholders provided input to the nature and potential impact of various SPP-related public and private initiatives in South Africa:

Organisation / business	Name
Cape Green	Mark Bromage
UNISA: Centre for Corporate Citizenship	Sunette Pienaar
Development Network Africa (DNA)	Amanda Jitsing
Department of Trade and Industry (DTI)	Marba Visagie
Ecospecifier	Lizette Swanevelder
Enviropaedia	David Perry-Davies
Envirosense	Susanne Ditke
University of the North West: Faculty of Law	Prof Stephen de la Harpe
Green Space	Theresa Wilson
ICLEI	Mark Hidson
National Business Initiative (NBI)	Hermien Botes
National Cleaner Production Centre (NCPC)	Fatimah Boltman
PWC	Petrus Gildenhuis
Solar Impact	Kevin van Niekerk
SURF – Sustainability Institute	Lisa Thompson-Smeddle
Sustainable Energy Africa (SEA)	Mark Borchers
University of the Witwatersrand	Professor Roland Hunter
Urban Sprout	Glen Adams
WWF	Peet Du Ploy