

Implementing Sustainable Public Procurement in South Africa: Where to start

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Written by Laura Turley and Oshani Perera

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Background to the Report

This report investigates the extent of policy space for the practical uptake of sustainable public procurement (SPP) in South Africa. It also assesses opportunities for the launch of pilot tenders that will yield greater environmental, social and economic value across the life cycle of the asset or service being procured. Most importantly, this report also demonstrates that the Government of South Africa can use sustainable public procurement to drive green industrial growth, implement Broad-Based Black Economic Empowerment, increase green innovation and deliver better value-for-money for the South African tax payer.

Through its work on public procurement, the International Institute for Sustainable Development (IISD) addresses the costs and benefits of sustainable procurement practices, and explores the efficiency of alternative procurement models—including those that integrate private capital—to foster innovation, reduce costs and create competitive advantages in green economic growth. IISD engages with governments and the private sector to conduct preparedness assessments, undertake targeted and applied research projects, and to launch pilot projects to demonstrate the synergies between economic and sustainability performance.

From the start, the prerogative of this project was to make recommendations on the design of a nationwide policy or program on SPP for the South African government. It was also important to identify an appropriate institutional home for such an initiative, assuming there might be a need for a national driver or agent of change. Research on the existing legislation on public procurement revealed, however, not only the existence of strong provisions for advancing social priorities (i.e., addressing historical inequity) through public procurement, but also sufficient space for the pursuit of environmental priorities (e.g., low carbon development, water conservation, resource efficiency) and wider economic development (e.g., employment, local manufacturing capacity). It therefore became very clear that the policy space for the implementation of SPP was indeed prevalent across the many legal instruments that promote environmental stewardship, social cohesion and industrial development. The project therefore began to focus on the next steps—how to get started and where pilot tenders and demonstration projects could be scaled up.

This report draws data from three research methods: 1) extensive, semi-structured bilateral interviews were conducted both in person and by phone; 2) a targeted stakeholder round table took place in Pretoria in May 2013; and 3) far-reaching desktop research drawing from existing literature from verified sources was also undertaken. The final report thus represents the perspectives of a diverse range of stakeholders and has synthesized their views, while seeking to maintain the richness of the discussions of the data collection process. It should be noted, however, that the service providers (i.e., suppliers, contractors) are underrepresented in the primary research. To address this gap, the authors have made an effort to balance the discussion with private sector perspectives gleaned from other country projects. A full list of departments, organizations and companies that contributed to the data collection process can be found in Annex 1.

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Executive Summary

In addition to the primary function of public procurement, which is to acquire goods, services and infrastructure on the best possible terms, it can also have broader social, economic and environmental implications. In South Africa, government procurement has been used explicitly, since the end of the apartheid regime, to pursue secondary objectives—most notably the advancement of historically disadvantaged people or groups of people. This strategic use of public procurement for affirmative action is a renowned example of the pursuit of wider social/socioeconomic priorities through this ongoing government function.

Beyond advancing social objectives, public procurement in South Africa is also being leveraged towards generating employment, enhancing domestic manufacturing capacity, and supporting the nascent renewable energy industry—among other green and inclusive growth priorities. This report presents the plethora of policies, frameworks and accords that have emerged at the national and subnational levels over the last five years that demonstrate public procurement has become an integral policy tool for South Africa's growth and transformation.

This report assesses the status of sustainable public procurement (SPP) implementation in South Africa, defined broadly as the laws, policies and practices that integrate economic, social and environmental risks into public procurement processes and decisions. We suggest that the time is ripe to leverage public procurement as a tool for sustainable development and green economic growth in South Africa, and identify where such actions are already taking place. Our report shows that municipalities, provinces and the private sector have been taking initiative and building their awareness and expertise in SPP and moving ahead with their own initiatives, albeit with varying degrees of success.

Sustainable public procurement policies and practices come about differently in different national contexts. In some cases, the formalization of SPP through dedicated laws or policies provides the legitimacy for implementation, and provides clear directives and expectations to policy-makers and procurers. Other times SPP is driven by the momentum generated on the ground, through successful subnational programs and pilot projects that generate positive multipliers across the economy and serve to strengthen the business case from the bottom-up. Or indeed, SPP could originate from other instruments of policy-making entirely, such as national sustainable development action plans, greenhouse gas mitigation efforts, initiatives to increase the uptake of environmental technologies and efforts to promote products/services from minority suppliers. In any case, a completely new and dedicated legislative regime is not a prerequisite for implementing SPP.

The report makes the case that the existing legislative and policy space in South Africa is sufficiently conducive at present to getting started with SPP activities and practices, and indeed that the social component of SPP is already exemplified through the implementation of preferential procurement policies. Procuring entities are already leveraging the power of the public purse to pursue diverse societal goals, many of them in line with the principles of SPP, as is demonstrated in this report. While there is no one institutional champion for SPP visible in the current political landscape, it is not preventing it from taking root across the country in various guises.

Undoubtedly, realizing the full potential of SPP will eventually require changes in thinking, mindsets and regulations around public accounting and public finance regimes, in order to incorporate life-cycle costing and multiyear accounting frameworks. For these changes to come into force, South Africa's National Treasury will ultimately be the institutional focal point as the body responsible for managing the government's finances. In the interim, however, there are myriad SPP "champions" putting theory into practice on the ground, providing procurers and stakeholders with important learning experiences that can then be expanded into wider public sector programs up to the national level.

The report is organized as follows:

Section 1 presents the business case for sustainable public procurement in today's South Africa. With government procurement representing 29 per cent of GDP, it has significant potential to be leveraged to address South Africa's social, economic and environmental challenges. Some of these challenges include: a persistent unemployment crisis, especially amongst youth; economically detrimental social and racial segregation across society; and relatively low economic productivity compared to their counterparts in the BRICS economic grouping (made up of Brazil, Russia, India, China and South Africa). Already the government has embarked on a "New Growth Path," driven by the need for a more labour-intensive and inclusive growth path. Both explicitly and implicitly, public procurement has been identified as a means to attain a more equal, prosperous, and sustainable society for South Africa: this section builds on this premise.

Section 2 explores the legal parameters that define the operational framework for public procurement in South Africa. The notable Constitutional provision that allows for the preferential allocation of public procurement contracts for the "protection or advancement of persons or categories of persons, disadvantaged by unfair discrimination" is—in light of the strong social pillar for SPP it represents. Beyond this, the section presents the Public Finance Management Act (1999), the Municipal Financial Management Act (2003) and other pieces of legislation that enforce the implementation of procurement systems that are "fair, equitable, transparent, competitive and cost effective" across the country. While there is no dedicated law or policy on SPP in South Africa, it is clear that nothing explicitly preventing its uptake, and moreover there are provisions which can be interpreted in full support of its implementation.

Section 3 sheds light on the role that public procurement currently plays in advancing various social, economic and environmental priorities in South Africa. Public procurement is not only leveraged to provide preferential treatment for historically disadvantaged groups and individuals, but also for small, medium and micro enterprises (SMMEs) and to support domestic manufacturing capacities. Meanwhile, complementary industrial development policies identify public procurement as a key driver for enhancing domestic manufacturing and increasing employment. Furthermore, national commitments to renewable energy procurement targets, and the peripheral activity in climate action and energy efficiency are creating a conducive environment for the more widespread uptake of SPP practices, and fostering an appreciation for value for money across the lifecycle thinking. Finally, new and ambitious efforts to tackle corruption may be laying the foundations for a more accountable, transparent and efficient public procurement system.

Section 4 looks at how SPP is coming of age as governments realize that procurement can be a strategic and effective process through which they can achieve political mandates and goals on sustainable and equitable development. Across 2011 and 2012, both the World Trade Organisation Agreement on Government Procurement (WTO GPA) and United Nations Commission on International Trade Law (UNCITRAL) Model Law on Public Procurement introduced explicit provisions on environmental and social sustainability. Although some sustainable development proponents are likely to argue that these provisions are weak and long overdue, they are and will continue to be extremely influential in encouraging national governments to act on SPP in an unprecedented manner.

Section 5 looks at how various entities in South Africa—from provincial and municipal governments, to state-owned enterprises (SOEs), to private sector suppliers—are moving forward with SPP activities in the absence of an overarching national strategy or policy. It will be shown that a range of efforts have been undertaken, with varying degrees of success, but that overall the examples serve to make the point that it is possible to "get on with it" and implement SPP on an ad hoc basis in the current public procurement context. As was stressed throughout previous

sections, the policy space is sufficiently accommodating to run pilot projects, develop strategies and targets on SPP, and to experiment with greening supply chains and to begin to consider whole-life costing in public procurement decisions.

Section 6 discusses the investment incentives offered by the Government of South Africa and the extent to which they can be used to support the implementation of SPP. This section builds upon the premise that when governments align targeted foreign direct investment (FDI) sectors with major areas of public spending, the certainty of the domestic investment climate increases significantly. Moreover, public procurement becomes a de facto investment incentive as it ensures investors that domestic demand for their products and services will remain scaled up in the longer term. It is shown that the South African policy framework does indeed make preliminary provisions to align public procurement spending with FDI target sectors. The analysis focuses on illustrating the potential gains that can be achieved when investment incentives, FDI target sectors and SPP policies are better calibrated.

Section 7 concludes the report by suggesting that the time is ripe for SPP implementation in South Africa, and that next steps should build on ongoing initiatives. Incremental progress on SPP implementation at a local level is a legitimate approach to building the business case from the bottom up—this approach is being taken up in Canada, for instance, in the absence of national guidance and policy. In the case of South Africa, there is widespread interest to pursue SPP policies where there is existing leeway, through ongoing initiatives, and where SPP will be easily taken up and have clear benefits (e.g., energy efficiency, retrofitting, local content). To this end “quick wins and big wins” should be identified. It will also be important to learn from where procurement has gone wrong in the past and know how we can avoid making these mistakes in the future. Furthermore, pursuing pilot areas that have multiple objectives (e.g., procuring water supply for schools) is identified as a good way to get diverse stakeholders on board.

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Section 1: The Business Case for Sustainable Public Procurement in South Africa

1.1 Section Summary

South Africa is facing a plethora of development challenges: a persistent unemployment crisis, particularly amongst the youth population; social and racial segregation that continues to thwart economic growth; and low economic productivity in comparison to their BRICS¹ counterparts. In light of these challenges and others, economic competitiveness is still in early stages in today's South Africa, and is driven by a vision for a more labour-intensive and inclusive growth path, one that focuses on value-added exports and supporting domestic industry and manufacturing. This vision is articulated in the New Growth Path (2010) and the National Development Plan (2012).

Public procurement spending represents 29 per cent of South Africa's GDP. The potential for this spending power to be leveraged to confront South Africa's development challenges is thus tremendous. Sustainable public procurement (SPP) in South Africa represents an opportunity for the government to use an ongoing public function to move strategically towards these and other policy objectives simultaneously. Indeed, as will be shown in subsequent sections, the policy space is sufficiently conducive for public entities across the country to move in this direction and address their social, economic and environmental priorities, as some are already doing on an ad hoc basis. What is required at this point is a coalition of provinces and municipalities who are at the forefront of SPP to demonstrate its positive multiplier effects and inspire systemic change towards a more strategic use of the public procurement function.

1.2 Snapshot of the Economy

As indicated in the 2013 Budget Speech, employment generation, inclusive growth, and fiscal sustainability are the current priorities of the South African government. The 2008/09 economic recession led to the loss of one million jobs across the country, and the expansion of work opportunities for South Africans, and young people in particular, is of urgent national importance (Gordhan, 2013). Employment is highlighted as a priority in the government's new strategic framework for growth and development (the National Development Plan 2030) which strives for a fall in unemployment rates from 24.9 per cent in June 2012 to 14 per cent by 2020 and 6 per cent by 2030. Employment also features prominently in the New Growth Path (2010), which calls for the creation of five million new jobs by 2020.

At the same time, the government of South Africa is striving for inclusive growth amongst its population. Rapid urbanization has brought 62 per cent of South Africans to cities and towns, which is having the unfortunate effect of enhancing the segregation between towns and townships (the peripheral, historically non-white neighborhoods) in ways that are proving detrimental to inclusive growth. According to the 2013 Budget Speech, these "[h]ighly inefficient, segregated and exclusionary divides between town and township impose costs not only on the economy and the fiscus, but also on families and communities" (Gordhan, 2013). The challenge of social solidarity is present in both urban and rural contexts, and represents an ongoing national priority to be negotiated.

¹ The acronym "BRICS" stands for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa.

BOX 1. CURRENT GUIDING FRAMEWORKS FOR THE SOUTH AFRICAN ECONOMY

The National Development Plan 2030* (National Planning Commission)

The National Development Plan (NDP) is South Africa's new overarching strategic framework for growth and development, and was developed in 2012 by the National Planning Commission. The NDP articulates South Africa's long-term vision for an equitable society. Looking ahead to 2030 and the "transformation imperatives" of the next 20 years, the NDP envisages enhancing work opportunities for young people, transforming the urban landscapes, bridging racial and other divides in society, increasing economic competitiveness, and adapting to a low-carbon economy.

The New Growth Path (Economic Development Department)

Launched by the Economic Development Department in November 2010, the New Growth Path (NGP) articulates the need for a more labour-intensive growth path in South Africa. The NGP identifies specific target sectors to facilitate this employment intensification and proposes complementary packages of macro and micro policies to ensure competitive and employment-friendly growth.

* <http://www.gov.za/issues/national-development-plan/index.html>

Certainly economic competitiveness also remains paramount considering the relatively small size and low productivity of the South African economy compared to their BRICS counterparts. Following membership in 2010, trade relationships are shifting. China is currently South Africa's largest trading partner in terms of both imports and exports, with South Africa's exports to China increasing from 6.4 billion rand (R) in 2004 to just over R81 billion in 2012, while South Africa's imports from China grew to R120 billion in 2012 ("SA seeks 'balanced trade' with China," 2013). While currently much of this export is in the form of raw materials, the South African government is putting an emphasis on value-added exports. The challenge lies in striking a balance between defending against low-cost competitors such as China, and building stronger linkages with the world's fastest growing economies and emerging consumer markets for value-added products in Asia, Latin America, and Africa.

At the same time, there is growth within African markets. Africa now accounts for 18 per cent of South Africa's total exports. A future trilateral free trade area covering 26 African countries is on the horizon - which would bring together the East African Community (EAC), the Common Market for Eastern and Central Africa (COMESA) and the Southern African Development Community (SADC). Such a market would greatly expand South Africa's own export market. There is thus an explicit and timely need to invest in infrastructure, raise productivity and diversify the economy.

1.3 The Power of the Public Purse

According to South Africa's Estimates of National Expenditure, total government spending is estimated to reach over R1.1 trillion for the 2014/15 financial year; accounting for 29.1 per cent of GDP (DTI, 2013). This figure demonstrates the significant ongoing purchasing power of the public purse, and the potential for public expenditure to be leveraged to support South Africa's broader economic, social and environmental objectives.

The business case for SPP in South Africa thus begins with the fact that this large volume of government spending can be used to transform production and consumption towards a greener, more inclusive economy. When public demand is directly targeted at sustainable goods, services and infrastructure, public procurement serves as an incentive for private enterprises to invest, produce and deliver sustainable goods and services to both the public sector, and subsequently to consumers at large. SPP can be used to increase green jobs, develop skills, and improve green industrial competitiveness across a number of sectors.

SPP is about governments using their purchasing power to provide leadership for sustainable development. It is a policy that industrialized nations have been implementing incrementally for over 10 years, and the outcomes are demonstrating its potential to transform markets and drive sustainable industrial growth. From sustainable timber to resource efficient buildings, from green roads to sustainable electronics, governments have succeeded in using the public purse to provide industries, especially domestic industries, with a much-needed incentive to invest, innovate and commercialize sustainable products and services. Moving forward—through pre-commercial procurement,² first commercial procurement,³ and procurement of innovation⁴ and through model product/service checklists—the European Union, Japan, South Korea, and the United States are increasingly positioning procurement as a trigger for innovation and to bring better “value for money” for the public sector while creating market opportunities for domestic industries.

BOX 2. DEFINING SUSTAINABLE PUBLIC PROCUREMENT (SPP) AND GREEN PUBLIC PROCUREMENT (GPP)

Sustainable Public Procurement is about the laws, policies and practices that integrate economic, social, and environmental risks into public procurement processes and decisions (Perera, Chowdhury, & Goswami, 2007).

Sustainable Public Procurement is a process “whereby organizations meet their need for goods, services and utilities in a way that achieves value for money on a whole-life basis in terms of generating benefits not only to the organization, but also to society and the economy, while minimizing damage to the environment. Procurement should consider the environmental, social and economic consequences of: design; non-renewable material use; manufacture and production methods; logistics; service delivery; use; operation; maintenance; reuse; recycling options; disposal; and suppliers’ capabilities to address these consequences throughout the supply chain” (U.K. Department of Environment, Food and Rural Affairs, 2006).

Green Public Procurement is “a process whereby public authorities seek to procure goods, services and works with reduced environmental impact throughout their lifecycle when compared to goods, services and works with the same primary function that would otherwise be procured” (European Commission, n.d.).

SPP is also a **practical** policy instrument given that procurement is an activity that all governments undertake: purchasing goods, providing public services and commissioning infrastructure are important parts of their mandate. Moreover, in many countries there is added urgency for expanding public services, and this presents early opportunities to raise institutional and industrial development capacities in a very real manner. SPP offers the opportunity to “get it somewhat right” by using an already-existing process and realizing the macro benefits, which include creating sustainable supply chains, building skills on eco-efficiency, ensuring decent work and social cohesion, increasing employment and more. The question becomes: why *not* spend this money in a way that triggers more positive social and environmental externalities?

² Pre-commercial procurement is when governments purchase R&D services or solutions for products and technologies that are not yet commercially available. Pre-commercial procurement enables public procurers to: a) share the risks and benefits of designing, prototyping and testing new products and services with the suppliers; b) create the optimum conditions for wide commercialization and take-up of R&D results; c) pool the efforts of several procurers to enable economies of scale.

³ First Commercial Procurement is when government purchase newly developed products, services and solutions, where prototypes have been tested, but have not yet been commercialized. The government acts as a first-time buyer to share the risks, with the private sector, for market penetration and first time commercialization.

⁴ Procurement of innovation is when the public sector commissions R&D to meet longer-term social, environmental and technological needs. Typically such research is not, at this point, directed at a commercial product or service.

1.3.1 Key Areas of Government Spending

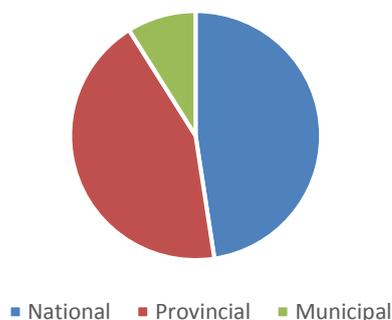


FIGURE 1. ANNUAL BUDGET ALLOCATION BETWEEN SOUTH AFRICAN GOVERNMENT ENTITIES, 2013/14

To better understand the potential impact of SPP, it is useful to assess the key spending areas of the national and subnational governments. In the case of South Africa, most government spending takes place at the federal and provincial levels of government, as seen in Figure 1. For the 2013/14 fiscal period, the federal budget is divided as follows: 47.6 per cent to national departments for infrastructure and national development programs, 43.5 per cent to provincial departments, mainly for education, health and social welfare, and 8.9 per cent to local municipal governments, principally for providing basic services to low-income households. Additional allocations are made to municipalities for municipal water infrastructure, public transport, and integrated city development.

The state and its public entities are major procurers of goods and services, with many billions of rand spent every year on products needed for its service delivery departments, infrastructure programs and economic, social, and criminal justice functions.⁵ Key areas of government spending for the 2013/2014 fiscal year are in infrastructure development, education, health, housing and community development, public order and safety (Lings, 2013). Table 1 below draws from the 2013 Budget Speech to highlight in greater detail major spend categories for the government in the coming years.

⁵ Local Procurement Accord : <http://www.economic.gov.za/communications/publications/local-procurement-accord>

TABLE 1. KEY GOVERNMENT SPENDING AREAS, 2013-14 BUDGET⁶

SPEND (BILLION RAND)	TIME PERIOD	PROGRAM, SECTOR, OR ACTIVITY
827	2013 - 2016	Infrastructure—hospitals, health clinics, dams, water and electricity distribution networks, courtrooms, prisons, electrification of new homes, sanitation scheme
400	2013 -2016	Additional Infrastructure spending by Transnet, Eskom and other SOCs (with Treasury guarantees) for power generation plants, transmission lines, rail, ports, pipelines, large new water transfer schemes, airport upgrades
53.4	2013-14	Transport (earmarked for the Rolling Stock Procurement Programme and into national roads, and urban transport networks)
268	2013-14	Health and social protection
233	2013-14	Education, sport and culture
154	2013-14	Defense, public order and safety
136	2013-14	Local government, community amenities, housing, bulk water, water treatment, water distribution projects, water demand management
57	2013-14	General public services
48	2013-14	Economic services (including support to the Manufacturing Competitiveness Programme, Small enterprise finance agency, support to agriculture and fisheries, and the rehabilitation of mines)
35.6	2013-14	Energy (national electrification grants) and communications
30.5	2013-14	Improving human settlements, upgrading informal settlements in mining towns

Significantly, the government is planning to spend R827 billion on infrastructural development over the next three years. These commitments to the built environment to improve the availability of electricity, water, sanitation and integrated urban landscapes represent spending categories that use large quantities of raw materials and have the potential to create large amounts of pollution and waste, not to mention the impact of spatial and resource planning on social integration and sustainability. Furthermore, the nature of these investments into fixed long-term assets, if pursued without the inclusion of sustainability considerations in the early stages of infrastructure development, can lead to infrastructure “lock in”—where long-term impacts are decided by short-term investment decisions (Hanks, Davies, & Perera, 2008).

⁶ 2013 Budget Speech. For more on government expenditure 2013-14: <http://www.stanlib.com/newsatstanlib/Documents/SANationalBudget2013-2014.pdf>

Section 2: Public Procurement— The governing framework

2.1 Section Summary

There is a rather remarkable provision in the Constitution of the Republic of South Africa (Act 108 of 1996) that allows public procurement policy to provide for “categories of preference in the allocation of contracts, and the protection or advancement of persons or categories of persons, disadvantaged by unfair discrimination” (Section 217(2)). This has created the space for the implementation of an important social dimension of SPP, namely supporting the employment and empowerment of historically discriminated individuals (HDIs).⁷ South Africa has subsequently become known for its use of procurement preferences as “affirmative action” to advance the economic status of groups who had suffered discrimination under apartheid.

Beyond this important constitutional provision, the following section presents the other legal parameters that define the operational framework for public procurement in South Africa, the most relevant of which are depicted in Figure 2 below. The Public Finance Management Act (1999) marks the transition to a decentralized procurement system, managed by Accounting Officers in national and provincial departments; it also governs the timing and content of public budgets. The subsequent Municipal Financial Management Act (2003) establishes the regulatory framework for municipalities, namely Supply Chain Management (SCM) functions. These and other pieces of legislation enforce the implementation of procurement systems that are “fair, equitable, transparent, competitive and cost-effective.” While there is no dedicated law or policy on SPP in South Africa, it is clear that nothing explicitly preventing its uptake, and moreover there are provisions that can be interpreted in full support of its implementation. Section 3 will delve further into this discussion.

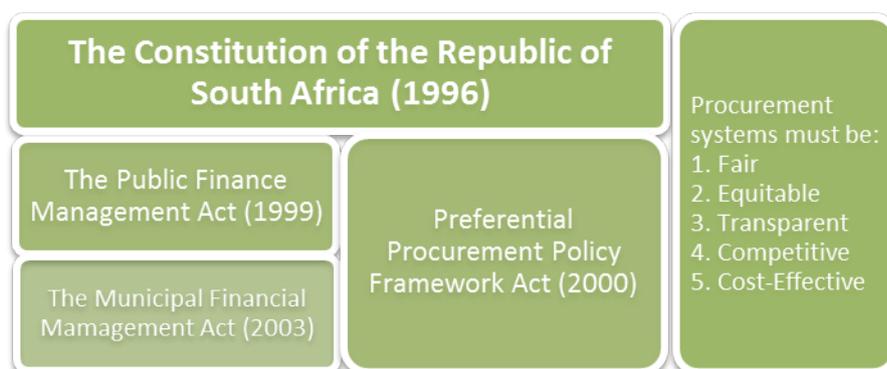


FIGURE 2. GOVERNING FRAMEWORK FOR PUBLIC PROCUREMENT IN SOUTH AFRICA

⁷ Other social dimensions of SPP might include provisions for fair working condition and wages.

2.2 The Constitution of the Republic of South Africa (1996)

In 1994 South Africa held its first democratic general election, and made the transition from a closed society to one characterized by democratic values. The new African National Congress (ANC) government, established following these first elections, realized the importance of efficient public procurement for the national economy and embarked on a major review via a Task Force under the Ministry of Finance and the Department of Public Works.

The Task Force developed principles and strategies for equitable and transparent public procurement and a simplification of processes, as South Africa faced the unique task of merging a “dual” economy (Knight, 2007). As a legacy of the apartheid years the country had both a “mainstream” economy led by a minority of 13 per cent of its 40 million population, and an “emerging” economy of small, medium and micro enterprises (SMMEs) owned by historically disadvantaged groups, comprising the balance of 87 per cent of the population (Knight, 2007). The Task Force decided that public procurement should be part of the fundamental strategy for a non-racial society, by encouraging partition of HDIs in public contracts; this provision was ultimately enshrined in the 1996 Constitution.

More precisely, Section 217 of the Constitution of the Republic of South Africa (Act 108 of 1996) establishes the primary and secondary procurement objectives, as indicated in Table 2 below. Subsection (1) provides that when organs of the state procure goods and services, they must do so in accordance with a system that is “fair, equitable, transparent, competitive and cost-effective.” These five criteria permeate all public purchasing decisions. Subsection 2 of Section 217 makes clear that procuring authorities are also empowered to implement procurement policies based on certain categories of preference. Finally, Subsection 3 goes on to require that national legislation prescribe a framework within which the preferential procurement policy must be implemented. The Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) was promulgated in response to this constitutional imperative, as discussed below (Watermeyer, 2011).

TABLE 2. PUBLIC PROCUREMENT OBJECTIVES IN SOUTH AFRICA AS PER THE CONSTITUTION

Objective		Reference
Primary	Procurement system is to be fair, equitable, transparent, competitive and cost effective.	Section 217 (1)
Secondary	Procurement policy may provide for: a) categories of preference in the allocation of contracts; and b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.	Section 217 (2)

Source: Watermeyer (2011).

The provision of Section 217 (2), it should be noted, is quite exceptional, in that it makes explicit the use of procurement as a policy tool. This is not common practice in most countries, and its inclusion is widely recognized as a testament to the importance of correcting past imbalances and to supporting vulnerable groups in society (Bolton, 2006). While organs of the state are not constitutionally obliged to implement preferential procurement (although they are bound by subsequent legislation addressed below), they are not *prevented* from using procurement as a policy tool. This detail is relevant in terms of the concrete legislative space it provides for the uptake of sustainable public procurement, most notably with respect to the “social pillar” of sustainable development.

2.3 Public Finance Management Act (1999)

The Public Finance Management Act (PFMA) of 1999 governs financial management practices in South Africa, and establishes a regulatory framework for supply chain management within national and provincial departments, as well as for state owned enterprises (SOEs). The PFMA makes provision for the use of procurement as a policy tool and, following the aforementioned five “pillars” outlined in the Constitution, defining the features of an effective procurement system as “fair, equitable, transparent, competitive and cost-effective.”

With the arrival of the PFMA, there was less emphasis on “following set rules” in public procurement decisions, and much more of a reliance on management flexibility to achieve provincial or departmental goals (Knight, 2007). The procurement process in South Africa essentially transitioned from being a “rules-based system” run by the State Tender Board, to being more flexible and decentralized. In particular, the PFMA created the concept of Heads of Departments being “accounting officers” with considerable independence, yet with specific obligations and responsibilities (Hanks, et al., 2007).

As Knight (2007) points out, this designation of Heads of Departments—in South Africa and elsewhere where similar legislation has been implemented—has had the effect of making their activities more business-minded; in this new role as “accounting officers” under the PFMA they become

“The PFMA holds one accountable for the results achieved, rather than one’s adherence to a set of rules, regardless of the results.” – Knight (2007)

conscientious of the limited financial and human resources at their disposal, but empowered with the flexibility to manage their organizational resources to achieve outputs and outcomes. That focus has extended to individual procurement decisions for which the Heads of Departments have complete responsibility, even though the Procurement Policy Framework still rests within the portfolio of the National Treasury (Knight 2007).

In terms of implementing sustainable public procurement, the decentralized procurement framework gives individual departments and local governments the desired flexibility to decide how their budgets are spent. This flexibility, in turn, increases opportunities to enlighten procurers and policy-makers to integrate environmental and social elements into the procurement process (Perera et al., 2007). Also, because local governments are more likely to be in tune with local priorities, and are often closer to local suppliers, supporting the local economy through local sourcing, or supporting SMEs, or promoting social cohesion on a local level may all be relatively easier to implement than if the procurement function were heavily centralized and rules-based (Perera et al., 2007).

Finally, as Chapter 4 of the PFMA governs the timing and content of the national and provincial budgets, it is this legislation that would ultimately need to be revised if the South African government were to more seriously consider a nationwide SPP policy. A key enabling aspect of SPP implementation is the ability to purchase in a way that borrows against the future (in order to capture future efficiency gains and cost savings), and indeed it is the PFMA that outlines what adjustments budgets must deal with, and outlines the minimum content for multi-year budgets.

2.4 Municipal Financial Management Act (2003)

The Municipal Finance Management Act (MFMA, 2003) then establishes a regulatory framework for supply chain management (SCM), including procurement, within municipalities and municipal entities. Significantly, the MFMA requires each municipality to have and implement its own SCM policy. Section 112(i) specifies for procurement systems which are fair, equitable, transparent, competitive, and cost-effective.⁸ Section 112(ii) requires supply chain management policy to assess bids based on best *value for money*. Essentially the MFMA legally empowers the municipalities to undertake the procurement function and to do so according to prescribed parameters.

⁸ MFMA (2003) Government Gazette 13 Feb 2004, No. 26019. Chapter 11 Goods and Services.

The MFMA also outlines how municipalities must deal, amongst other issues, with corruption and unsolicited bids, how financial reporting and auditing must be undertaken, and the conditions under which municipalities may enter into public-private partnerships (PPPs). It aims to modernize budget, accounting and financial management practices, and defines the roles of the council, mayor and officials in supply chain management. Broadly speaking, the MFMA ensures that local government finances are managed in a sustainable manner so as to enable municipalities to deliver the best possible service to communities.

With respect to SPP, this recurring obligation for procuring entities to implement procurement systems that are “fair, equitable, transparent, competitive, and cost-effective” can be interpreted to leave policy space for procuring goods and services that deliver whole-life value.⁹ Furthermore, the explicit requirement for the assessment of bids on **value for money** is encouraging in terms of facilitating an open dialogue about value for money at the time of purchase, vs. **value for money across the lifecycle** which is the aim of SPP policy.

As described above with respect to the PFMA, the decentralization of the procurement function can provide many tangible entry points for implementing SPP. Section 5 of this report outlines some of the initiatives that have been undertaken at municipal and provincial levels in South Africa, in the absence of a national SPP policy.

2.5 Preferential Procurement Policy Framework Act (2000)

The Preferential Procurement Policy Framework Act (PPPFA, 2000) gives effect to the government’s priority of empowering HDIs through preferential treatment in procurement activities. The PPPFA, in practice, obliges all government entities to evaluate and award tenders based, in part, on the supplier’s “scorecard” on broad-based black economic empowerment (B-BBEE) criteria. The reference to race in the legislation stems from apartheid’s policies of racial exclusion against non-white citizens; the term “black” in the context of the B-BBEE refers to black, coloured, Indian, Asian and second-generation Chinese citizens. B-BBEE is measured using seven pillars, each with a relative weighting, including:

1. Equity ownership
2. Management
3. Employment equity
4. Skills development
5. Preferential procurement
6. Enterprise development
7. Socioeconomic development

Prior to 2003, black economic empowerment was more narrowly defined, considering only equity ownership and management representation. With the Broad-Based Black Economic Empowerment Act in 2003 (B-BBEE Act), the intention was to go beyond tokenism, and to put mechanisms in place to accelerate the entry of black people into the mainstream economy. The B-BBEE Act established a code of conduct to inform the development of qualification criteria for the issuing of licenses or concessions, the sale of SOEs and for entering into partnerships with the private sector. All public entities, including SOEs, are obliged to comply with the Codes in the Act in decisions affecting, amongst others, procurement.

⁹ IISD Roundtable Discussion, May 10, 2013. For a list of participants please refer to Annex 1.

Thus the constitutional provision for public procurement to be used as a policy tool has already been availed of to a high degree in practice. The PPPFA entrenches the South African government’s commitment to economic growth by implementing measures to support industry generally and specifically to advance the development of both SMMEs and HDIs. Public procurement is thus continuously a means through which the South African government, at all levels, is strategically advancing social and economic objectives and priorities.

2.6 Preferential Procurement Policy Framework Regulations (2001)

The Preferential Procurement Policy Framework Regulations (2001) control the implementation of the PPPFA, and outline the point system for evaluating tenders. Specifically, a preference point system of 80/20 or 90/10 applies in awarding all public procurement tenders, as presented in Table 4 below. For contracts valued from R30,000 to R1 million, 80 evaluation points are allocated to price and 20 points for the suppliers’ preferential procurement compliance with BEE. For values over R1 million, this allocation becomes 90 points for price and 10 points for B-BBEE ratings. Total scores for price and B-BBEE preference are added to provide an overall score in the bid evaluation process.¹⁰

TABLE 3. ALLOCATION OF PREFERENCE POINTS AS PER THE PPPFA REGULATIONS

Tenders under a R1 million (80/20)		Tenders over a R1 million (90/10)	
B-BBEE Status Level of Contributor	Number of Pref Points	B-BBEE Status Level of Contributor	Number of Pref Points
1	20	1	10
2	18	2	9
3	16	3	8
4	12	4	5
5	8	5	4
6	6	6	3
7	5	7	2
8	2	8	1
Non Compliant	0	Non Compliant	0

Source: *Porteous and Naudé (2012)*.

In order to substantiate their B-BBEE rating claims, bidders are required to submit original and valid B-BBEE Status Level Verification Certificates or certified copies thereof together with their bids. The South African National Accreditation System (SANAS) has been mandated with accrediting BEE Verification Agencies, to ensure the consistency. There are currently 79 accredited B-BBEE-verification agencies issuing certificates.¹¹

Provincial governments have subsequently developed and adopted their own Preferential Procurement policies, which, while aligned with the National PPPFA, set out targets for provincial departments and entities, tailored to the socioeconomic environment of the province. The PPPFA creates the space for provinces and municipalities to develop databases of pre-qualified suppliers and provides the flexibility to address priorities in order of urgency.

¹⁰ Lower-value tenders will favour bidders with a better B-BBEE score, such as emerging enterprises.

¹¹ http://www.sanas.co.za/af-directory/bbbee_list.php

BOX 3. BLACK ECONOMIC EMPOWERMENT VS. THE ENVIRONMENT—REAL OR PERCEIVED TRADE-OFFS IN SPP IMPLEMENTATION?

A discussion about SPP in the context of South Africa invariably leads to the question of whether or not the B-BBEE provisions help or hinder the implementation of environmentally friendly procurement policies and practices. There is a concern that B-BBEE acts as an impediment or even rival to the more holistic implementation of SPP (i.e., including the environmental pillar).

From the research undertaken for this report, however, it seems that this concern is limited to intellectual or theoretical exercises more than it is founded in empirical research. Participants from across the South African government and SOEs participating in a roundtable discussion on SPP (hosted by IISD in May 2013) stressed that while the environmental component of SPP is what is currently lacking in the context of South Africa, its uptake is not at all hindered by the already-strong provisions for the social component of SPP.

In more concrete terms, this concern is regarding price—specifically the perception that there is **already** a price premium associated with adhering to B-BBEE rules, and that purchasing more environmentally sustainable goods and services will only incur an additional price premium for public procurers.

It is worth deconstructing these assumptions.

In reality, there is no funding mechanism for additional expenditure on B-BBEE; it is a universally applied criterion in the award of all public contracts. Keeping in mind the constitutional provision (Section 217) for procurement to be leveraged to meet so-called “secondary goals,” the government is exercising its right to pursue priorities—such as inclusive economic growth that addresses historical imbalances—through the public procurement function. The avoided costs of deeper social segregation in the aforementioned “dual economy” in the absence of such a procurement priority has not, to the knowledge of the authors, been pursued to date.

Regarding the perceived price premium of procuring more environmentally friendly goods and services, one must consider that purchase price is just one of the cost elements in the whole process of procuring, owning and disposing. **Value for money across the lifecycle** implies a consideration of all the costs that will be incurred during the lifecycle of product, service or infrastructure; usually this approach makes good economic sense regardless of a public authority’s environmental objectives (European Union, 2011). When buying sustainable does mean paying more up front, there are strategies for public procurers to negotiate with suppliers on lowering the purchasing costs of sustainable goods and services. *

* For more information see Perera (2010)

2.7 Construction Industry Development Board Act (2000)

As described in Section 1, infrastructure development is a priority for the South African government and as such receives a significant portion of total public spend under current (and presumably future) budgets. Thus the business opportunities for both foreign and domestic companies in the construction sector are quite attractive under present circumstances.

Companies who tender for public sector construction contracts must comply with the Construction Industry Development Board Act (Act 38 of 2000). The Act defines the construction industry as “the broad conglomeration of industries and sectors which add value in the creation and maintenance of fixed assets within the built environment.” Construction procurement thus involves not only engineering and construction works contracts, but also:

- a) Supply contracts that involve the purchase of construction materials and equipment.
- b) Service contracts relating to any aspect of construction including professional services.
- c) The disposal of surplus materials and equipment and demolitions.

To be eligible for public sector contracts, foreign and local companies are required to register with the Construction Industry Development Boards (CIDB). This prequalification procedure provides a potential entry point for SPP. Currently, companies registering for the CIDB are evaluated and categorized depending on:

- a) Grading designation.
- b) Status as a potential emerging enterprise.
- c) Status in terms of a best practice recognition scheme.
- d) Broad-Based Black Economic Empowerment (B-BBEE) commitment.

A sustainable procurement code could further require potential bidders to demonstrate conformity to sustainable practices, whether it be through ISO 14 001 certification, demonstrating past environmental performance or by presenting other relevant awards, certifications and accomplishments.

2.8 Regulatory Framework for Supply Chain Management (2003)

In 2003, recognizing the need to reform the procurement system further and align it with international best practice, and also to improve financial management, the Cabinet approved the Supply Chain Management Policy. The Regulatory Framework for Supply Chain Management (2003) is applicable to national and provincial departments, while the MFMA (2003) covers the supply chain management functions of local government authorities.

These regulations aim to incorporate individual functions within an organization into the integrated supply chain, considering the full chain of events from sourcing through to the use and disposal of the product. The regulations also empower the National Treasury to issue practice notes that address relevant supply chain management topics with a view to ensuring uniform minimum norms and standards within government.

2.9 National Treasury Regulations (2005)

The National Treasury Regulations reinforce the provisions of the PFMA and MFMA, finalize the devolution of the supply chain management function to the accounting officers, and formalize 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.
- Institutionalizing 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.
- 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.

The National Treasury ultimately retains the constitutional mandate and responsibility to develop norms and standards for public sector procurement. While provinces are then able to develop their own policies and procedures, they must fall within the Treasury's legislative and regulatory framework.

2.10 Prevention and Combatting of Corrupt Activities Act (2004)

The Prevention and Combatting of Corrupt Activities Act (2004) makes corruption and related activities an offence, and establishes a Register in order to place certain restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts. The Act places a duty on certain persons holding a position of authority to report certain corrupt transactions, including those related to the procurement function. Again, provinces and local governments are allowed to extend and develop these policies, systems and structures within the ambit of the national regulatory framework.

As will be shown in Section 3, fighting corruption in public procurement is a priority of the South African government, and has led to recent institutional restructuring and the instatement of a Chief Public Procurement Officer within the National Treasury.



Section 3: New and Ongoing Priorities in Public Procurement Policy

3.1 Section Summary

As provided for in the Constitution, and through subsequent legislation and regulations on procurement as outlined in Section 2, there is considerable scope in South Africa to leverage the procurement function to promote broader social, industrial or environmental policies. Though these aims are considered secondary to the principle aim of procurement, i.e., the acquisition of goods and services, they have been legislated, codified, and implemented to varying degrees, as will be explored here. As such, this section unpacks some of the new and ongoing priorities in public procurement policy in South Africa, in light of their implications for the ongoing implementation of SPP. Table 3 provides an outline of the discussion.

TABLE 4. SUMMARY CHART OF PUBLIC PROCUREMENT PRIORITIES IN SOUTH AFRICA 2013/14

PUBLIC PROCUREMENT PRIORITY	IMPLICATIONS	REFERENCE DOCUMENTS
Broad-Based Black Economic Empowerment (B-BBEE)	Public procurement continues to be used as a means of addressing past discriminatory policies and practices, such as those found during apartheid. Since 2000, the government's priority to empower historically disadvantaged individuals (HDIs) has been in effect. Also relevant to SPP implementation is the PPPFA's provisions for SMMEs and the 2011 amendments introducing a mandatory functionality assessment.	Preferential Procurement Policy Framework Act (PPPFA, 2000) Amendments to the PPPFA (2011)
Employment and local investment	Public procurement also features prominently in South Africa's present-day industrial policy. The Industrial Policy Action Plans (IPAPs) call for "a range of new procurement policy levers" to generate employment, investment and value-added manufacturing. The procurement initiatives under the IPAP frameworks are giving a new impetus to the implementation of sustainable public procurement.	Industrial Policy Action Plan (2014/15) Local Procurement Accord (2011) Revisions to the PPPFA Regulations (2011)
Environmental Sustainability and Renewable Energy	Public procurement is increasingly being used to support the transition to a green, sustainable economy, albeit to a lesser extent than towards "social" considerations under the PPPFA. Commitments to procuring local, renewable energy, to undertaking green pilot projects, and to national climate change targets are building the case for environmentally sustainable public procurement. It is increasingly being shown how procurement is an effective tool for "green outcomes" by provinces and municipalities.	Renewable Energy Independent Power Producer Procurement Programme (2011) Green Economy Accord (2011) National Energy Efficiency Strategy (2005)
Fighting Corruption	Public procurement has been the recent focus of efforts to tackle public sector corruption, with the creation of the Chief Public Procurement Officer at the National Treasury.	New Chief Procurement Office

This section will shed light on the key role that public procurement plays in advancing various social, economic and environmental priorities in South Africa. In addition to leveraging the PPPFA to provide preferential treatment to suppliers that empower historically disadvantaged peoples, the government of South Africa uses this same legislation to provide space for SMMEs and, as of recently, to support domestic manufacturing capacities. Meanwhile, other industrial policies complement these initiatives by identifying public procurement as a key driver for enhancing domestic manufacturing and increasing employment—two pressing economic and social priorities. Furthermore, national commitments to renewable energy procurement targets, and the peripheral activity in climate action and energy efficiency are creating a conducive environment for the uptake of more widespread SPP practices, and fostering an appreciation for value for money across the lifecycle. Finally, the renewed efforts to tackle corruption are essential to laying the foundations for an accountable, transparent and efficient public procurement system.

Stemming from both the aforementioned constitutional provisions and the so-called “soft laws” and initiatives as listed in Table 2 above, it is clear that procuring entities are already leveraging the power of the public purse to pursue diverse societal goals, many of them in line with the principles of SPP. In this section, the details of these and other priorities in procurement policy will be addressed in detail. It will be shown that the legal and policy landscape of SPP in South Africa is already sufficiently in place to get started with its implementation.

3.2 Priority 1: Leveraging the Preferential Procurement Policy Framework Act

3.2.1 Above and Beyond B-BBEE

As described in Section 2, the Preferential Procurement Policy Framework Act (PPPFA, 2000) gives effect to the government’s priority of empowering HDIs by obliging all government entities to evaluate and award tenders based, in part, on the supplier’s “scorecard” on B-BBEE criteria. Whereas this legislation was initially limited to equity ownership and management representation, this was expanded with the B-BBEE Act (2003) to include the seven pillars in place today to better ensure the entry of black people into the mainstream economy (outlined in Section 2). This harnessing of the public procurement function for affirmative action is undoubtedly a strong example of ongoing SPP implementation in South Africa.

In addition to awarding preferential procurement points based on B-BBEE criteria (but not instead of), public entities can also allocate preferential points on the basis of the following criteria:

- The promotion of South African-owned enterprises.
- The promotion of export-oriented production to create jobs.
- The promotion of small, micro and medium enterprises (SMMEs).
- The creation of new jobs or the intensification of labour absorption.
- The promotion of enterprises located in a specific province/municipality/region for work to be done or services to be rendered there.
- The promotion of enterprises located in rural areas.
- The empowerment of the workforce by standardizing the level of skill and knowledge of workers; the development of human resources, including by assisting in tertiary and other advanced training programs, in line with key indicators such as percentage of wage bill spent on education and training and improvement of management skills.
- The uplifting of communities through, but not limited to, housing, transport, schools, infrastructure donations, and charity organizations.

Thus, the PPPFA also contains provisions for wider wealth redistribution in South African society. This is logical in light of the history of the Act itself—prior to the signing of the PPPFA in 2000, the new post-apartheid government had an interim procurement strategy that accommodated the Reconstruction and Development Programme (RDP), which aimed to alleviate poverty and promote economic growth.

The aim of the PPPFA is therefore to enhance not only the participation of historically disadvantaged **individuals** but also the participation of entire portions of the economy that were historically disadvantaged—and particularly SMMEs in the aforementioned “dual economy”—in the public sector procurement system (Bolton, 2006). Mkhize (2004, pg. 12, cited in Bolton, 2006) articulates the advantages of increasing the participation of SMMEs in the government procurement system:

SMMEs tend to be more labour intensive and by definition less reliant on large amounts of capital and highly advanced technology and equipment. Being more flexible and less constrained by capital and technology-driven intensive factors of production, they are able to increase output, and hence employment, at faster rates than the formal, capital-intensive firms. A fast growing SMME sector accordingly has enormous potential to reduce unemployment, increase average household incomes, reduce the poverty gap, and increase the tax base of the economy, which in turn provides the basis for further, sustainable long term growth in the economy.

This explicit support for SMMEs, and also domestic, rural or women-owned enterprises under the PPPFA, shows the extent of the use of government procurement as an instrument of social and economic policy in South Africa.

3.2.2 A Renewed Focus on “Functionality”

In December 2011, the PPPFA was amended by the National Treasury, along with the Department of Trade and Industry (DTI) and the Economic Development Department (EDD). The main objectives of the amendments were to support economic development, to reduce fraud and corruption and ensure transparency in the procurement process (Porteous and Naudé, 2012). as prioritized under the New Growth Path and the Industrial Policy Action Plans (IPAPs), discussed in the next section.

Following these amendments, new regulations have simplified the overall bid evaluation procedure by formalizing a two-step process under which all bids are evaluated (see Figure 2). The first step consists of a functionality assessment, and the second step is the consideration of price and B-BEEE points, according to the aforementioned 80/20 or 90/10 scoring system. The functionality assessment is not mandatory, but if not undertaken the reasons must be stated and justified. Otherwise, failure to pass the functionality test will bar the bidder from proceeding to the price and B-BBEE assessment.

Bid Evaluation Process

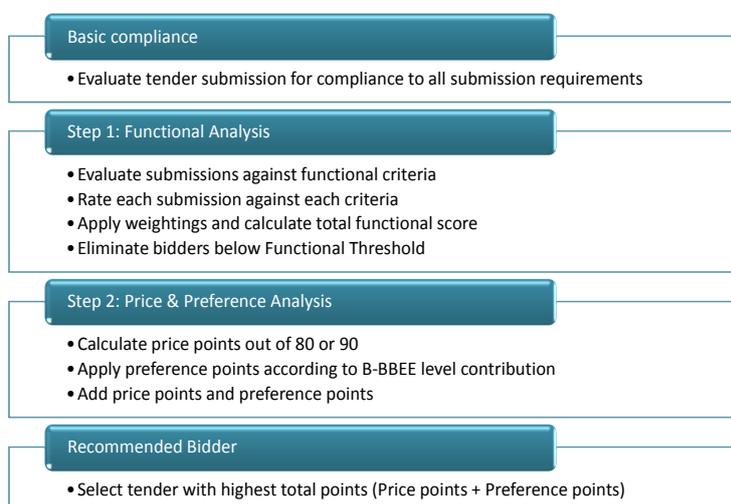


FIGURE 3. THE BID EVALUATION PROCESS FOR ALL PUBLIC ENTITIES AND SOES

Source: Porteous and Naudé (2012).

Following these legislative amendments, the request for proposals (RfP) will specify which specific criteria bidders will be assessed on in terms of functionality. This would include the ability to meet the specification, maintenance and support considerations, or the proposed transition to a given solution. Weighting is on a scale from 1 to 10, and the minimum score required must be stated in the RfP.

In terms of SPP implementation, this provision on functionality is a very positive development. First of all, functional assessments often require procuring authorities to undertake a more thorough needs analysis before issuing the RfP and the tender in the public domain. This might mean, for instance, that the procuring authority might more profoundly assess whether what they need is 100 computers or, in fact, an “information exchange solution” for a particular department. The latter approach could be called a more **functional procurement approach**—which is defined broadly enough to allow the private sector to innovate and potentially generate savings in resource use and operating costs. Secondly, the use of functional criteria in tender evaluation may explicitly include environmentally friendly characteristics, provided that they can be precise enough to allow procurement authorities to award the contract. Examples might be functional features related to durability, recyclability, or energy efficiency.

Thus the 2011 revisions to the PPPFA only strengthen the existing policy and legal frameworks towards the accommodation of SPP in South Africa. Particularly if this provision signals a move towards (or at least a space for) the procurement of function over discrete products, which can offer improved resource efficiency and hence further the environmental and economic components of SPP (Turley, 2013).

Notably, the 2011 revisions to the PPPFA apply not only to public departments but also state owned enterprises (SOEs), such as infrastructure provider Transnet and energy provider Eskom. While exempt in 2012 in order to prepare for the onset of the regulations, SOEs are now obliged to comply with the same preferential procurement criteria in their procurement processes. Interviews revealed that many were in compliance already, however, with the new PPPFA regulations.

3.3 Priority 2: Procurement as a driver of industrial development

3.3.1 Industrial Policy Action Plans (IPAPs)

As highlighted in the introduction, employment, inclusive growth, and the invigoration of the manufacturing sector are pressing national priorities. With this suite of prerogatives in the background, strong capital investment by the public sector—in the form of public procurement of goods, services, and infrastructure—is anticipated and expected to contribute to improved growth rates for the South African economy in the upcoming years.¹²

In particular, the public procurement process is explicitly identified as a “transversal theme” in South Africa’s national Industrial Policy Action Plans (IPAPs), and as one of the “key strategic levers for industrial development objectives.”¹³ The IPAPs have deployed a range of policy instruments related to procurement in order to boost industrial development, some of which are considered here.

BOX 4. INDUSTRIAL POLICY ACTION PLANS (IPAPS)

The Industrial Policy Action Plans (IPAP) are informed by the vision set out for South Africa’s development in the National Development Plan (NDP) and are located in the framework provided by the New Growth Path (NGP). The IPAPs consist of a series of interventions aimed at job creation, growing the economy, and halting the decline of the productive sectors. At the time of writing, the IPAP 2 (2012/13) is coming to an end and the 2014/15 IPAP has been published.

Whereas the existing growth path in South Africa is led by the consumption driven sectors, the productive sectors have lagged behind. Successive iterations of the IPAP have thus made the point that manufacturing has a vital role to play, and particularly in value-adding sectors, in generating employment and economic growth.

The National Industrial Policy Framework (NIPF) adopted by Government in 2007 provides the more general industrial policy framework for IPAP and the blueprint for Government’s collaborative engagement with its social partners from business, labour and civil society (DTI, 2013).

3.3.2 Local Content Designations

The Local Procurement Accord (2011) is a political agreement that aims to achieve 75 per cent local production of goods and services by 2020. Signed by Ministers of the DTI, EDD, the National Treasury, the Department of Energy, and the Department of Public Enterprises, as well as by businesses, labour unions, and community bodies, the objective of the Accord is to accelerate the creation of five million new jobs by 2020, and to support the goals laid out in the IPAPs. Significantly, the Accord clearly links public procurement to larger issues faced by the South African economy and society.

Section 9 of the PPPFA Regulations was revised in December 2011 to include this new and ambitious focus on local production and content. The new regulations provide for the designation of specific sectors, subsectors and products that all public entities (national, provincial, municipal and SOEs) are required to procure locally. In 2011, President Jacob Zuma announced:

¹² 2013 budget speech

¹³ DTI IPAP 2013-14 - 2015/16

These regulations will empower government to designate specific industries, of critical and strategic importance, where tenders should prescribe that only locally manufactured products will be considered, or that only locally manufactured products with a prescribed minimum threshold for local content will be considered.¹⁴

The 2011 revisions to the PPPFA Regulations empowered the DTI to designate industries, sectors and subsectors for local production at a specified level of local content. The DTI has selected seven sectors for these minimum local content thresholds, which are: rolling stock, power pylons, bus bodies, canned/processed vegetables, textile/clothing/ leather/footwear, setup boxes for digital TV migration, and pharmaceuticals. These sectors, along with the prescribed minimum threshold for local content, are shown in Table 5 below. In other non-designate sectors, state entities can include, as a specific tendering condition, also include a threshold for the minimum level of local content (DTI, 2013). Sectors planned for further consideration by the DTI include electrical and telecom cables, solar water heaters, schools, and office furniture (DTI, 2012).

TABLE 5. DESIGNATED LOCAL CONTENT SECTORS

SECTOR	MINIMUM THRESHOLD FOR LOCAL CONTENT
Rolling Stock	65%
Power Pylons	100%
Bus Bodies	80%
Canned/Processed Vegetables	80%
Textile, clothing, leather and footwear	100%
Set-up boxes for digital TV migration	30%
Pharmaceuticals	73%

Source: DTI (2012).

In the case of these seven sectors, the request for proposals (RFP) issued by the procuring entity must make clear the specific condition that consideration will be given only to locally produced goods, services, or works or locally manufactured goods, with the stipulated minimum threshold for local production and content. In terms of the bidding evaluation process (Refer to Figure 1 above), local content requirements fall under “step one”—i.e., in conjunction with the “functionality assessment.” Bids can be disqualified if local content declaration is not submitted or if the threshold is not met (DTI, 2012).

To arrive at these designations, estimating the supply capacity and determining local content remains a challenge, as public expenditure at the product level is not well known (DTI, 2012). These designations, as set out by the DTI, were informed by research on supply and demand. The selection included a consideration of variables such as: the magnitude of public-sector demand, an understanding of capacity and capabilities of local industries, value chain analysis, engagement with key procuring entities to understand their procurement plans and local content achieved in similar contracts, and engagement with original equipment manufacturers (OEMs) (DTI, 2012).

Suppliers are required to submit both a “declaration of local content” and proof of verification (certificate/report from an accredited verification authority). The South African Bureau for Standards (SABS) has been officially appointed as the Agency for local content verification; in 2011 they published and approved the South African Technical

¹⁴ Local Procurement Accord: <http://www.economic.gov.za/communications/publications/local-procurement-accord>

Specifications (SATS 2011: 1286) for the measurement and calculation of local content. Procuring entities and bidders affected by the new PPPFA regulations will have to apply the SATS 1286 formula when calculating and declaring local content. Subsequently the DTI developed guidelines for its use.

3.4 Priority 3: “Green” Doors to SPP

3.4.1 Overview

A distinction is often made by procurement professionals between sustainable public procurement (SPP) and green public procurement (GPP)—the latter being the environmental subset of the more broad SPP (accounting for environmental, social and economic sustainability). GPP refers to the government purchasing of supplies and services that have a smaller negative impact, or even a positive impact, on the environment and human health when compared with competing products or services that serve the same purpose (Sustainable Energy for Environment and Development Programme, 2012). In determining what qualifies as a “green” product or service, one has to look at a complex host of factors to determine impact on the environment, including raw materials acquisition, manufacturing, packaging, distribution, and re-use and disposal.

South Africa is an international leader when it comes to “green policy.” Relative, however, to the significant and legislated commitment in South Africa to “socially responsible” public procurement through the PPPFA, there is less of an explicit commitment to achieving environmental goals through procurement. As will be shown in this section, there are nonetheless some strides being made in the environmental domain that support, either directly or indirectly, the gradual implementation of GPP practice. These include: public procurement targets for renewable energy; provisions in the Energy Act; the new Green Economy Accord; and international commitments to climate change mitigation. While not a discrete governmental priority, GPP is gaining some ground via an array of other commitments to environmental sustainability and must be seen in this light.

3.4.2 Commitments to the Procurement of Localized and Renewable Energy Sources (2011)

The South African Government’s Renewable Energy Independent Power Producer Procurement Programme (RE IPPPP) is a government-led procurement program that aims to increase the share of renewable energy in the national grid by procuring energy from independent power producers (IPPs). It was issued by the Department of Energy in 2011 to replace a feed-in tariff program. A key objective of the program is economic development: using a competitive bidding process, renewable energy projects submitted are assessed on two factors, namely the tariff they offer (weighted 70 per cent) as well as their contribution to defined economic development criteria (weighted 30 per cent) (Tait, Wlokas, & Garside, 2013). These latter criteria include: job creation, local content, ownership, management control, preferential procurement, enterprise development, and socioeconomic development.

The RE IPPPP is an important component of South Africa’s overarching Integrated Resource Plan for electricity, and makes clear targets for the procurement of renewable energy. Promulgated in May 2011, the Integrated Resource Plan calls for the creation of renewable energy capacity enhancement from 2010 to 2030 of the following magnitudes (DTI, 2013):

- 8,400 megawatts (MW) of new wind power generation
- 8,400 MW of new photovoltaic generation
- 1,000 MW of concentrated solar power generation

The technologies presented in Table 6 below are those that qualify under the program. In the second column are their corresponding generation-capacity allocations (Department of Energy, n.d.). Suppliers who are interested in bidding for these slots must first pre-qualify by completing an online registration process. Subsequently, in the tendering process, bidders are required to bid on tariff and the identified socioeconomic development objectives of the Department as listed above. If awarded the contract, the tariff is payable by the buyer pursuant to the power purchase agreement (PPA) to be entered into between the buyer and the project company of a preferred bidder.

TABLE 6. QUALIFYING TECHNOLOGIES AND ALLOCATED CAPACITY FOR THE RE IPPP

TECHNOLOGY	ALLOCATED GENERATION CAPACITY (MW)
Onshore wind	1,850 MW
Concentrated solar thermal	200 MW
Solar photovoltaic	1,450 MW
Biomass	12.5 MW
Biogas	12.5 MW
Landfill gas	25 MW
Small hydro	75 MW
Small projects	100 MW

Source: Department of Energy (n.d.).

This program is not without its skeptics, however. A major challenge for the localization of renewable energy technologies through IPPs is, of course, the uncertainty about long-term commitments and government priorities. Coal is by far the most prevalent source of electricity in South Africa, comprising 93 per cent of the nation’s power generation (Burnard & Bhattacharya, 2011). While South Africa does hold large potential in developing its renewable energies, given this enormous dependence on coal, it remains important for the government to focus also on encouraging “clean” coal or super-critical coal—coal-fired plants that, by operating with higher steam pressure and temperatures, can reducing carbon dioxide emissions and other pollutants.¹⁵ Furthermore, the development impacts of the program have been called into question. Tait, Wlokas, and Garside (2013) identify a number of challenges in the implementation of the RE IPPPP, and critique the “top-down” approach to community development and describe the economic development aspect as a so-called passive beneficiary relationship.

That being said, the government of South Africa has remained firm so far in its commitment to gradually increase the energy share of renewables, and the chosen approach for demonstrating this support is through designations in the public procurement of energy processes. This, in turn, is expected to boost confidence in the renewables industry and to generate employment. The first round of procurement from the IPPs finished in November 2012, with 28 projects being accepted and power purchase agreements (PPAs) signed between the Department of Energy and the independent power producers (IPPs). The preferred bidders for the second round were announced in May 2012, securing 19 projects amounting to a total investment of approximately R74 billion.

¹⁵ This technology has begun to be taken up in South Africa. Six 800-megawatt supercritical coal-fired units are being developed at the Kusile power station, east of Johannesburg, and will be completed in 2015.

BOX 5. EXAMPLE OF THE RE IPP - INNOWIND

In Round 2 of the Department of Energy's RE IPPPP, Innowind—a subsidiary of a French windfarm company—and their consortium partners were adjudicated three new projects (totaling 105 MW) out of the seven awarded nationwide. They will be developing, financing, constructing, owning and operating wind farms in South Africa for the lifetime of the projects.

Their projects are structures following a local community ownership model where communities in the vicinity of each project own significant equity in each project through the lifetime of projects, with dividends flowing towards community development initiatives.

Commitments made to economic development by the consortium include job creation, local content, socioeconomic development of the neighboring communities and others.

Source: Minkoff (2012).

As can be shown through the implementation of the Local Procurement Accord and the Renewable Energy Independent Power Producer Procurement Programme (RE IPPPP), public procurement has been the focus of recent efforts to support domestic industry and manufacturing and to boost employment. Public procurement has been leveraged as a policy tool to create space for local products, local communities, and local producers. The deployment of a range of new procurement policy levers is intended to drive industrial development, including: the designations for local procurement; the deepening of the localization in the large fleet procurement processes of SOCs (i.e., Transnet's rolling stock and steel power pylons), localization in the renewable energy program, and increasing acceptance and implementation of localization targets across the spectrum of state procurement regimes (DTI, 2013). These formalized efforts to generate positive multiplier impacts in the domestic economy represent a step in the right direction for SPP implementation.

3.4.3 The Green Economy Accord (2011)

The Green Economy Accord is a political agreement between business, organized labour, civil society organizations and government, signed in November 2011, to work towards a green industrial economy. It emerged as a social dialogue on the New Growth Path and the IPAPs, and in particular in response to the pressing need to create jobs. The NGP sets the goal of generating five million new jobs by 2020; with the right policies and cooperation, the intent of the Green Economy Accord is to encourage many of these new positions, at least 300,000 of them to be precise, to be so-called "green jobs" (Economic Development Department, 2011b).

Opportunities for employment in the green economy are identified in the agreement, and include: manufacturing and construction of renewable energy equipment, new recycling and waste management enterprises, retrofitting buildings with energy efficient equipment, innovation and technology sectors, and employment in agriculture, among others. In addition, a host of commitments to the green economy are agreed upon, as can be found in Box 6 below.

BOX 6. COMMITMENTS UNDER THE GREEN ECONOMY ACCORD

Signatories of the Green Economy Accord agree to the following (Economic Development Department, 2011b):

- Rollout of one million solar water heaters at the household level by 2014/15.
- Provision of capital grants for green economy projects (through the Industrial Development Corporation, private investors and retirement funds).
- Procurement of renewable energy as part of the energy generation plan (3,725 MW of renewable energy by 2016).
- Promotion of biofuels for vehicles.
- Commitments to concrete targets in paper and packaging waste recycling, reuse and recovery.
- Launching clean coal initiatives to reduce the emissions from the use of coal-based technologies
- Promotion of energy efficiency across the economy.
- Retrofitting of domestic industrial and commercial buildings to promote energy efficiency.
- Reducing of carbon emissions on roads, enhancing public transport use, and investing in rail.
- Electrification of poor communities and reduction of fossil-fuel fired open-fire cooking and heating.
- Promotion of economic development in the green economy, promotion of localization, youth employment, co-operatives and skill development.
- Cooperation around the UN COP 17 and its follow-up.

SPP is about ensuring that the products and services purchased by the government are as sustainable as possible, both in the sense of the lowest possible environmental impact, but also in terms of producing the most positive social impacts. In this sense, the Green Economy Accord encourages the enabling framework that can ultimately support the implementation of SPP and GPP practices and policies. Whereas the accord represents a medium-term government commitment to invest in the green economy, once in place, SPP implementation can generate longer-term investments into a sustainable society as a whole, including efficiency gains, energy-usage reductions, and generating positive multiplier effects in the economy, such as job creation and improved working conditions. The Green Economy Accord does not have any enforcement mechanisms, nor is it legally binding, but it does represent at least a synergy with the principles of SPP, and at most encourages the enabling conditions for its uptake.

3.4.4 The National Energy Efficiency Strategy (2005)

Energy efficiency is a moving policy space in South Africa. The National Energy Efficiency Strategy (NEES) of South Africa was approved by Cabinet in March 2005, reviewed in October 2008, and sets the target for improved energy efficiency in South Africa at 12 per cent by 2015 (Department of Minerals and Energy, 2005). This target is expressed in relation to the forecast national energy demand at that time, and therefore allows for current expectations of economic growth.

Most notably, in the context of the discussion at hand, is the fact that the document which sets out the priorities for actions and activities under the NEES, the 2013 Draft National Energy Efficiency Action Plan (NEEAP, 2013), explicitly suggests green public procurement as a way forward in making energy-efficiency improvements. The NEEAP (2013)

proposes a program of action to “extend and strengthen green procurement criteria.”¹⁶ The implications of this proposal would likely be the provision of tools and entry points for procuring entities seeking to integrate “green” technical or functional specifications into procurement procedures. It remains to be seen if the document might also encourage energy-efficient electricity production, which could have a potentially profound impact in pushing the coal industry to adopt cleaner production practices.

3.4.5 International Commitments to Climate Change

South Africa has ratified the United Nations Framework Convention on Climate Change (1997) and the Kyoto Protocol (2002). Then in 2010, following the Copenhagen Accord, South Africa also committed itself to substantially reducing its greenhouse gas emissions. It was formally stated that South Africa would reduce domestic greenhouse gas emissions to 34 per cent below its “business-as-usual” growth trajectory by 2020, by 42 per cent by 2025, and be declining in absolute terms by 2036.

For national implementation of these targets, South Africa’s 2011 White Paper on a National Climate Change Response outlines the government’s goals for an effective climate change response and the long-term transition to a climate-resilient and low-carbon economy and society. To further signal to industry and consumers the need to respond to climate change and environmental stress, it was announced in the 2013 Budget Speech that the government will also be bringing in a carbon tax, effective as of January 2015. A tax rate of 120 rand per tonne of carbon dioxide equivalent will come into effect, however with generous exemptions of up to 60 per cent for emissions-intensive and trade-exposed industries.

The fulfillment of these and other emission reduction targets will no doubt pose significant challenges for South Africa, given the energy-intensive nature of the developing economy. By any measure, South Africa is a significant emitter of greenhouse gases, and relies heavily on coal-powered electricity generation, as mentioned above. Nonetheless, these targets have been the driver of increased intensity in the energy efficiency improvements in South Africa in recent years.

For instance, a Climate Change Policy Framework for State Owned Companies (SOCs) has been drafted, and encourages SOCs (e.g. Eskom, Transnet, South African Airlines and others) to develop climate-related policies, set their own emissions reductions targets (to encourage accountability), and to report on progress. In addition, the South African Renewables Initiative (SARI) was established in 2010 in order to scale-up renewable energies and to leverage international climate finance to supplement domestic funding sources for renewable energy production linked to domestic manufacturing.

South Africa’s international commitments to climate change are no doubt being reflected in priorities and actions at home, as shown through the impending “hard law” of introducing carbon taxes, to the more “soft” laws requiring SOCs to develop climate change action plans. These actions, and others, only serve to build the business case for sustainable public procurement; that is, public procurement that strives towards value for money across the lifecycle and seeks to minimize negative environmental and social externalities.

3.4.6 Environmental Impact Assessments

It must be noted that for larger infrastructure development projects, all state entities in South Africa are obliged to consider environmental impacts through environmental impact assessments (EIAs) that are required by national law.

¹⁶ Development of 1st Draft of a National Energy Efficiency Action Plan (NEEAP) for South Africa.

EIA in South Africa is defined as “the process of collecting, organizing, analyzing, interpreting and communicating information that is relevant to the consideration of that application” (NEMA Regulation 543, 2010:10) (van Wyk, n.d.). EIAs have progressed steadily in South Africa since the 1970’s in terms of the process as well as the listed activities that apply in terms of the respective listed activities (van Wyk, n.d.).

While EIAs do play a role in encouraging sustainable development and planning, there has been little done to mainstream environmental sustainability into planning at the national, provincial and municipal levels, and into development programs and projects. Enhancing SPP in infrastructure development through technical specifications, contract awarding, or through performance indicators would no doubt stand to improve day-to-day environmental impact practices and would address sustainability within the current planning legislative framework, providing a more credible context within which to undertake and consider EIA applications (van Wyk, n.d.).

3.5 Priority 4: Tackling Corruption

Any discussion of improving public procurement processes in South Africa must include tackling corruption. Similarly, any discussion on SPP implementation should recognize the fundamental principles of public procurement—equal treatment and transparency. Awarding tenders on that are more sustainable does not imply that these fundamental principles are compromised (Perera, 2010).

In the case of South Africa, a Special Investigation Unit serves as a statutory body directly accountable to Parliament and the President, tasked with monitoring and reporting on corruption. This unit estimates that in 2011, between R25 billion and R30 billion of the government’s annual procurement budget alone was lost to corruption, incompetence and negligence (Corruption Watch, n.d.). The implications of pervasive distortions in the economy are significant—both directly by depleting the public purse and therefore hindering development, but also by discrediting South African leadership, repelling potential foreign investment and generating macroeconomic instability, diminishing confidence in the economy.

As is not uncommon in corruption-prone states, there are multitudes of players across the public and private sectors that hold vested interests in keeping the public procurement system the way it is. It has been suggested that the decentralized nature of procurement in South Africa, as charted in the Municipal Public Finance Management Act, further compounds the challenge. As noted by South African Finance Minister, Pravin Gordhan, in the 2013 Budget Speech:

In the present system, procurement transactions take place at too many localities and the contracts are short term. Consequently there are hundreds of thousands of transactions from a multitude of centres. There is very little visibility of all these transactions. (Gordhan, 2013, p. 28).

In spite of South Africa’s good anti-corruption legislation including, for example, the Prevention & Combating of Corrupt Activities Act (2004), it is not sufficient to curb corruption. The mechanisms for breaches include: procuring outside of transversal contracts, manipulation of the evaluation processes, acceptance of sub-quality products and services that inflate prices, bribing, cover quoting and conflict of interest (Parliamentary Monitoring Group, 2012). As the OECD points out, integrity in procurement is a focus particularly in time of economic crisis: billions of dollars in stimulus funds and accelerated procurement procedures raise additional risks (Organisation for Economic Co-operation and Development [OECD], n.d.).

While such pervasive corruption represents a huge obstacle in terms of the enabling environment for SPP, it also represents an opportunity for (and the urgency of) much-needed reforms. In the case of South Africa, the extent of corruption has ultimately necessitated action on a national scale. There has been enhanced media attention on the “porous” public procurement system and to the procurement function in general, and there have been some concrete measures decided on at the National Treasury, including:

- a) The establishment of a Chief Procurement Office at the National Treasury.
- b) A move towards electronic (e-procurement) systems to enhance transparency and accountability.

The Chief Procurement Office at the National Treasury will act as an oversight unit on public procurement, with four prescribed tasks:

1. Immediate remedial actions (cases of infringement are already being scrutinized and audited by the National Treasury).
2. Improving the current procurement system.
3. Standardizing the procurement of critical items across all government.
4. Long-term modernization of the entire system (the Department of Home Affairs will spend R1 billion on its information systems modernization program, aimed to reduce the time required to produce official documents).

In addition, the Chief Procurement Office will scrutinize transactions of a particular size or type, and will develop IT systems to enable the active monitoring of compliance with financial management requirements. These systems would enable the treasury to access information regarding instances of public procurement and seek to tackle the ubiquitous corruption in South Africa’s public procurement processes. If these efforts towards an e-procurement system are implemented and upheld, it will provide a central hub for disseminating information, enforcing preferential procurement policies, and maintaining visibility across supply chains.

The head of the new Chief Procurement Office was appointed in April 2013, Kenneth Brown, from within the National Treasury. While much work is still to be done to define the function of the unit, Mr. Brown’s first consultations of the CPO are a) to enhance price referencing, setting fair prices for goods and services, and b) secondly to pilot procurement transformation programs (Gordhan, 2013).

The impact of the Chief Procurement Office on corruption in public procurement remains to be seen; however, the time is certainly ripe for generating discussion around strategic and sustainable public procurement. It is encouraging that action has been taken at a national level to address accountability and transparency in supply chains, and the recognition of the importance of a centralized e-procurement system is promising. E-procurement can be of added value in SPP implementation, as software applications can be developed to include environmental and social screening criteria that will facilitate tender design and award processes. These improvements must be accompanied, however, with enhanced monitoring on compliance, and the requisite capacity to do so.



Section 4: The Emerging International Framework on Sustainable Public Procurement Policies

4.1 Section Summary

Sustainable public procurement is coming of age as governments realize that procurement can be a strategic and effective process through which to achieve political mandates and goals on sustainable and equitable development. Across 2011 and 2012, both the World Trade Organisation Agreement on Government Procurement (WTO GPA) and United Nations Commission on International Trade Law (UNCITRAL) Model Law on Public Procurement introduced explicit provisions on environmental and social sustainability. Although some sustainable development proponents are likely to argue that these provisions are weak and long overdue, they are and will continue to be extremely influential in encouraging national governments to act on SPP in an unprecedented manner.

4.2 The World Trade Organization's Agreement on Government Procurement (WTO GPA)

The WTO GPA is a plurilateral agreement on government procurement, signed by 28 WTO Members, first negotiated in 1981. The present agreement and its commitments were negotiated in the Uruguay Round, and came into effect on January 1, 1996. Its primary purpose is to open business with the public sector to international competition and to make the entire procurement process—laws, regulations, procedures and practices—more transparent, ensuring they do not protect domestic products or suppliers, or discriminate against foreign ones. Its coverage extends to all areas of government tendering on goods, services and infrastructure beyond specified threshold values. Its provisions pertain to international competition in tenders issued by national and subnational government entities (states, provinces, departments and prefectures) as well as procurement by public entities.

South Africa is neither a party nor an observer to the WTO GPA.

The 2011–2012 revision of the GPA makes the document more user-friendly, and updates the provisions to take into account developments in current government procurement practice, including sustainable procurement. Two provisions in particular increase the policy space for governments to use procurement as a driver of sustainable development, as found in Box 7.

BOX 7. TEXT EXCERPTS FROM WTO GPA THAT MAKE PROVISION FOR ENVIRONMENTAL CONSIDERATIONS IN PUBLIC TENDERING PROCESSES (WTO, N.D.)

Article X (6) on Tender Specifications and Tender Documentation

For greater certainty, a Party, including its procuring entities, may, in accordance with this Article, prepare, adopt or apply technical specifications to promote the conservation of natural resources or protect the environment.

Article X (9) on Tender Specifications and Tender Documentation

The evaluation criteria set out in the notice of intended procurement or tender documentation may include, among others, price and other cost factors, quality, technical merit, environmental characteristics and terms of delivery.

Thus the award procedures under the GPA do allow for social and environmental specifications, and other contract conditions concerning the performance of the contract. The fact that governments can define tender specifications “to promote the conservation of natural resources or protect the environment” is noteworthy. Including such provisions in a technical specification is a very powerful signal to promote eco-design, design for environment, resource efficiency, cleaner production and more. Other acceptable uses of specifications could be on limiting the pollution of motor vehicles, or specifying that buses be accessible for wheelchairs.

Beyond these provisions, the WTO GPA contains a general obligation for procuring entities to award contracts based on **either** the lowest possible tender (i.e., price) or the tender which is determined to be the “most advantageous” in terms of the specific evaluation criteria set forth in the notices or tender documentation (Article XIII, 4a). The fact that the GPA does not limit the non-price criteria to the “most economically advantageous tender” merely to the “most advantageous” is significant for SPP. This can be read to imply that social and environmental criteria may be applied without the contracting body needing to demonstrate the economic and financial benefits of doing so (Gatto, 2011). As long as award criteria are objectively verifiable, they need not necessarily be expressed purely in terms of price. This provides unprecedented space for SPP that seeks encourage value for money across the lifecycle, not only at the point of purchase.

Finally, the 2012 revisions to the WTO GPA led to the establishment of a dedicated work program on sustainable procurement. The work programme will examine topics such as (WTO, n.d.):

- (a) The objectives of sustainable procurement.
- (b) The ways in which the concept of sustainable procurement is integrated into national and subnational procurement policies.
- (c) The ways in which sustainable procurement can be practiced in a manner consistent with the principle of “best value for money.”
- (d) The ways in which sustainable procurement can be practiced in a manner consistent with Parties’ international trade obligations.

The impact of this work program on wider SPP implementation remains to be seen.

As mentioned above, South Africa is currently neither a party nor an observer to the WTO GPA. Indeed—at the time of writing, given the economic and trade profile of South Africa, there is no clear reason for South Africa to consider joining.

Should South Africa choose to pursue the WTO GPA in the future, however, there would likely be debate as to the local-content requirements and WTO’s general trade principles, specifically non-discrimination and national treatment. Within the context of the WTO GPA these principles would require that suppliers based in WTO GPA member countries have equal access to public tenders issued by WTO GPA member governments. South Africa’s policies of Broad-Based Black Economic Empowerment and the designated sectors for domestic suppliers can be interpreted to be not in accordance with the WTO principles.

South Africa is not alone in this debate. Countries all over the world, including India, China, and Brazil, provide more than implicit preference to domestic suppliers when awarding public tenders. It is also true that the current members of WTO GPA did the same before they were signatories to the WTO GPA. Governments undoubtedly act in this manner due to their desire to position their public purchasing power as a driver of domestic industrial growth.

What this debate often overlooks is that, given the value and volume of the public purse, foreign companies that bid for public tenders will have to formally establish corporate registration and establish subsidiaries, joint ventures or operating offices in the domestic economy including tenders on the employment of domestic labour. Similarly, when applying to tenders, most companies choose to apply as a joint venture with domestic enterprises—they are then treated as domestic enterprises and thus have equal access to public tenders.

We can hence conclude that the provision on Broad-Based Black Economic Empowerment and the designated sectors are not in contravention of the intent of the WTO GPA.

4.3 UNCITRAL Model Law on Public Procurement

The United Nations Commission on International Trade Law (UNCITRAL) adopted a Model Law on Public Procurement in July 2011, replacing a 1994 version with more updated practices and procedures. The 2011 Model Law is aimed at achieving value-for-money in public procurement, and promoting objectivity, fairness, participation, competition and integrity (UNCITRAL, 2011a). States are encouraged to avail of the Model Law, which reflects international best practice in general terms, in order to formulate their own procurement laws.

Environmental and social considerations feature prominently in the text of the Model Law, as outlined in Box 8. While there is no mention of “sustainable procurement” as an objective in the Preamble, its principles are considered by UNCITRAL to represent best practice, and therefore references to both “environmental” and “socio-economic” considerations are scattered throughout the Model Law.

BOX 8. PROVISIONS IN THE UNCITRAL MODEL LAW ON PUBLIC PROCUREMENT RELATED TO ENVIRONMENTAL AND SOCIAL CONSIDERATIONS (UNCITRAL, 2011B)

Article 2 (o) on Definitions clarifies that:

“Socio-economic policies” means environmental, social, economic and other policies of this state authorized or required by the procurement regulations or other provisions of law of this state to be taken into account by the procuring entity in the procurement proceedings.

Article 9 (2a) on Qualifications of suppliers and contractors requires that:

That they [the suppliers] have the necessary professional, technical, and environmental qualifications, professional and technical competence, financial resources, equipment and other physical facilities, managerial capability, reliability, experience and personnel to perform the procurement contract.

Article 11 (2b) on Rules concerning evaluation criteria and procedures suggests that evaluation criteria may include:

The cost of operating, maintaining and repairing goods or of construction; the time for delivery of goods, completion of construction or provision of services; the characteristics of the subject matter of the procurement, such as the functional characteristics of goods or construction and the environmental characteristics of the subject matter [...]

Article 25 (1i) on Documentary record or procurement proceedings suggests the inclusion of:

If any socio-economic policies were considered in the procurement proceedings, details of such policies and the manner in which they were applied.

Article 30 on Conditions for the use of methods of procurement allows for procurement:

[...] from a particular supplier or contractor [when] necessary in order to implement a socio-economic policy of this State, provided that procurement from no other supplier or contractor is capable of promoting that policy.

Thus, the Model Law provides various options for socioeconomic policies to be implemented by States. It allows, for example, sustainability to be promoted through procurement via qualification criteria (Article 9) which expressly allows the procuring entity to impose environmental qualifications, and ethical and other standards that could include fair-trade requirements. In terms of evaluation criteria, procuring entities are not prohibited from including socioeconomic criteria, or life-cycle cost and quality considerations. It can also be said that the Model Law does not restrict the **type** of socioeconomic policies pursued, but the **manner** in which they are applied (i.e., in accordance with transparency provisions), giving States some options in terms of pursuing environmental and social priorities through the procurement function (UNCITRAL, 2012). There are also strong provisions for the implementation of e-procurement systems, which can greatly facilitate sustainable procurement practices.

Moreover, the Model Law's restrictions and stringent transparency requirements force policy-makers to consider whether or not the costs of their various existing policies outweigh the benefits of efficient, transparent and fair procurement policies and procedures.

4.4 Concluding Remarks

The revisions of the WTO GPA and the UNCITRAL Model Law on Public Procurement collectively provide long-awaited legitimacy for sustainable public procurement. For the first time, governments have the international policy space to award tenders to suppliers that produce environmentally and socially sustainable goods, services and infrastructure and directly seek value-for-money, not only at the point of purchase, but across the life cycle of the asset.

The multiplier impacts of these changes are evident given the momentum across developing countries to modernize their public procurement laws and integrate elements of environmental and social performance therein. Critics have argued that these changes are small and long overdue, but for proponents of SPP, these provisions represent the first of the long list of reforms that can be expected in the coming decades. The momentum around sustainable public procurement has indeed, only just begun.



Section 5: Demonstrating the Feasibility of SPP Implementation

5.1 Section Summary

In this section, we will address how various entities in South Africa—from provincial and municipal governments to state-owned companies (SOCs) to private sector suppliers—are moving forward with SPP activities, in the absence of overarching strategy or policy. It will be shown that a range of efforts have been undertaken, with varying degrees of success, but that overall the examples serve to make the point that it is possible to “get on with it” and implement SPP on an ad hoc basis in the current public procurement context. As was stressed throughout previous sections, the policy space is sufficiently accommodating to run pilot projects, develop strategies and targets on SPP, and to experiment with greening supply chains and to begin to consider whole-life costing in public procurement decisions.

The data for this section comes almost exclusively from bilateral consultations with stakeholders in South Africa (see Appendix 1). Where other resources have been used, they are referenced as such, but otherwise the information can be considered primary research that has been validated and/or verified by the IISD research team. While throughout the previous sections of the report, reference was most commonly made to sustainable public procurement (SPP), this section refers more often to the subset of green public procurement (GPP), as the public authorities interviewed largely considered social sustainability to be “covered” already by the provisions of the PPPFA.

5.2 Provinces

South Africa is divided into nine provinces. Certain provinces have developed their own preferential procurement policies, regulations, practice notes, or strategies and have integrated these into supply chains. While these policies are aligned with the national Preferential Procurement Policy Framework Act (PPPFA) (2000), they are tailored to the socioeconomic environment of the specific province. The policy creates the space for the development of a province-wide database of suppliers, and is supported by a guideline from National Treasury that each department maintain its own database.

5.2.1 Western Cape

The Provincial Government of the Western Cape (PGWC) is the most advanced province in the implementation of SPP practices. In terms of policy also, they have made valiant efforts institutionalize SPP. In 2012 there was an attempt to pass a Draft White Paper (Western Cape Government, 2011) on Sustainable Public Procurement, which was taken to Cabinet for endorsement and debated within top level management.¹⁷ They were the first province in South Africa to develop a Draft White Paper on SPP, which provides general principles and guidelines for integrating environmental criteria into supply chain management decision making.

¹⁷ It is worth noting that the recommendation from the National Treasury was to integrate GPP considerations as technical specifications, although proponents of the GPP policy in the Western Cape had wanted originally to fit under the provisions under the PPPFA’s “functionality” assessment.

Ultimately the policy was rejected, never making it to parliament, and a decision was made to use the document's guidelines only for the time being. The major obstacles to its full implementation as policy were operational: the policy could not be aligned with national systems, namely the national data system and the integrated procurement system, and auditing and monitoring requirements were also points of contention. Thus since 2013, the province has been progressing with guidelines on GPP, under which various "specifications committees" have been set up to implement GPP pilots and initiatives on a product/sector-specific basis. An emphasis also on awareness-raising and training on GPP has also been a priority.

With this decision, proponents of SPP in the Western Cape government decided to move cautiously on SPP in the context of individual projects, using the proposed Draft Policy as guidelines. Six pilot areas were identified to move forward with targeted, achievable demonstration projects. These projects include examples from the IT sector, in energy efficiency for buildings (service contracts), and from the state information technology (SIT) systems.

BOX 9. GIVE GREEN INITIATIVE, WESTERN CAPE

The *110% Green Initiative* by the Western Cape Provincial Government calls organizations across the province to commit to the Green Economy. Various sub-programs have been designed to catalyze a critical mass of activity that puts the Western Cape well on the road to becoming Africa's Green Economic Hub—a key economic goal of the Western Cape Government.

The *Give Green Initiative* is a flagship project under the umbrella of *110% Green*, which aims to encourage the procurement of environmentally friendly, sustainable and locally produced gifts. When procuring materials for events/conferences or corporate gifts, procurers can use a simplified "give green" contract that reduces the administrative burden of procuring in an environmentally friendly manner. The host organization—the Cape Craft & Design Institute—has also prepared a specific "Give Green" e-catalogue for planning conferences and corporate events with sustainable products.

Source: *Western Cape Provincial Government (n.d.)*.

More broadly, it is felt that that the time is ripe for taking action on GPP in the province. There is quite a lot of momentum around the green economy space, and there is a Green Economy Framework in place at the provincial level. Although the draft policy was not accepted in this first attempt, there is anticipation of a GPP policy at some point in the future, and in the meantime the outcomes of the pilot projects remain to be seen.

5.2.2 Gauteng

The Province of Gauteng's *Green Strategic Program* (2011) sets a goal that by 2015, government only procure "products and services satisfactorily rated as green according to clear standards" (Objective 4.2) (Economic Development Department, 2011a). The document goes into greater detail to state that, defining even further targets on GPP:

- Whether a business runs operations on the basis of green systems will be a criterion that receive at least a 10 per cent weighting in all tenders by 2015.
- Introduce a province-wide sustainability star-rating system rating all businesses by agreed criteria by 2013 (going beyond green building standards).
- Work with local government in the province to establish a joint "Green Products and Services Advisory Bureau" by 2013. This will act as the rating agency, inter alia undertaking life cycle analysis of all procured products.
- Governments in the province will not procure stock, equipment or fleet for public use unless rated green by the advisory bureau after 2015. The bureau to also work to advise business on greening production processes.

While admirable goals have been laid out in the *Green Strategic Program* for the Gauteng province, so far there seems to have been little implementation of the proposed activities. At the time of writing, there is no sign, for instance, of the “Green Products and Services Advisory Bureau,” nor does the province-wide sustainability star-rating system appear to be in place yet. As one stakeholder from the IISD facilitated-roundtable (May 2013) put it: these GPP efforts “do not extend much beyond good intentions and statements in policy documents.”

The Green Building Council SA (GBCSA) is active in the province, however. The GBCSA develops the Green Star SA rating tools to provide an objective measurement for green buildings in South Africa, and to recognize and reward environmental leadership in the property industry. In 2011, mobile telecommunications group Vodacom was the first to achieve a six star rating with its Vodafone Innovation Centre in Midrand, Gauteng.

5.2.3 Limpopo

In a manner similar to that of Gauteng province, Limpopo has also developed written material on the green economy that makes explicit reference to green public procurement. The provincial government published a Green Economy Plan in June 2013 (Letsoalo, 2013). In this document, green procurement is presented as a possible intervention to reinforce the green economy in the short term. It is presented as an “immediate policy decision” to support the green economy. This, interestingly, reinforces the message that the policy environment is sufficiently in place for public authorities in South Africa to begin integrating environmental sustainability criteria into their procurement cycles and decisions. Again, as in Gauteng, it is not obvious if any real progress has yet been made on the ground in the province of Limpopo.

5.3 Municipalities

As outlined in Section 2, municipalities are legally empowered to undertake the procurement function according to the *Municipal Financial Management Act* (MFMA). The MFMA establishes a regulatory framework for supply chain management (SCM) that includes procurement within municipalities and municipal entities, and requires each municipality to have and implement its own SCM policy.

Municipalities are governance units making the greatest strides in terms of implementing SPP at present, in particular the City of Cape Town (as will be shown below). Moreover, there is momentum to create a platform of municipalities that share best practice on SPP in the near future. This would potentially resemble what has happened in Canada: the absence of leadership on sustainable public procurement from federal or provincial authorities has led to the emergence of a network of engaged municipalities who are together generating demand for more sustainable products and services across the country and sharing best practice. This may well be a promising way forward for South Africa.

5.3.1 City of Cape Town (Western Cape Province)

The City of Cape Town made progress on GPP through leveraging the supply chain management (SCM) annual review process. When the provincial effort in the Western Cape to pass the Draft White Paper on GPP was unsuccessful, the City of Cape Town (a municipality in the province) decided to go another route. With the SCM system being reviewed annually, the City of Cape Town decided to “piggyback” on this process and at the time of the review, city officials took the opportunity to comment extensively on the policy and to incorporate GPP principles. In the end, much was removed or diluted, but what remained was a provision to “promote resource efficiency” whenever purchasing. In this way, the SCM became a tool for leveraging GPP outcomes in spite of an unsuccessful province-wide attempt at a policy.

The next step was the development of a GPP guidance document, the *Information and Guideline Document on the Implementation of Green Public Procurement*. This has been approved and disseminated across the city. The document describes the desired state of practice for the implementation of green public procurement and environmental legal compliance in Cape Town, and outlines the aims, objectives and principles of green procurement. It also explores what should be considered and undertaken during the supply chain management process in a fully capacitated situation where green procurement is being implemented.

Even with the space provided by the SCM review and the dissemination of the *Implementation Guidelines*, uptake of GPP remained a daunting task. The City of Cape Town has approximately 40,000 staff members across the city, and the buy-in for GPP was not immediately forthcoming. Accordingly, it was decided to look at specific tenders and advance GPP through pilot and demonstration projects. These are outlined in Box 10.

BOX 10. CITY OF CAPE TOWN INITIATIVES RELATED TO GREEN PUBLIC PROCUREMENT

A wide array of ad hoc pilot projects and initiatives have been undertaken by the City of Cape Town Municipality. Some examples are listed here.

- When, in 2012, a tender for a new vehicles fleet was issued, the procuring authority expressed that they would award the tender based in part on green criteria. Additional award points were thus given to bidders that, under “functionality” requirements, demonstrated fuel efficiency and used fuel efficiency standards. This was the first time that a government department in South Africa took such steps.
- By switching the default setting on printers in public offices to double-sided printing, the City of Cape Town’s paper bill was reduced by 40 per cent.
- Steps have been taken to procure food and beverages as sustainably as possible: there is a policy against the procurement of bottled water; local producers are promoted; organic food is given preference; and there is no meat available on the cafeteria menus.
- Participation in Western Cape’s “Green Giving Initiative” (See Box 7) requires procurers to purchase corporate gifts from local designers.
- Additional subsidies are being provided to social housing units that incorporate solar water heating, low-flow devices and recycled content into design and construction.
- The Aqua Trip Company was commissioned to install automatic detectors in public bathrooms. If water taps run longer than one minute, then the water supply in the entire bathroom shuts down. It turns on again when there is a new user. This action saved literally millions of litres of water, and is now installed in bathrooms across the city.
- Under the Eco-Drivers Program, city drivers are trained to drive more gently (braking, accelerating, speed etc.)—this has cut 15 per cent of the fuel bills, just from changing how people drive.

The examples given above demonstrate the great efforts that are being made in the City of Cape Town to get started on GPP implementation. Quite advanced discussions are taking place in this municipality on trade-offs (e.g., buy greener products or prioritize more efficient use?), on life-cycle costing (e.g., meeting with financial managers to show that GPP makes good sense), and on product service systems (enhancing the service component of products). This is very encouraging, and lessons here will no doubt inform the rest of the province and country.

Yet capacity gaps still exist. In discussion with City officials, it was revealed that limited knowledge of GPP implementation still stands in the way of more widespread uptake. Procurers that were interviewed expressed that

they are not aware of how to specify for green products and services in their tenders, and that they are not aware of who would be responsible for monitoring compliance, or how that would be accomplished. So while GPP is certainly acknowledged at the strategic level, how to go about it is the question.

5.3.2 Nelson Mandela Bay Municipality (Eastern Cape Province)

The Nelson Mandela Bay Municipality (NMBM) developed a Green Procurement Implementation Strategy in 2011 (Public Health Directorate, 2011). The strategy explicitly states that “[t]here is nothing contained in any of these [the city’s] by-laws that, in our view, prohibit a Green Procurement Policy” (Public Health Directorate, 2011). Interestingly, NMBM takes a much different approach to GPP than the City of Cape Town. Instead of focusing on the demand side, NMBM’s strategy focuses on working with suppliers of goods and services to the government. The strategy is to encourage suppliers to evaluate their environmental performance and thereby be awarded a “Green Certificate.”

Suppliers that already hold ISO 14001 certification or an equivalent and recognized environmental management system (EMS) certification are automatically awarded the Green Certificate. Companies that do not have either of these certifications must complete the green procurement register/scorecard in order to receive the certificate. The scorecard consists of a series of yes/no questions and requires the applicants attach various certificates or proofs of emissions, pollution, quality, EMS etc. It is not clear from the information available online if there is a passing grade for the award of the certificate.

The overarching objective of the green procurement strategy in the NMBM is to ensure that suppliers are registered on a supplier database and that both established and new suppliers obtain a Green Certificate; thereby confirming the suppliers’ commitment to being environmentally responsible within their business operations, and as a result the service supplied to the NMBM. This Green Certificate may also form part of the tender documentation required for tenders. Citing Perera et al. (2007), the strategy builds the case for the use of eco-labels as a measure to certify environmental claims and to make identifying environmentally responsible products easier.

5.3.3 Tshwane

The City of Tshwane has developed the Tshwane Integrated Environmental Policy (TIEP) with the aim of implementing environmentally sustainable policies. The first three objectives of the TIEP each include a reference to green procurement can support the city’s sustainable development goals (Department of Housing, City Planning and Environmental Management, 2005). The pathways include:

- Objective 1 (vi): providing incentives for business, industry and parastatals to improve their environmental performance, including green buildings and procurement.
- Objective 2 (iv): investigating the promotion of “green procurement practices” and the implementation thereof.
- Objective 3 (vii): Implementing “green procurement” policies based on energy efficiency.

This policy is aimed at ensuring that all the departments of the municipality take the environment into consideration in carrying out their respective roles and responsibilities. The considerations do include the identification and implementation of green policies in procurement activities, though again this remains a political document which is not binding and for which there seem to be scarce implementation to date.

5.4 Other Institutions

The particular efforts being undertaken by the Department of Environmental Affairs (DEA) are worth mentioning, as some of their procurement efforts represent best practice in-country and can set a good example for other departments. Furthermore, as SOEs are major procurers of raw and manufactured materials and contribute significantly to the environmental impacts of South African industries, we will also discuss efforts being made by Transnet—South Africa’s largest freight logistics company—to integrate sustainability into their supply chains, and the challenges experienced so far in this endeavour.

5.4.1 Department of Environmental Affairs

While the Department of Environmental Affairs’ (DEAs’) procurement practices must be aligned with federal government regulations, they are nonetheless doing some GPP-related work under their facilities management. In 2013, their new head office in Pretoria received a six-star Green Star SA Office Design certificate from the GBCSA, notably achieving the highest score for commercial buildings in South Africa to date (Department of Environmental Affairs, 2013). In their procurement process, the DEA specified that the building must achieve at least a four-star rating, but the consortia that came together in a public-private partnership (PPP) arrangement surpassed this goal by scoring full points in the energy category and a high score in the innovation category.

It is interesting to note the DEA’s support for the PPP structure in ensuring environmentally optimal outcomes are achieved:

A significant benefit of this PPP structure is that contractual obligations for all participants ensured that all cost, timeline, and green specifications were clearly outlined, and successfully met during design and construction. It will also ensure that the building is operated optimally over the next 25 years to ensure that it stays green throughout its lifespan, and achieves the environmental and resource savings envisaged at the outset. (Department of Environmental Affairs, 2013)

In addition to buildings, the DEA also recently launched an initiative to procure electric cars. Building from the momentum of COP 17 to the UNFCCC, which was hosted in Durban, South Africa in November 2011, the DEA decided to implement simple and practical measures within their control to reduce greenhouse gas emissions from the transport sector. As a leading department on environmental protection and sustainable development, it is DEA’s intention to phase out its fossil fuel-powered fleet and eventually replace the vehicles with zero-emission electric vehicles. In February 2013, the Minister of the Environment launched the “Green Cars Initiative” in partnership with Nissan South Africa. It is a pilot project that will run for three years. Furthermore, a submission to Cabinet is being prepared for endorsement by the five departments (DEA, DTI, DOT, DST and DOE) to galvanize the entire government to push for the introduction of electric vehicles in the country.

This kind of cross-departmental effort is much needed, as there is a need for exchange across departments in South Africa to understand the significant benefits of SPP. At present, the National Treasury focuses its SPP-related efforts largely on the social component (PPPFA), the DTI on the resource efficiency, and the DEA on environmental impacts more broadly. This will no doubt take time, but space for these discussions are being created through the Climate Change Policy, the National Greening Programme, the Energy Accord, COP 17, and the Green Economy Accord.

BOX 11. GENERATING EMPLOYMENT THROUGH ECO-FURNITURE FACTORIES

The Department of Environmental Affairs has collaborated with other National and Provincial Departments to roll out the first government-led public employment program in South Africa. This included the “Working for” programs: Working for Water, Working for Wetland, Working for Fire, Working for Land, and Working for the Coast.

The Working for Water program creates work opportunities through the removal of invasive alien plant species from infested landscapes. It considers the development of people as an essential element of environmental conservation. Creating an enabling environment for skills training, the program invests in the development of communities wherever it works. Using the raw material inputs of the harvested alien plants/trees, people are employed to make furniture and building materials. Thus the program focusses on job creation as one of the government’s priorities.

About the Eco-Furniture Factories

The Eco-Furniture Factory proposal has been accepted by the Jobs Fund to create 18 new Eco-Furniture Factories across the country (to minimize the cost of transportation of both biomass and the finished products). According to the Environmental Programmes unit, approximately 160 jobs will be created in each factory, which will be sustainable, and will become self-funding if the Treasury model for the sale of the products is followed.

The cost-per-person-per-day for the factories, after the capital equipment is bought with the Jobs Fund budget, is extremely competitive (likely to be under R250 per person per day). The cost for the products, with the necessary contingencies, is also highly competitive. The measuring in “school desk equivalents”, where single combination desks (see picture below) can be sold for R400 – considerably less than is being paid by most schools.



Photo: <http://www.dwaf.gov.za/wfw/>

FIGURE 4. PRODUCTS BEING MADE IN ECO-FURNITURE FACTORIES

A business plan has been developed that details how the program will be run. The harvesting of the biomass will be aligned with the Working for Energy: Biomass initiative, so that suitable wood is used for making furniture and building products (where transport costs are affordable), and the remainder is used for the generation of energy.

It is proposed that the South African National Energy Development Agency be appointed as the implementing agent, managing both the Eco-Furniture Factory program and the Working for Energy: Biomass program, to facilitate the optimal use of invasive biomass. This will also dovetail with SANEDI’s focus on building materials from invasive biomass.

For more information see <http://www.dwaf.gov.za/wfw/>

5.4.2 Transnet

Transnet is South Africa's largest freight logistics company, and is a state-owned company (SOC). Transnet does not tender on government calls; they have their own mandate to build the nation's ports, rails, roads, and other logistical infrastructure. They procure as a private-sector enterprise, but are still obliged to follow procurement laws, B-BEEE provisions and the new local procurement regulations, and must report on this annually.¹⁸ For 2011/2012, Transnet's scoring for B-BBEE was 'unexpectedly low'. To improve their score in 2013, there were initiatives to design and implement the training of black employees, and to design enterprise development programs to assist the acceleration of independent black-owned entities and their operational and financial capacities (Transnet, 2012a). The 2013 report has not been published at the time of writing, so progress towards these goals is unclear.

In terms of environmental sustainability, it was expressed during interviews with senior representatives in the company that not enough is being done in terms of greening supply chains. There is little to no integrated effort to improve the sustainability of their construction activities, and moreover the concept of "greening supply chains" itself is new and not yet being implemented. It was pointed out that a key impediment to going green in their operations is cost: construction on the scale that Transnet is responsible for (ports, rails, roads) is expensive, and it is not easy to know how to change to more environmentally friendly practices. Fundamentally, Transnet is dealing with steel, cement, lumber and other energy-intensive industries and concerns regarding price prevail.

With power outages becoming more of a regular occurrence in the country, however, energy efficiency is climbing the political agenda and becoming more important for Transnet and other SOCs. Eskom provides coal-fired electricity to Transnet, but it is widely felt that the system is running on low capacity and that alternatives need to be investigated. In response, Transnet has undertaken a scoping study on carbon emissions and is setting reduction targets.

As a part of this gradual move towards tracking and reporting on sustainable development indicators, Transnet undertook their first Sustainable Development Report in 2011, and that same year developed a sustainability vision statement and began integrated reporting in compliance with the King Code of Corporate Governance (King III). The company has begun tracking sustainability performance and deploying senior management staff to be in charge of diverse sustainability-related challenges.

More fundamentally, Transnet's Market Demand Strategy (MDS) seeks to encourage the shift from road to rail, which will reduce both the cost of doing business and also reduce carbon emissions (Transnet, 2012b) To meet growing market demand for freight transport, Transnet will be enhancing their rail capacity and its operational performance. Such transitions in the development in mega infrastructure can create lasting change: stimulating growth and skills, employing more people, promoting local industry, empowering black business, and enabling regional integration. Initiatives such as the MDS must be encouraged for the positive multiplier effects they can trigger, and for literally building the foundations for a more sustainable society.

5.5 Overview and Comments

Procuring authorities at the provincial and municipal levels are beginning to make progress towards SPP policy and practice, even in the absence of federal leadership. This is by no means an uncommon scenario, and indeed SPP can begin at the national or local level. In South Africa, the local governance units are at the forefront of the SPP movement (a similar situation to Canada, for instance). While in some cases, political statements are in place (e.g., Gauteng and Limpopo Province, Tshwane Municipality and others) without much sign of implementation, in other

¹⁸ At the time of writing, the new provision that B-BEEE applies to SOCs was being bitterly contested.

cases (e.g., Western Cape Province and the City of Cape Town) real pilot projects are underway demonstrating the feasibility of SPP practices.

What is clear is that procuring entities are not restricted by prevailing policies and laws from beginning to implement SPP as has been shown in this section. Implementation certainly requires institutional support at a certain level, as shown in the case of the Western Cape, but the governing procurement documents (PFMA, MFMA, and PPPFA) are being adapted, interpreted and modernized in interesting ways by provinces and municipalities across South Africa. Moreover it was highlighted that the supply chain management (SCM) review process at the municipal level is an optimal opportunity for public authorities to advocate for the leeway to procure more environmentally sustainable products and services.

From the perspective of the supply side, suppliers can be ready to respond to sustainable public procurement tenders if they are given sufficient lead time. The private sector in South Africa is already largely driven to look seriously at SCM and greening their supply chains by the King III principles, although implementation varies across the sector. Transnet, for instance, understandably has had a difficult time greening its supply chains as it procures coal-fired electricity to build mega infrastructure. Even there, however, a transition is underway to a more sustainable future in prioritizing rails over roads. Overall, there is a sentiment in South Africa that the private sector is already ahead of the public sector in terms of tracking and improving environmental performance. SPP as an integrated procurement strategy can bring governments into the sustainability space and drive even further improvements and innovations in market.



Section 6: South Africa's Investment Incentives and How They can Support Sustainable Public Procurement

6.1 Section Summary

This section discusses the investment incentives offered by the Government of South Africa and the extent to which they can be used to support the implementation of SPP. The rationale is that when governments align targeted foreign direct investment (FDI) sectors with major areas of public spending, the certainty of the domestic investment climate increases significantly. Moreover, public procurement becomes a de facto investment incentive as it ensures investors that the domestic demand for their products and services will remain scaled-up in the longer term.

The South African policy framework does indeed make preliminary provisions to align public procurement spend with FDI target sectors. The IPAPs and the New Growth Path have prioritized several sectors for investment and local content development: rolling stock, power pylons, bus bodies, canned/processed vegetables; textiles and apparel; leather and footwear; setup boxes for digital TV migration and pharmaceutical products. All of these areas are major areas of government spend. Rolling stock and power pylons are essential for infrastructure and public transport upgrades; apparel and footwear are purchased in contracts for linen and uniforms; processed food is used in canteens/eateries in offices, schools and hospitals and TV boxes are distributed by the government to lower-income communities. As such, if public procurement tenders for these goods and services were to include disclosure on local content requirements as an award condition, public procurement becomes an added incentive for increasing domestic production and industrial competitiveness in a very real manner.

The same could be true for the sophisticated framework of fiscal and financial incentives offered to both foreign and domestic investors by the Department of Trade and Industry (DTI), through its Enterprise Organisation Unit. The overall goals of these measures are to trigger the expansion of the services and manufacturing upgrade infrastructure, increase domestic investor participation, and raise productivity and overall industrial competitiveness. Yet if public procurement and SPP policies and targets could be aligned with the sectors that are targeted by these investment incentives, policy-makers may well be looking at a win-win strategy for sustainable industrial growth.

The following analysis will focus on illustrating the potential gains that can be achieved if investment incentives, FDI target sectors and SPP policies are better calibrated. The discussion is organized as per the investment incentive framework of South Africa, which is administered by the DTI. The framework offers five major packages of fiscal and financial incentives:

1. Small, Micro- and Medium-sized Enterprises (SMME) Development Incentives
2. Industrial Development-Related Incentives
3. Manufacturing Competitiveness Enhancement Programme
4. Women Economic Empowerment Incentives
5. Incentives for infrastructure

6.2 How Sustainable Public Procurement Can Increase the Effectiveness of Incentives Targeted at SMMEs

South African offers a range of financial incentives for SMMEs:

- **Black Business Supplier Development Programme** aims to improve core competencies, upgrade management capabilities and promote black business competitiveness in the mainstream business environment. The programme has a grant maximum of R1 million, with R800,000 for tools, machinery and equipment and R200,000 for business development services. The grant is made available on a 65:35 and 50:50 cost-sharing basis between the DTI and the beneficiary enterprise.
- **Cooperative Incentive Scheme** permits maximum grants of R350,000 to co-operative enterprises. It is notable that cooperatives can make multiple applications for grants provided the cumulative award does not exceed R350,000 per annum.
- **The Technology and Human Resources for Industry Programme (THRIP)** is a cost-sharing program with industry partners that supports science, engineering and technology research collaborations focused on addressing the technology needs of participating firms. It is managed by the National Research Foundation. Similarly, the **Incubation Support Programme** provides grants to scale up start-ups into more stable enterprises. This program also encourages partnerships in which big business assists SMMEs with skills transfer and enterprise development.

There also been a gradual increase in the fiscal incentives offered to SMES. For example, SMES with an annual turnover of R14 million are eligible for a maximum of 10 per cent deduction in corporate taxes. Higher deductions are granted to smaller companies with lower turnover figures with the maximum deductible being 28 per cent. In addition, expenditure related to “novel, practical and non-obvious information’ in devising, developing or creating any invention, design or computer programme or any knowledge essential to the use of the invention, design or computer programme’ is eligible for a tax deduction of 150%” (DTI, 2009).

The relevance of the above incentives in the light of SPP is that the Government of South Africa can implement preferential purchasing programs to procure goods services from the very same SMMEs that are targeted by these incentives. SMMEs are therefore provided positive assistance in two ways: a) increased access to operating capital through the incentive programs; b) increased market certainty through the scaled up and long-term demand for their products and services afforded by public procurement.

6.3 How Sustainable Public Procurement Can Increase the Effectiveness of Industrial Development-Related Incentives

This encompasses a number of incentives to expand and upgrade both the manufacturing and service industries.

The **Manufacturing Competitiveness Enhancement Programme (MCEP)**, targeted at enterprises that have been in operation for a minimum of one year, provides a taxable grant calculated as a percentage of Manufacturing Value Added (MVA).¹⁹ The grant is capped as follows:

¹⁹ Manufacturing Value Added is calculated based on the net value of turnover after the deduction of the following costs: sales value of imported goods, sales value of other imported finished goods, costs of material inputs during manufacture.

- 7 per cent of MVA awarded to enterprises larger than R200 million in assets.
- 10 per cent of MVA awarded to enterprises with assets between R30 million and R200 million.
- 12 per cent of MVA for enterprises with assets between R5 million and R30 million.
- 15 per cent of MVA for 100 per cent black-owned enterprises and enterprises with assets below R5 million.

In addition to the above, the MCEP includes a production incentive for green technology and energy and material resource efficiency programs. It is also awarded and capped as above.

The **Enterprise Investment Programme** is also noteworthy. This offers a reimbursable cash grant to South African and foreign-owned manufacturers that seek to establish a new production facility, expand an existing production facility, or upgrade an existing facility. The grant is linked to 15 per cent to 30 per cent of the new investment costs of machinery and equipment, buildings and commercial vehicles.

The **Foreign Investment Grant** is provided to foreign investors to share the costs of shipping and air freighting of new machinery and equipment. The grants can cover 15 per cent of the value of the machinery or its actual transport costs to a maximum of R10 million.

Sustainable public procurement programs can also seek to align with the Production Incentive, albeit it is only relevant to the apparel and footwear industries. Uniforms, furnishings and linen is procured through public tenders and hence the Production Incentive can be used to increase the participation of domestic enterprises and domestic supply chains in the public procurement market. The incentive can be used as an upgrade grant or interest subsidy facility to the value of 10 per cent of the applicant's MVA.

Support Programme for Industrial Innovation (SPII) is also very significant as it promotes technology innovation in South Africa through the provision of financial assistance for the development of innovative products and processes. The SPII specifically focuses on the development phase, which begins at the conclusion of basic research and ends when a pre-production prototype has been produced.

The first initiative under this programme has been the **Seda Technology Programme**. This is a merger of several existing programmes of the DTI: the Godisa Trust, the National Technology Transfer Centre, the Technology Advisory Centre, Technology for Women in Business program and the support programs for small enterprises of the South African Quality Institute. It offers R800,000 for tools, machinery and equipment on a 35:65 cost-sharing basis and R200,000 for business development services on a 50:50 cost-sharing basis.

In terms of targeted sector-specific incentives, the **Automotive Investment Scheme (AIS)** is one that can well be synergized through sustainable public procurement, as fleets and public transport infrastructure are major areas of public spending. AIS aims to expand the manufacturing of new and/or replacement models and components, increase plant production volumes, sustain employment and strengthen the automotive value chain in the country. The incentive awards a taxable cash grant of 20 per cent of the value of qualifying investment in productive assets. Eligible enterprises are:

- Light motor vehicle manufacturers that have achieved or can demonstrate that they will achieve a minimum of 50,000 annual units of production per plant, within a period of three years; or
- Component or deemed component manufacturers that are part of the international or domestic original equipment manufacturer supply chain and will achieve at least 25 per cent of a total entity turnover of R10 million by the end of the first full year of commercial production.

This discussion would not be complete without a focus on the Section 12I **Tax Allowance Incentive (12I TAI)**. This is awarded to both Greenfield and Brownfield investments that are classified under Major Division 3 of the Manufacturing in the Standard Industrial Classification Codes, as published by the DTI.²⁰ Standard Industrial Classification codes (SIC Codes), are an internationally accepted set of codes for the standard classification of all economic activities. The international codes are prescribed by the Department of International Economic and Social Affairs of the United Nations).

The 12I TAI is designed as an investment allowances that contributes towards capital and up-skilling costs. The allowances are granted as follows:

- R900 million to greenfield project with a preferred status.
- R550 million for all other greenfield projects.
- R550 million additional investment allowance in the case of any brownfield project with a preferred status.
- R350 million for all other brownfield project.

Of particular note is that the applying enterprise could score additional points for initiatives that use cleaner production and resource efficient technologies; provide general business linkages within South Africa; acquire goods and services from small companies; create direct employment within South Africa; provide skills development in South Africa; and in the case of a greenfield project, is located within an Industrial Development Zone.

The impact of these grants can be significantly increased through the implementation of SPP. For example, to increase investor certainty on greenfield investments, governments can seek to purchase and test incubating and prototype technologies. Indeed, in the United States and Europe, hybrid and ethanol-powered vehicles, wind turbines, PV arrays and energy-efficient office equipment were all made commercially viable as prototypes, and early commercial models were procured in large volumes by public entities.

The need to maximize the economic multipliers of these incentives also makes the case for policy-makers to position and use public procurement as a driver of industrial innovation. Through procurement strategies such as pre-commercial procurement; first commercial procurement; product services systems and performance-based specifications, policy-makers can provide additional demand guarantees that will augment the wider economic multipliers of the SPII. Pre-commercial procurement refers to contracts through which governments fund and purchase solutions for environmental and social needs that will arise in the future for which no commercial solution is presently available. First commercial procurement refers to contracts through which governments procure design prototypes and provide for their commercial testing.

6.4 How Sustainable Public Procurement Can Increase the Effectiveness of Incentives for the Economic Empowerment of Women

In this category of incentives the **Isivande Women's Fund** is noteworthy. The fund was established by the DTI Gender and Women Empowerment Unit in partnership with Old Mutual Masisizane Fund. It offers 60 per cent female-owned-or-managed enterprises that have operated for two years or more loans in the range of R30,000 to R2,000,000.

²⁰ The Department of Trade and Industry South Africa publishes the Standard Industry Classification Codes at <http://www.cipc.co.za/SIC.aspx>.

SPP policy-makers can again lend a hand to the implementation of this incentive by increasing the procurement of goods and services from qualifying women-owned enterprises. Moreover, a broad-based preferential public procurement program that seeks to increase procurement from businesses owned and operated by women is also practical and feasible within the purview of the prevailing industrial development policies, including B-BBEE and the IPAPs. Such a program would be most feasibly implemented by provincial governments and municipalities. These entities are closer to their constituents (including local business) and have a vested interest in using their purchasing power to increase sustainable growth in the immediate economy.

6.5 Incentives for Infrastructure

Expanding and upgrading South Africa's infrastructure is perhaps the most critical area where public procurement and investment can synergize. Most public works are undertaken as procurement contracts and are funded directly by the Government of South Africa and international donors. There is every case therefore to integrate environmental and social performance measures into public procurement tenders and thus position infrastructure development as a motor for industrial growth.

A starting point for such synergy could be tenders associated with the **Critical Infrastructure Programme (CIP)**. This is a cost-sharing cash grant for projects designed to improve "critical" infrastructure in South Africa—"critical" is defined as infrastructure that is essential to securing an impending investment that would not take place if the said infrastructure was not built or upgraded. The incentive covers qualifying development costs from 10 per cent to 30 per cent and is made available toward the completion of the infrastructure project.

Other synergies are afforded by incentives such as:

- The accelerated depreciation allowance of 5 per cent that is allowed for three years, for building and refurbishment of plant and machinery, hotel equipment, agricultural and manufacturing buildings and renewable energy installations. The allowance ranges from 5 per cent per year for refurbishment to 50 per cent per annum for renewable energy.
- The rolling stock depreciation for railway locomotives and carriages of 20 per cent per annum on the deployment costs, for assets brought into use after January 1, 2008.
- The depreciation of 5 per cent per annum on unused buildings (and improvements) when the building is used for the generation of income.

SPP can best crowd-in the benefits of these incentives if infrastructure tenders are designed to invite supplier to use building materials manufactured in South Africa, or in the first instance, award additional scores to suppliers that commit to using building materials made in the domestic economy. Moreover, to complement the incentives on accelerated depreciation, tenders for the same goods and services could specify that a majority of these goods and services and manufactured and assembly in South Africa. The other option is to require pre-qualified suppliers to be incorporated in South Africa or to be majority South African-owned enterprises.

6.6 Fiscal Incentives Directly Related to Environmental and Social Performance

Implementing sustainable public procurement will become significantly more feasible if policy-makers can align sustainable public procurement pilot tenders with sectors that receive fiscal incentives for improved environmental performance. For example:

- Environmental treatment and recycling assets ancillary to a manufacturing process qualify for relief of 40 per cent for the first year and 20 per cent for the second to fourth years. Hence tenders on goods and materials can be designed to all provide additional award points to suppliers that encompass extended producer responsibility and responsible waste management practices. Such provisions can also be included in the procurement contract conditions.
- A 5 per cent allowance on the annual cost of waste disposal assets is available to all industries. To increase the impact of this incentive, compliance and disclosure on legal requirements on environmental treatment and waste management could be made a mandatory pre-qualification requirement.
- Enterprises that receive primary certified emission reductions (CERs) revenue from clean development mechanism (CDM) projects are tax exempt in respect of disposals on or after February 11, 2009. These enterprises are likely to be working on energy efficiency initiatives related to buildings, infrastructure, industrial processes and agriculture and indeed on renewable energy generation. In this case specifications in public procurement tenders can demand mandatory performance on energy efficiency thresholds. In this way, public procurement directly increases the efficiency and impact of this fiscal incentive.
- An additional tax allowance of 15 per cent is provided for energy-efficiency-related equipment. Here again, if tender specifications can include mandatory requirement on energy efficiency, the multiplier gains of this tax allowances will be significantly increase.

6.7 Rethinking Investment Incentives More Broadly

While public procurement can be designed to complement the positive multipliers on fiscal and financial investment incentives, it will not compensate for incentives that are poorly designed. The golden rules of tax incentives are that they should be timely, targeted and temporary. They should be administered through corporate tax codes, and legal stipulations are needed on both the length of the incentive period and the entities eligible for incentives. Tax authorities also need to be mandated to award and monitor the playing out of incentives. This will lower administration costs and increase transparency as tax authorities are best placed to ensure that investors receiving incentives are eligible and provide the necessary documentation. It is also important that policy-makers should avoid the granting of discretionary incentives, whether through bilateral negotiation or certification. This distorts domestic competitiveness and makes the implementation of broad-based industrial development almost impossible.

Critics of incentives and subsidies will also be quick to point out that aligning public procurement and tax incentives provide industries with a double subsidy. Their arguments rests on the fact that procurement provides a guarantee of demand and price while the tax incentives and allowances reduce capital and operating costs and will ultimately deter the growth of productive and efficient industries.

If incentives are indeed timely, targeted and temporary and are administered with transparency, governments may indeed be missing an important development opportunity if sustainable procurement policies are not aligned. Procurement is a function that the public sector carries out as a matter of course. Public agencies procure to carry out their daily activities, provide and maintain public goods and services, and fulfil their election mandates. Using this large purchasing power in a manner that increases leadership for sustainable development is a fundamental fiduciary responsibility of all governments. Aligning public procurement with complimentary market instruments such as fiscal and financial incentives is an important step in this direction.



Section 7: Moving Forward

While in some country contexts the formalization of SPP through a dedicated policy or law at the national level is desirable, in the case of South Africa the existing policy space is sufficient to build up both support and the enabling environment for SPP initiatives at the local and provincial levels. In this way, government entities at the forefront of SPP can experiment, identify implementation challenges, and build the case for SPP through successful pilot initiatives. By harnessing the momentum already being generated on the ground, the business case for SPP can be strengthened through demonstrating its potential to generate positive multiplier effects in the economy.

There is widespread interest in South Africa to begin SPP where there is existing leeway, through ongoing initiatives, and where SPP will be easily taken up and have clear benefits (e.g., energy efficiency, retrofitting, local content). To this end, “quick wins and big wins” should be identified. It will also be important to learn from where procurement has gone wrong in the past and know how we can avoid making these mistakes in the future. Furthermore, pursuing pilot areas that have multiple objectives (e.g., procuring water supply for schools) would be a good way to get many stakeholders on board.

As guiding principles, research undertaken in this project has shown that next steps should build on what is already being done, and that incremental change is preferable to developing a targeted policy strategy.

A broad array of ideas on where to get started have emerged through stakeholder consultations, including: developing technical specifications for certain product categories and running pilot projects; supplier development dialogues and the provision of information/guidelines and practical courses for suppliers on how to respond to SPP tenders (notably for Eskom and Transnet procurers); the development of national guidelines on SPP; revisiting pricing under the PPPFA; clustering SPP initiatives regionally and generating consensus and volume; and learning from the private sector on how to improve supply chain sustainability.

More concretely, some ideas for next steps moving forward on SPP implementation in South Africa include the following:

1. **Dedicated technical expertise for municipalities and provinces on the design and implementation of tenders that include environmental and social criteria.** SPP experts—both domestic and international—can work with leaders and “champions” of SPP at subnational levels on developing their SPP strategy, and potentially build regional networks. The proposal for a **Platform of Municipalities** working towards SPP has been floated by representatives from the City of Cape Town. Such a platform would facilitate the sharing of best practices, and could eventually pool demand for more sustainable goods, services and infrastructure.

Case studies could be compiled to enhance knowledge from best practice, and would include a range of examples of successful and failed attempts at undertaking SPP activities in South Africa.

Entities likely to be at the forefront of such an initiative include: Province of the Western Cape, Drakenstein Municipality, eThekweni Metropolitan Municipality (Durban), and the City of Cape Town Metropolitan Municipality.

2. **The development of dedicated guidance on the procurement in sustainable buildings/infrastructure.** This could include a qualitative and quantitative assessment on the potential savings and efficiency gains in the South African context. The Western Cape is working on two major developments—housing complexes and the expansion of the V&A Waterfront. The dedicated guidance material would be used in conjunction with these developments and also circulated to other provinces.
3. **The development of South-Africa specific guidance for public procurers and suppliers.** Policy-makers and procurers are already aware of the SPP business case. Similarly, suppliers see important business opportunities to “go green” through applying to public tenders that integrate environmental performance in a meaningful manner. Currently missing are the tools to enable procurers and policy-makers to move ahead and suppliers to align accordingly. These tools could be designed as:
 - a. Dedicated product guidelines that will help policy-makers establish (and suppliers understand) the definitions and characteristics of “green and sustainable good, services and infrastructure.”

These guidelines could build on existing tools such as the Green Roads Rating System (United States), the Sustainability Compass (Switzerland), Green Product Groups and Criteria (European Union), or the Dubocalc and CO₂ performance ladder tools (Netherlands). There are many such tools and guidelines emerging from Europe, the United States, Australia, Switzerland and other countries and regions, and the challenge is now to adapt and calibrate them to be relevant to South African markets.
 - b. Dedicated training on how to integrate environmental and social criteria into pre-qualification, technical specifications, award criteria and contract conditions.
 - At the beginning, it is always most practical to introduce environmental and social requirements into pre-qualification and contract conditions; this levels the playing field across suppliers, as all bidders will be required to meet given levels of environmental and social performance.
 - The next step would be to introduce optional award criteria on environmental performance that would reward greener suppliers, but not crowd out companies who are not able to invest in green upgrades in the immediate term. The challenge is to make the grades awarded to optional environmental performance sufficiently high so that they will indeed encourage suppliers to improve their sustainability footprint.
 - This does not remove the need to provide the market with adequate lead time before tenders with environmental performance characteristics are launched. This gives suppliers the time to invest, upgrade and supply more environmentally preferable products/series at a reasonable price.
 - Finally, as markets for “greener” goods and services are maturing, policy-makers can explore the integration of environmental requirements into technical specifications. As is beginning to happen in advanced SPP markets, environmental characteristics in technical specifications can play an important role in driving new product and service design and in fostering eco-innovation. Furthermore, a movement toward the use of performance-based contracts is enabling suppliers to further innovate on resource efficiency and cleaner production.

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Annex 1

Stakeholders Consulted for Project

NAME	DEPARTMENT/ORGANIZATION	ATTENDED ROUNDTABLE = A TELEPHONE INTERVIEW = T BILATERAL MEETING DURING STUDY TOUR = B
Garth Strachan	Chief Director, Industrial Policy, Department of Trade and Industry	A
Tebogo Makube	Chief Director, Industrial Procurement, the Department of Trade and Industry	T
Catherine Matidza	Director: Fleet Procurement, Department of Trade and Industry	A
Jenitha Badul	Department of Environmental Affairs	A/T/B
Tlou Ramaru	Department of Environmental Affairs	T
Themba Ndukwana	Department of Environmental Affairs	A/B
Lusuku Ndzuta	Economic Development Department	A
Glen Goldstone	Economic Development Department	A
Femida Mahomed	Chief Director: Strategic Relationships, Department of Public Enterprises	A/T
Theo Covary	Unlimited Energy	A
Joanne Yawitch	National Business Initiative	A/T
Basil Jonsson	Operations Director, South African Road Federation	A/B
Godwell Nhamo	Professor, University of South Africa; Founder and Manager, Green Capacity (Pty) Ltd	A
Faith Mkhacwa	Project Manager, National Cleaner Production Centre (NCPC)	A
Xolile Mabusela	Department of Energy	A
Vania Mahotas	Department of Energy	A
Chesney Bradshaw	Head of Sustainability, ABB South Africa	A
Jaques Hugo	Chief Corporate Officer, UASA: The Union	A/T
Nana Agyepong	Academic Coordinator, University of South Africa	A
Dean Lotter	General Manager, Philips Lighting Solutions (Pty) Ltd	A
Jaques Du Toit	Head: Sustainable Livelihoods & Greening Programmes Environmental Resource Management, City of Cape Town	A/T
Kgatlaki Ngoasheng	Executive Director: Economic Policy, Business Unity South Africa (BUSA)	A
Mbuelo Idwane	Intern, Business Unity South Africa (BUSA)	A
Sue Lund	Transnet	T
Helen Davies	Western Cape Provincial Government	T

Damon Mathfield	Department of Economic Affairs	T
Gottlieb Arendse	Western Cape Provincial Government	T
Luzuko Ndzuta	Economic Development Department	A/T
Jenny Cargill	Special Advisor, Office of the Premier, Western Cape	T/B
Femida Mahomed	Department of Public Enterprises	T/A
Gerard Fourie	Department of Trade and Industry	B
Neva Makgetla	Economic Development Department	T
Edwin Ritchken	Department of Public Enterprise	A
Deborah Roberts	Ethikweni Municipality (Durban)	T
Jo Bulle	Ethikweni Municipal (Durban)	T

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