



**Western Cape
Government**

Environmental Affairs and
Development Planning

SUSTAINABLE PUBLIC PROCUREMENT POLICY UPDATE

AN OVERVIEW TO INFORM IMPLEMENTATION
IN WESTERN CAPE GOVERNMENT

December 2015

WHAT IS SUSTAINABLE PUBLIC PROCUREMENT?

The United Nations Environment Programme (UNEP) defines Sustainable Public Procurement (SPP) as **“a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment”** (United Nations Environment Programme, 2015). A sustainable procurement choice is one that accounts for the full value of a service or product over its whole lifecycle, including costing of social and environmental risk and opportunities.

The **Life Cycle Cost** of a product or service accounts for the full cost of material, energy and money of a product or service, as well as the impacts of production and consumption on workers, communities, society and the environment along the entire value chain.¹

Sustainable procurement is implemented in private and public organisations across developed and developing countries, recognising that there are financial and other gains to be made through more strategic purchasing. With government spending accounting for approximately 29% of South Africa’s Gross Domestic Product, there is significant opportunity to use this buying power to drive and support resource efficiency, local manufacturing, and socially and environmentally responsible practices in the economy (Turley & Perera, 2014).

**SUSTAINABLE PUBLIC PROCUREMENT =
PRICE + QUALITY + ENVIRONMENT + SOCIETY + ECONOMY**

A POLICY MANDATE TO USE PROCUREMENT TO TRANSFORM SOCIETY

The broad policy environment in South Africa promotes resource efficiency and the Green Economy. As a lever for resource-efficiency, SPP aligns to the National Development Plan (2012), New Growth Path (2011), and the Industrial Policy Action Plan, all of which prioritise both localisation of industrialisation and resource efficiency. In the Western Cape, WCG has identified SPP as a strategic lever to support various policy goals, especially in the Green Economy. Particular supportive policy includes the Provincial Strategic Plan (2014), The Green is Smart Green Economy Strategy Framework (2013), and the Western Cape Climate Change Response Strategy.

¹ For further information, consult the UNEP Life Cycle Initiative (UNEP, 2015) or ISO 14040 (ISO, 2006).

A study undertaken by the International Institute for Sustainable Development (IISD), *Implementing Sustainable Public Procurement in South Africa: Where to start*, indicated that South Africa’s legislative and regulatory environment supports the implementation of SPP (Turley & Perera, 2014). Further, the Preferential Procurement Policy Framework Act (2000) and Broad-Based Black Economic Empowerment (BBBEE) Code (2014) have already set a precedent for using government’s procurement decisions to strategically impact society. Sustainable procurement is an umbrella term that includes initiatives like BBBEE, along with other policy priorities such as localisation, greening, ethical labour practices.

TABLE 1: RELEVANT PROCUREMENT LAWS AND POLICIES

The Constitution of the Republic of South Africa (1996)	Section 217 (1) states that procurement systems must be: Fair; Equitable; Transparent; Competitive; and Cost effective	Section 217 (2) states that procurement may provide for: Categories of preference; and protection or advancement of persons or categories of persons disadvantaged by unfair discrimination.
The Public Finance Management Act (1999)	Efficiency of economic allocations of paramount importance Guards against corruption	
The Municipal Financial Management Act (2003)	Each municipality to have and implement its own Supply Chain Management policy	Bids may be assessed on ‘value for money’ – open to interpretation
Preferential Procurement Policy Framework Act (2000) & BBBEE Code (2003, 2014)		Procurement decisions are influenced by BBBEE certificate (no discretion to emphasise a particular aspect of transformation)
Local Procurement Accord (2011)		Up to 75% localisation of public/private procurement

An impressive example of SPP in South Africa is the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). REIPPPP not only allows for large-scale investment in renewable energy, and the associated financial and employment benefits it brings; it also includes an ambitious 75% local content commitment for successful bidding energy companies. In the Western Cape, this has led directly to the establishment of new factories to service the manufacturing needs of the solar and wind energy industries. Currently, renewables generate 421.82MW of electricity annually in the Western Cape.¹ This government-led stimulation of the renewables sector has led to investment in new local manufacturing, job creation, as well as investment in sector-specific training at the South African Renewable Energy Technology Centre (SARETEC).

¹ This is sourced from GreenCape’s database of REIPPPP preferred bidders

WESTERN CAPE GOVERNMENT COMMITS TO MORE SUSTAINABLE PROCUREMENT

SPP requires all government officials to think differently about their procurement choices. Work to date has included key stakeholders from Provincial Treasury, several WCG departments, and the City of Cape Town, as well as external stakeholders. Several public sector entities have led the charge, setting clear targets and commitments to incite the shift to SPP.

TABLE 1: SPP COMMITMENTS AND TARGETS

RELEVANT ENTITY	COMMITMENT/TARGET
Provincial Treasury implementing National Department of Trade and Industry	Implement 75% local content in procurement by 2019 (Local Procurement Accord 2011)
Western Cape Government	Position the Western Cape as the green economic hub of Africa and be the lowest carbon province. WCG and City of Cape Town, as major property owners and users of electricity and water, to take the lead in promoting resource efficiency. (Green is Smart: Western Cape Green Economy Strategy Framework 2013)
Western Cape Department of Human Settlements	Allocate 30% of budget to the procurement of sustainable technologies for housing
Western Cape Department of Transport and Public Works	Ensure all new WCG accommodation to be certified to a minimum of a 4 Star Green Star rating (Transport and Public Works Annual Performance Plan 2015/16)

Like all policy priorities, the measurement of the baseline situation, as well as regularly tracking progress, is an important element of successfully embedding SPP into the WCG procurement system. WCG has elevated strategic procurement to a provincial priority, managed under Provincial Strategic Goal 5: Embed good governance and integrated service delivery through partnerships and spatial alignment. This includes the piloting of a new national e-procurement system that will allow for SPP management and performance to be tracked.

AN SPP FRAMEWORK FOR WCG

WCG Department of Environmental Affairs and Development Planning (DEADP) has worked in partnership with Provincial Treasury and the Department of Economic Development and Tourism (DEDAT) to pull all the strategic initiatives and policy imperatives that deal with the socio-economic and environmental impact of procurement, under the single coherent frame of SPP. In line with global good practice, WCG uses the UNEP definition. Taking the local context, as well as provincial and national priorities into account, SPP focus areas are supported by a strong foundation of good governance and intelligence. This includes a redesign of the Central Supplier Database as well as Supplier Development. The conceptual framework is represented in the graphic below. Provincial Cabinet has mandated DEDAT to draft a policy that provides a strategic, coherent and implementable framework to address the economic, social and environmental impacts of procurement, incorporating national and provincial policy objectives.

SUSTAINABLE PUBLIC PROCUREMENT					
SPP FOCUS AREAS	Localisation/local content	Support for small, medium and micro-enterprises	Preferential procurement & bbbbee	Ethical procurement (covering labour practices & human rights)	Green procurement
	CROSS-CUTTING GOVERNANCE INTERVENTIONS SUPPORT SPP. THESE INCLUDE: National and Western Cape Government Strategic Procurement Strategy; E-Procurement; Professionalisation of Procurement Staff; and Transversal SPP Working Group.				

THE BUSINESS CASE FOR RESOURCE EFFICIENT AND GREEN PRODUCTS AND SERVICES

SPP augments the accepted function of government procurement, which is to acquire goods, services and infrastructure in a fair, transparent and competitive manner, on the most favourable possible terms. It allows for procurement to support other critical policy objectives that address societal and environmental challenges. South Africa faces substantial service delivery challenges, has infrastructure that is aging and in many cases inadequate, as well as complex socio-economic challenges associated with high unemployment. Additionally, the latest Western Cape Government (WCG) State of the Environment Outlook Report showed alarming trends in the integrity of our natural resources and ecosystems.

The implementation of SPP will drive the shift towards Sustainable Consumption and Production (SCP) patterns. It will enable the development and stimulation of a domestic market for more sustainable goods and services. It will also support resource-efficiency across economic sectors and reduce Greenhouse Gas (GHG) emissions. Both South African public and private consumers and producers thereby stand to benefit from this shift.

As services are extended to those who were historically excluded, and as the population grows, the above context demands that the goods and services procured by government are fit to meet these changing demands. SPP presents the opportunity to support local industry, responsible labour practices, positive impacts on local communities, as well as environmental responsibility, resource efficiency and green innovation in industry. Because SPP supports green innovation, it allows government to procure more resilient 'future-proofed' goods and services. These deliver both better value to our citizens, and services that are more fiscally prudent over the longer term, throughout the total lifespan of the investment.

The **Total Cost of Ownership** (TCO) is sometimes used interchangeably with 'lifecycle cost'. However, it draws specific attention to the price of acquisition of assets, as well as the financial costs associated with ownership, including installing, using, operating, maintaining, upgrading and disposing of the same assets. TCO challenges many public finance frameworks including the South African Public Finances Management Act and Municipal Finances Management Act, which places emphasis on the price of acquisition,

rather than operational expenditure. The TCO has implications for asset management decisions, and whether products should be bought or leased. This is because TCO accounts for asset depreciation, the economic value generated by an asset, and the years in which an asset will actually be used (Solution Matrix Ltd, 2015).

SPP enables a response to natural resource constraints through the through water, energy and carbon saving purchases, as well as technologies to minimise waste. In South Africa, energy security is a noted constraint on economic development (African Economic Outlook, 2015). During 2015, Limpopo Mpumalanga and KwaZulu Natal have been declared agricultural and water supply disaster areas. In the Western Cape, both energy and water are significant challenges. These constraints, coupled with environmental degradation, rapid in-migration and an ever tightening public purse, mean that WCG needs to find new and innovative ways of doing more with fewer natural resources.

Green procurement choices offer: short to long term cost and natural resource savings; risk management; and improvements in infrastructure and service delivery through innovation. For specific sectors, such as health, greener options offer other benefits like improved conditions for patients. In addition, government has the opportunity to use its buying power to support and stimulate markets that benefit the public (e.g. locally manufactured LED light bulbs).

WCG HAS INVESTED IN THE FOLLOWING GREENED INFRASTRUCTURE:

- Khayelitsha Shared Service Centre
- Khayelitsha Hospital
- Witsand (Integrated Energy, Environment, Empowerment-Cost Optimisation project)
- Delft Symphony 3 and 5
- Kleinmond Settlement

Investment in resource efficient technologies are becoming increasingly more affordable, resulting in shorter payback periods for investment, and greater cost savings.

The City of Cape Town, through an initial investment of R29 million in retrofitting traffic lights with LEDs, will see a saving of 7 459 MWh of electricity, 7 384 tons of carbon, and R11 million per annum, with a payback period of three years.

UNEP SPONSORED SPP IN WCG 2015-2017

Globally, SPP is used as a strategic tool to support the transition to a sustainable and inclusive economy. It is implemented in national and subnational governments, as well as in leading corporate entities. These include developed and developing countries such as Austria, Netherlands, United Kingdom, Chile and Vietnam. Globally, the UNEP 10 Year Framework of Programmes on Sustainable Consumption and Production Patterns (10YFP) was adopted at Rio+20 in 2012 to enhance international cooperation to accelerate the

shift towards SCP. Aiming to augment working at national and regional levels, and in developed and developing countries, 10FYP has six programmatic areas of focus, of which SPP is one. As a member of the United Nations, South Africa’s Green Economy Accord of 2011 was signed to support the Rio+20 Outcomes that commits its members states to promote measures for sustainable consumption and production and green economy in the context of sustainable development and poverty alleviation.

It is clear that SPP can be implemented, but what is missing now is how this will be done, and how success will be measured. Together with the IISD, and WWF South Africa, DEADP Directorate: Sustainability made a successful application for funding a project to mainstream SPP within WCG under the UNEP 10FYP SPP programme. The partnership with the IISD will work towards the following goals, focusing specifically on the green component of SPP:

1. Address public accounting hurdles faced when implementing SPP;
2. Ensure that SPP tools and practices respond to the Province’s, and South Africa’s, green growth and sustainable development goals; and
3. Contribute toward achieving value for money for public spending across asset life cycles.

This project will draw on existing SPP tools and global good practice, as well as local and global expertise to develop a locally appropriate set of practical materials that allow for the implementation of SPP. The project involves several interactive workshops with representatives of WCG departments as well as municipalities that have elected to join the WCG in piloting a new transversal electronic procurement system. The latter will enable better knowledge management and streamlined governance, as well as supporting supplier, product and service screening, and performance tracking for SPP.

ADDRESSING BARRIERS TO IMPLEMENTATION

An important part of implementing SPP within WCG, is understanding the real and perceived barriers. Given the conducive policy environment, a broad range of stakeholders have been engaged in order to get to a refined list of barriers in the diagram below. Each of these barriers represents an area of opportunity to implement effective co-designed solutions covering necessary policy, governance systems, data, tools and templates, communications and research. Success depends on different departments working together to address issues within their mandate and expertise.

FIGURE 1: BARRIERS TO SPP IMPLEMENTATION



PRODUCED BY:

Directorate: Sustainability

Western Cape Government: Environmental Affairs and
Development Planning

Utilitas Building, 1 Dorp Street, Cape Town, 8001
Private Bag X9086, Cape Town, 8000

Website: eadp.westerncape.gov.za

www.westerncape.gov.za

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