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SUSTAINABLE PUBLIC PROCUREMENT - A GOVERNMENT PERSPECTIVE

3rd meeting of the Global Partnership for
Business and Biodiversity
October 2013



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THE NATIONAL DEVELOPMENT PLAN 2012- VISION 2030

“Government’s procurement policies blur the line in matters of corruption, and the state procurement system has become overly bureaucratized. The emphasis on compliance by box-ticking makes the system costly, burdensome, ineffective and prone to fraud.”



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THE NATIONAL REGULATORY FRAMEWORK FOR PROCUREMENT IN THE PUBLIC SECTOR

- The Public Finance Management Act (PFMA) of 1999 governs financial management practices in South Africa.
- Decentralised system complemented by the Preferential Procurement Policy Framework Act (2000), Preferential Procurement Framework Regulations (2001); the National Treasury Regulations (2005) and , the Black Economic Empowerment Codes of Good Practice



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PREFERENTIAL PROCUREMENT POLICY₁



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



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PREFERENTIAL PROCUREMENT POLICY ²

Concern	challenges
Lack of Effectiveness	<ul style="list-style-type: none">• Limited capacity of small suppliers• Lack of controls and monitoring• No broad-based effect for HDIs: Empowerment vs "enrichment"• Price still dominant criterion
Delivery / Quality / Reliability of BEE Suppliers	<ul style="list-style-type: none">• Slower delivery• Capability to deliver not guaranteed with BEE suppliers• Conflict: PPP vs. Quality focus• Cash flow problems of small suppliers
Cost Premium	<ul style="list-style-type: none">• Increased costs - BEE-premium of up to 25%• Under-performance of BEE suppliers comes as an extra cost for government• Tight budgets vs. BEE-compromises on price and quality

PREFERENTIAL PROCUREMENT POLICY ³

Concern	challenges
Difficult Management of PPP	<ul style="list-style-type: none">• Lacking understanding of BEE amongst Line Management• No effective review of the impact of PPP• Lacking access to information on BEE compliance of companies
Fraud	<ul style="list-style-type: none">• Some companies "abuse the system" and overstate their BEE compliance• Lacking Monitoring and Enforcement
Regulation as Additional Burden in Procurement	<ul style="list-style-type: none">• Increased bureaucracy and slower procurement processes• Procurement processes more complicated because of PPP



GREEN PROCUREMENT IN SA ¹



- While Green Public Procurement is still a relatively new concept in South Africa, environmental criteria have, to a certain extent, started playing a role in public procurement decisions.
- For larger development projects, all state entities in South Africa already consider environmental criteria through environmental impact assessments that are required by national law. (NEMA)



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GREEN PROCUREMENT IN SA ₂

- Certain government bodies seem to have progressed in developing green procurement policies, or complementary policies-the implementation of these policies appears to be less than complete
- **Barriers to Green Procurement:**
- Lacking Awareness
- Lack of legal mandate and political Framework
- Premium cost of green alternatives
- Identification of green alternatives
- Unverified environmental claims and / or ignorance of GPP principles in procurement decisions



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SUPPORT REQUIRED FOR GREEN PROCUREMENT



- Training of Officials and Capacity building
- Initiatives to cooperate with National Governments
- Expert Support /information and Guidelines
- Awareness Raising Campaigns
- Identification of Eco/Friendly Goods/ Database
- Cooperation and Networking
- Monitoring and or Measurement System
- Business Case /Deal with Price Premium
- Stakeholder Engagement
- Creation of a GPP support unit



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SPP IN SOUTH AFRICA

Strengths

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



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SPP IN SOUTH AFRICA ²

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



SPP IN SOUTH AFRICA ₃

Weaknesses

- SPP is not currently being driven by National Government-political impetus
- Decentralised procurement processes has resulted in lost opportunities for collaborative tender and specification development and bidding
- Few government bodies have any form of green procurement policy in place- overridden by other perceived priorities
- Very little formal environmental verification schemes currently exist-challenges with auditing
- PPP rolled out effectively.... little monitoring to measure if it has had a + impact?
- Supply chain management decisions generally do not take life cycle costing into account.
- Not much awareness and expertise around SPP.
- Many government departments are currently engaged in long term contacts with their suppliers-exit clauses exist but could impact on the long term implementation of SPP



SPP IN SOUTH AFRICA ⁴

Weaknesses cont.



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



WAY FORWARD

Our National Development Plan resonates a review of our Procurement Practices



Vision 2030 calls for

- Procurement systems need to be robust, transparent and sufficiently intelligent
- Procurement decision making should remain decentralised but there's a central role in providing enabling structures
- Designing procurement systems to deliver value for money and enable effective government.
- Leverage the Local Procurement Accord to promote stronger buyer–supplier relations and deeper localisation-Public-sector procurement will be leveraged to stimulate local activity.
- Revised Preferential Procurement Regulations (2011) will promote transformation: Aligning all legislation and the codes and charters that flow from the BBBEE Act-advance socioeconomic targets



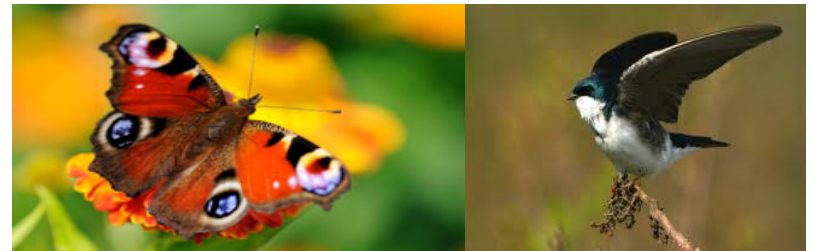
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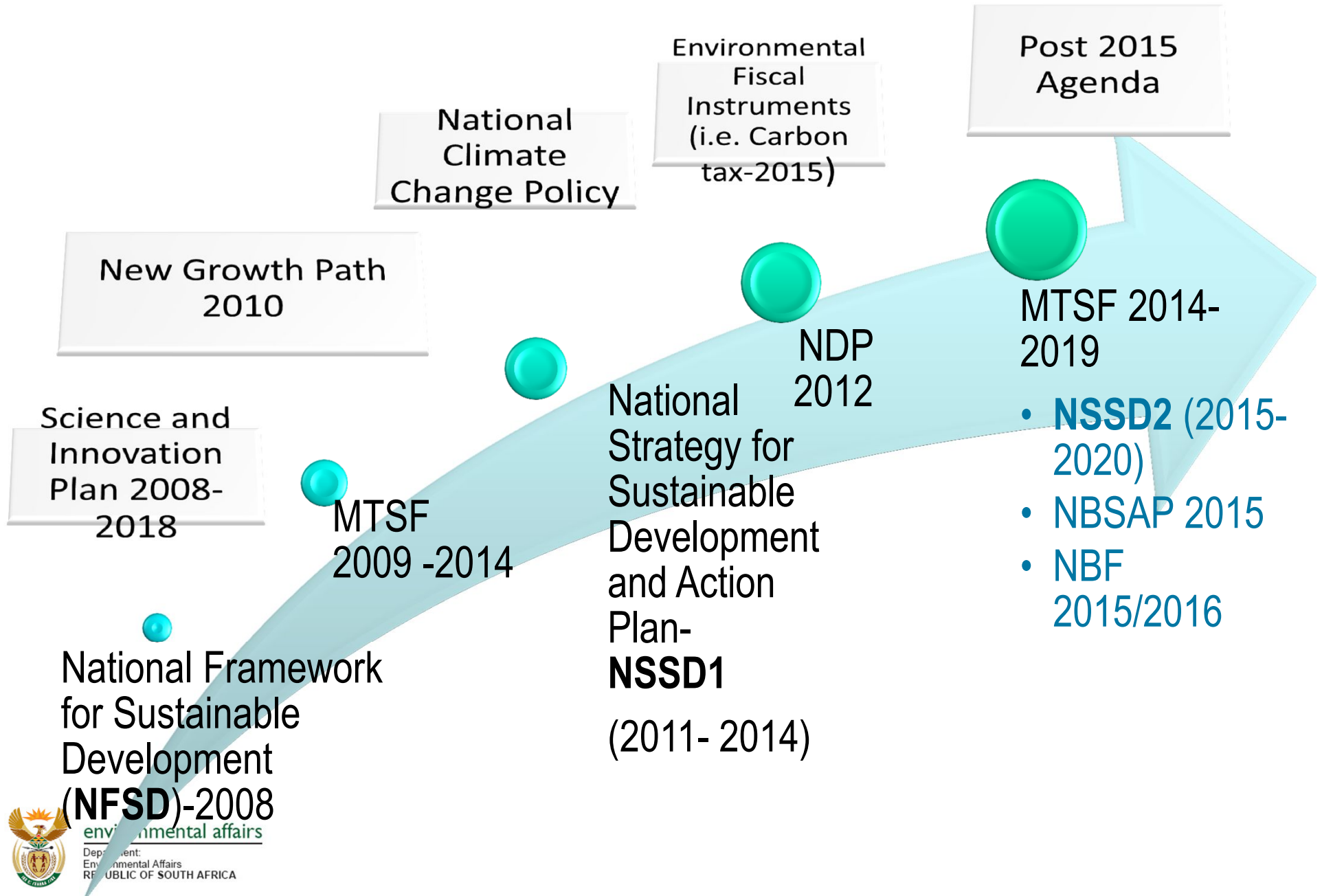
EXPLICIT DIRECTION FROM NDP ON NATURAL RESOURCES

“the National Planning Commission ...propose three measures to protect the country’s natural resources:

- (i) An environmental management framework. Developments that have serious environmental or social effects need to be offset by support for improvements in related areas;
- (ii) A target for the amount of land and oceans under protection (presently about 7.9 million hectares of land, 848km of coastline and 4 172km² of ocean are protected); and
- (iii) A set of indicators for natural resources, accompanied by publication of annual reports on the health of identified resources to inform policy.”



ALIGNMENT WITH OTHER NATIONAL IMPERATIVES



Thank You

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