

**Title:** DRAFT WHITE PAPER ON GREENING THE PROCUREMENT OF GOODS AND SERVICES IN THE PROVINCIAL GOVERNMENT OF KWA ZULU NATAL

## **DRAFT WHITE PAPER ON GREENING THE PROCUREMENT OF GOODS AND SERVICES IN THE PROVINCIAL GOVERNMENT OF KWA ZULU NATAL**

*Department of Economic Development and Tourism*

### **INVITATION TO COMMENT ON THE DRAFT WHITE PAPER ON GREENING THE PROCUREMENT OF GOODS AND SERVICES IN THE PROVINCIAL GOVERNMENT OF KWA ZULU NATAL**

The Department of Economic Development and Tourism welcomes any comment or expression of concern from all interested parties on the proposals for the greening of procurement practices.

Please make written submissions before ..... Submissions can be mailed to, or delivered at the offices of the Directorate: Economic Planning Unit, Department of Economic Development and Tourism.

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## EXECUTIVE SUMMARY

Reports such as the UN Millennium Ecosystem Assessment (2005) and the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) (2007) have highlighted the growing concerns relating to the socio-economic impacts of resource depletion and human-induced climate change. It is increasingly evident that policy objectives relating to economic development and social equity cannot be met unless production and consumption are decoupled from resource use (i.e. increases in producing and/or consuming goods and services should not be accompanied by increases in the use of resources).

Public authorities have a particular role to play in promoting this decoupling, both through appropriate regulatory reform and by demonstrating more responsible practices in their own production and consumption activities. Recognising their potential to make a meaningful difference through their procurement practices, the Kwa Zulu Natal Provincial Government (KZNPG), as part of the provincial Green Economy Strategy, has committed itself to developing a provincial Green Procurement Policy (GPP) that seeks to reduce the environmental footprint of their daily operations, and influence the behaviour of suppliers to the government. This will ensure that the KZNPG conducts business in a more environmentally friendly manner.

This Draft White Paper provides the general principles and guidelines for integrating environmental criteria into supply chain management decision-making in the KZNPG. It provides for a phased implementation process of the policy through the issuing of practice notes for selected products/service areas, with the initial six selected pilot areas being: paper and stationery; lighting equipment; office electronic equipment; events greening; cleaning products and services; and waste services. Detailed Green Procurement action plans will take direction from and be developed within the policy framework and be cascaded down throughout the provincial procurement structures.

The inclusion of environmental considerations in provincial purchasing decisions is intended to encourage a change in the behaviour of provincial personnel and suppliers and in so doing, will stimulate the local recycling economy and promote innovation towards the development of products and services with a lower environmental footprint. These objectives should be achieved within the constraints of maintaining the competitiveness of suppliers and adhering to sound and defensible procurement practices in terms of the prevailing statutory frameworks.

This Draft White Paper further provides for the integration of Green Procurement practices within the five elements of the current supply chain management process, namely: demand management; acquisition management; logistics planning; disposal management; and supply chain performance. It is intended that environmental considerations will be appropriately entrenched in the strategic planning, budgeting, implementation, in-year monitoring and evaluation processes of the KZNPG throughout its supply chain management process..

## GLOSSARY OF KEY TERMS

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

**Acquisition** means the act: of acquiring goods and services for the use of a governmental activity through purchase, rent or lease.

**Acquisition Management** denotes a plan of action with the objective of supplying goods and services by efficiently applying resources in a manner that would ensure that the purchasing objectives are met and opportunities are utilized by making use of the competitiveness of the market and minimizing risks.

**Bid Adjudication Committee** refers to the committee that considers the recommendations of the evaluation committee and makes a recommendation to the Accounting Officer for approval.

**Award** in relation to bids or quotations submitted for a contract, means the final decision on which bid or quotation is accepted.

**Bid** or **Proposal** means a written offer received from a vendor in response to an invitation to bid.

**Bidder** means any natural or legal person submitting a bid in response to an invitation to bid.

**Bid Advertisement** refers to the description and publication of purchasing needs and plans of the government.

**Bid Evaluation** or **Evaluation of Proposals** refers to the examination of responses after opening to determine the vendor's responsibility, responsiveness to specifications, Terms of Reference and other characteristics of the solicitation relating to the award.

**Clean Production** means the continuous application of integrated preventative environmental strategies to processes, products and services to increase overall efficiency and to reduce the impact of such processes, procedures and services on health and the environment.

**Contract** means the written agreement entered into between the purchaser and the supplier, as recorded in the contract form signed by the parties, including all attachments and appendices thereto and all documents incorporated by reference therein.

**Costing** is the process of identifying and accumulating direct and indirect overall costs related to the procurement of goods and services in order to calculate overall prices and necessary budgets.

**Database** is a collection of systematised data designed to respond to a particular user group's information needs.

**Decoupling** refers to the lessening of correlation or dependency between variables. It is often used in the context of economic production and environmental quality. In this context, it refers to the ability of an economy to grow without corresponding increases in environmental pressure. In many economies increasing production (GDP) would involve increased pressure on the environment. An economy that is able to sustain GDP growth, without also experiencing a worsening of environmental conditions, is said to be decoupled.

**Demand Management** means the process that ensures that resources required to fulfill the objectives of the strategic procurement plan of the Department are delivered at the correct time, price, place, quantity and quality.

**Disposal Management** refers to the decommissioning, clearance and removal of unserviceable, redundant and obsolete assets. It considers obsolescence planning; maintaining a data base of redundant material; inspecting material for potential re-use; determining a disposal strategy; and executing the physical disposal process.

**Minimisation** when used in relation to waste means the avoidance of the amount and toxicity of waste that is generated and in the event where waste is generated the reduction of the amount and toxicity of waste that is disposed of.

**DoE** is the provincial 'Department of Education' in Kwa Zulu Natal.

**DoH** is the provincial 'Department of Health' in Kwa Zulu Natal.

**DSD** is the provincial 'Department of Social Development' in Kwa Zulu Natal.

**DT&PW** is the provincial 'Department of Transport and Public Works' in Kwa Zulu Natal.

**Duty of Care** means that there is duty on an organisation or business, to ensure that any waste that is produced is handled safely and within the prescripts of the law. It applies to any person or entity that produces, imports, transports, stores, treats or disposes of waste from organisations or businesses. The duty of care has no time limit and extends until the waste has either been finally disposed of or fully recovered.

**Environmental** or **Ecological Footprint** means the impact of human activities, calculated as the amount of the environment necessary to produce the goods and services necessary to support particular human activities. It is generally measured in terms of the area of biologically productive land and water required to produce the goods consumed and to assimilate the wastes generated.

**Energy Star®** is an example of one of the many standards that can be applied to office equipment for the purpose of rating the energy efficiency of such equipment. An example of energy efficient equipment is for instance Energy Star labelled computers, monitors, and printers who for example use less energy when being used and save energy by powering down when not in use.

**Environmentally Responsible** is an attribute to describe the activity, commodity or service that minimises the harmful impact on the natural environment.

**Extended Producer Responsibility** is based on the "polluter pays" principle and entails making manufacturers responsible for the entire lifecycle of the products and packaging they produce. This means that companies that manufacture, import and/or sells products and packaging, is required to be financially or physically responsible for such products after their useful life. They must either take

back spent products and manage them through reuse, recycling or in energy production, or delegate this responsibility to a third party which is paid by the producer for spent-product management.

**Full-life costing** (See Life-Cycle Costing)

**Greening** is the consideration of environmental and social consequences of the choices and decisions made when procuring goods and services.

**Green Procurement** or **Environmental Procurement** is the consideration of environmental criteria when purchasing goods and services to ensure that the related environmental impact is minimized.

**Green Procurement Requirement** is the institutionalised application of environmental criteria in the purchasing process of government.

**Green Procurement Policy** (GPP) refers to a policy that promotes the principles and criteria of green procurement.

**Hazardous** is an attribute to describe products and substances that cause environmental harm, affecting humans and/or the natural environment if not stored and handled in a way that avoids their exposure to the environment.

**HDI** means historically disadvantaged individual.

**Life-Cycle-Analysis or Assessment (LCA)** is the evaluation of environmental impacts of products and services, considering the full life-span (production, use / consumption, disposal) and related inputs and outputs.

**Life-Cycle Costing Analysis** or **Life-Cycle Cost Assessment** is a procurement evaluation technique which determines the total cost of acquisition, operation, maintaining and disposal of the items acquired; the lowest ownership cost during the time the item is in use.

**Logistics Management** refers to the coding of items, setting of inventory levels, placing orders, receiving and distribution, stores/warehouse management, expediting orders, transport management and vendor performance.

**Maintenance** means the cost and efforts of keeping a property in efficient working condition; or all action to retain material in a serviceable condition or to restore it to serviceable condition or to restore it to serviceability. It includes inspection, testing, servicing, and classification as to serviceability, repairs, rebuilding and reclamation.

**Minimisation** when used in relation to waste, means the avoidance of the amount and toxicity of waste that is generated and, in the event where waste is generated, the reduction of the amount and toxicity of waste that is disposed of.

**MTEF** means Medium-Term Expenditure Framework and refers to a process that allows for transparent budget planning and enhances efficient resource allocation. The aims of the MTEF are to set fiscal targets and to allocate resources to strategic priorities within these targets.

**Non-Governmental Organisations** (NGOs) are legally constituted organisations that operate independently of government.

**KZNPG** means the Provincial Government of Kwa Zulu Natal.

**Polluter Pays** refers to the principle in environmental law where the polluting party pays for any damage to the natural environment.

**Practice Note** is as a user-friendly guideline which seeks to define and explain the application and interpretation of the integration of environmental criteria into supply chain management decision-making.

**Procurement** refers to a specific activity of acquiring or procuring goods and services through an acquisition system that is fair, equitable, competitive, cost effective and transparent.

**Purchasing** means the buying process within the procurement cycle.

**Recycling Economy** refers to any economic activity linked to recycling and more specifically those who make money from recycling related activities (e.g. collecting of recyclables, processing, the manufacturers of potentially recyclable materials, categories of certain materials to be recycled etc.)

**Regulatory Framework** refers to all legislation, regulations and other legal prescripts that are relevant in the context of a particular activity or circumstance.

**Recycling** means a process where waste is reclaimed for further use, which process involves the separation of waste from a waste stream for further use and the processing of that separated material as a product or a raw material.

**Reuse** means to utilise articles from the waste stream again for a similar or different purpose without changing the form or properties of the articles.

**Supply Chain Management (SCM)** means a system that integrates all supply chain activities, processes and organisational functions through relationship management. It involves five elements, namely demand management, acquisition management, logistics management, disposal management and supply chain performance.

**Suppliers, Service Providers or Vendors** mean legal or natural persons who have been awarded a bid by the PGWC to deliver particular goods and/or services under agreed conditions.

**Supply Chain Management Monitoring (SCM Monitoring)** refers to a monitoring process to determine whether the proper SCM process is being followed and whether the desired objectives/goals are achieved.

**Sustainable Procurement** refers to procurement that takes into account environmental and social aspects in addition to traditional economic or financial considerations.

**Sustainable Public Procurement (SPP)** refers to Sustainable Procurement by public authorities and institutions.

**Sustainable Consumption** refers to the use of goods and services that respond to better needs and bring a better quality of life while minimizing the use of natural resources, toxic materials and the emission of waste and pollutants over the life cycle, so as not to jeopardize the needs of future generations, and at a consumption level of natural resources that is indefinitely sustainable.

**Technical Specifications** means the specific technical requirements for the acquisition of goods and assets.

**Training** is an activity enhancing skilled behaviour which involves the transmission of knowledge and competencies, using different media and/or personal teaching.

**Transversal Purchasing** means period contracts/ shared purchasing activities involving more than one functional unit of a department or departments to participate in.

**Value for Money (VFM)** means the best available outcome when all relevant costs and benefits over the procurement cycle are considered.

**Virgin Material** refers to the unused natural resources extracted from the earth through farming, fishing, forestry, mining or hunting.

**Waste Hierarchy** represents a chain of priority for waste management. It extends from the ideal of minimising the consumption on natural resources, avoiding and minimising the generation of waste, reducing, re-use, recycling and recovering waste and the treating and safely disposing of waste as a last resort.

## **1 INTRODUCTION AND RATIONALE**

### **1.1 Purpose and Aim of this Document**

1.1.1 The subject matter of this Draft White Paper relates to the Greening of the Procurement of goods and services within the KZNPG. The aim of this Draft White Paper is to encourage provincial departments to lead by example by minimising the negative environmental impacts of their own activities and promoting improved environmental performance throughout their sphere of influence. Green Procurement hence requires that decisions relating to the procurement of goods and services consider the full economic costs, including specifically environmental costs, with the aim of promoting long term environmental, social and economic sustainability.

1.1.2 The development of this Draft White Paper builds on and seeks to give effect to the existing provincial *Green Economy Strategy* which promotes environmental efficiency in government operations and includes efforts to stimulate the local recycling economy as

one of its intervention projects. The proposed policy seeks to reduce the environmental footprint of the daily operations of the KZNPG and to influence the behaviour of suppliers to government.

1.1.3 The Draft White Paper promotes the following generic principles of Greening:

- Environmental Best Practice: to reduce negative environmental impact by employing technologies and behavioural practices that conserve water; use energy efficiently; minimise and manage waste and pollution; use resources sustainably; conserve biological diversity; and prevent the loss and degradation of resources before it occurs.
- Social and Economic Development: to promote social and economic development through environmental best practice and by selecting environmental best practice options that also raise awareness, involve communities in decision-making, conserve cultural diversity, improve human health, create jobs and stimulate local economies.
- Education and Awareness: to communicate greening plans and progress to relevant stakeholders; and explain why greening is taking place and why it is beneficial to stakeholders with the aim to change behaviour.
- Monitoring, Evaluation and Reporting: to assess the effectiveness of greening activities throughout and after the greening process; make people accountable for their actions and encourage constant learning by communicating findings.
- Leaving a Positive legacy: to ensure that both the short and long-term impacts of decisions and actions are positive; and to implement decisions that lead to sustainability.

## **1.2 Policy Context and Legal Framework**

1.2.1 This Draft White Paper has been developed within the context of policies and regulations relating to public procurement practices and environmental priorities at both a national and provincial level. To date, government has published various sector policies, strategies and laws on waste management, energy efficiency, climate change mitigation and hazardous substances that all support the principle of environmentally sustainable procurement and the introduction of Green Procurement practices. Hence, the principles, vision and objectives in this Draft White Paper are based on the principles and objectives in these sectoral policies and laws.

1.2.2 Specific provision has been made for the policy context relating to public procurement at both a national and provincial level:

1.2.2.1 Nationally, several government White Papers recognise the important role of public procurement as a policy means of achieving reconstruction and development objectives. By way of example, the Green Paper on Public Sector Procurement Reform in South Africa (1997) specifically acknowledges that public procurement can be used as a tool to achieve socio-economic objectives.

1.2.2.2 This Draft White Paper has been developed in accordance with the statutory framework in terms of which provincial procurement act of 2001. It provides for the requirements listed in the primary objectives of the Act, which state the following:

a.) to establish a system of the procurement of goods and services, the disposal of goods and the granting of rights by the provincial government that is fair, equitable, transparent, competitive and cost effective.

b.) to give effect to the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)

c.) to create and sustain conditions for the empowerment of small, medium and micro-enterprises and

d.) to facilitate accountability by accounting officers with respect to matters to which this Act applies

and this Draft White Paper has been developed in accordance with national legislation on procurement and with consideration given to the recent procurement initiatives undertaken by National and Provincial Treasury, in terms of section 217 of the Constitution of the Republic of South Africa, 1996 ("the Constitution").

**Section 217 of the Constitution provides the following on procurement:**

"(1) When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.

(2) Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing 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.

(3) National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented."

1.2.3 In terms of the policy context relating to environmental management section 24 of the Constitution makes specific provision for the protection of the environment, stating that:

"Everyone has the right—

- (a) to an environment that is not harmful to their health or well-being; and
- (b) to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that—
  - (i) prevent pollution and ecological degradation;
  - {p10}(ii) promote conservation; and
  - (iii) secure ecologically sustainable development and use of natural resources while promoting justifiable economic and social development."

The significance of this right is that it imposes a duty on Government to protect the environment through reasonable legislative and other measures, which may include the development of policy.

**1.3 Rationale for the Green Procurement Policy (GPP)**

1.3.1 The UN Millennium Ecosystem Assessment (2005) found that two thirds of the planet's ecosystems services - such as food, fibre, clean air, fresh water, and flood and disease regulatory services - are being degraded and used on an unsustainable basis. The Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) (2007) highlights the severity of the impacts of human-induced climate change. Further, the Green Economy Strategy for Kwa Zulu Natal highlights the need to create one economy in KZN, which is the green economy and therefore we need to cap the environmental footprint of the Province. Together, the impacts of climate change and resource degradation, highlight the need to decouple production and consumption patterns from resource use. Public authorities have a particular role to play, both in terms of encouraging regulatory reform, and in demonstrating more responsible practices in their own production and consumption patterns.

- 1.3.2 In April 2006, National Treasury developed a policy paper entitled, "A Framework for Considering Market-based Instruments to Support Environmental Fiscal Reform in South Africa". The policy paper outlines the role of market-based instruments, specifically environmentally-related taxes and charges could play in supporting sustainable development in South Africa. The Green Procurement Policy is an opportunity to consider environmental reform by looking at the KZNPG's general expenditure practices to ensure the sustainability of current resource use practices and consumption trends of goods and services provided from local, national and or international producers and service providers.
- 1.3.3 A recent study conducted for the European Commission highlights the potential role of governmental agencies in promoting decoupling.<sup>1</sup> It found that if all public bodies in the European Union (EU) switched to renewable energy, they would avoid the release of more than 60 million tonnes of carbon dioxide (CO<sub>2</sub>) emissions per year, thus contributing towards 18 per cent of the EU's Kyoto target on reduced greenhouse gas emissions. If the EU public sector also started purchasing energy-efficient desktop computers - each year it purchases more than 2.8 million personal computers - another 830,000 tonnes of CO<sub>2</sub> release would be prevented.
- 1.3.4 Decoupling aims to ensure the link between negative environmental impacts and economic growth is broken. This Draft White Paper, through promoting the principles of the waste hierarchy, the wise use of resources, the polluter-pays principle, duty of care, extended producer responsibility and the life cycle of products, is an attempt to guarantee that the operations of the KZNPG become resource efficient by reducing its environmental impact and ensuring that the production and consumption of goods and services over their full life cycle do not impact negatively on the environment.
- 1.3.5 The KZNPG is, a significant contributor to the local economy. By choosing its suppliers and service providers, it can influence the production and sale of more environmentally friendly products (example, more energy-efficient IT equipment), as well as stimulate a change in the behaviour of businesses and within government departments (by encouraging for example, the use of raw materials and water saving and recycling initiatives,). The actions of the KZNPG should lead the way for other government departments and businesses to begin reducing the negative environmental impact of their own supply chains.

#### **1.4 Scope of the Draft White Paper**

- 1.4.1 The proposed policy provides general principles and guidelines for integrating environmental criteria into supply chain management decision-making. It provides further for the issuing of practice notes for product and service areas, within the six pilot areas, namely, events greening, cleaning products and services, lighting equipment, office electronic equipment, paper and stationery and waste services. Provincial Treasury, the custodian of procurement policies in the KZNPG, will be responsible for the endorsement and issuing of such practice notes.
- 1.4.3 Practice notes will, over time, be issued to allow for the inclusion of environmental specifications into 'standard' specifications for further goods (i.e. products) and services. The implementation of the specifications will allow for a standardised approach towards adhering to the proposed policy and should assist in the adherence to the Green Procurement criteria in supply chain management decisions.
- 1.4.4 The Draft White Paper has been developed with due consideration to the availability of green products and services in Kwa Zulu Natal and South Africa.
- 1.4.5 The Draft White Paper takes into consideration the capability of local businesses and industry to produce or source environmentally friendly and responsible products and services.
- 1.4.6 Detailed Green Procurement action plans will take direction from and be developed within the policy framework and be implemented throughout the KZNPG procurement structures.
- 1.4.7 The Draft White Paper provides the framework for departments within the KZNPG to develop action plans that consider environmental issues within their specific

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<sup>1</sup> European Commission Sustainability and Decoupling Indicators: Life cycle based approaches, 3rd International Life Cycle Thinking Workshop, Cyprus, 22-23rd January 2007.



procurement needs. The Draft White Paper also provides for procurement preferences to consider the full impact of the life cycle of the products and services being purchased, from the initial stage of the raw materials being used through to the manufacture, use and disposal of such products.

## **2 GREEN PROCUREMENT POLICY VISION, OBJECTIVES AND PRINCIPLES**

### **2.1 The Green Procurement Draft White Paper - Vision**

2.1.1 The Draft White Paper aims to reduce the negative environmental impact of the supply chain management decisions of the KZNPG. In so doing, it aims to:

- 2.1.1.1 change the behaviour and practice of KZNPG personnel by encouraging them to consider and reduce the negative environmental impacts of what they purchase, use and dispose of;
- 2.1.1.2 encourage suppliers to change their behaviour and to consider environmental issues in the design, manufacture, use and disposal of materials, products and/or services; and
- 2.1.1.3 stimulate the recycling economy and promote innovation towards the development of products and services with a lesser environmental footprint.

### **2.2 The Green Procurement Draft White Paper - Strategic Objectives**

2.2.1 The objective of this Draft White Paper, with regard to the procurement of goods and services, is to:

- 2.2.1.1 encourage a decrease in the use of energy and resources thereby reducing the negative environmental impacts of the daily operations of the KZNPG;
- 2.2.1.2 promote and increase the usability of spent or discarded products through reuse and recycling, thereby promoting cleaner production and the minimisation of waste, as well as supporting the development of the recycling economy;
- 2.2.1.3 utilise and disseminate environmental best practices in the areas of waste minimisation and management, water and energy efficiency and conservation, pollution reduction and socio-economic development;
- 2.2.1.4 encourage communities and businesses to use environmentally responsible products and services; and
- 2.2.1.5 assist officials in the KZNPG to achieve set goals with regard to the minimisation of waste generation and energy usage.

### **2.3 The Green Procurement Draft White Paper-Principles**

2.3.1 The Draft White Paper promotes the following high level principles:

- 2.3.1.1 the waste hierarchy;
- 2.3.1.2 wise use of resources;
- 2.3.1.3 the polluter-pays principle;
- 2.3.1.4 duty of care;<sup>2</sup>
- 2.3.1.5 life cycle; and
- 2.3.1.6 extended producer responsibility.

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<sup>2</sup> Provided for in the National Environmental Management Act 107 of 1998.

- 2.3.2 The proposed policy rests upon the following principles of behaviour:
- 2.3.2.1 firstly ascertaining whether the product or service is actually required at all or in the quantities being proposed;
  - 2.3.2.2 considering and reducing the negative environmental consequences of a product and/or service at all stages of its lifecycle;
  - 2.3.2.3 changing the behaviour of suppliers and consumers of products and/or services to further reduce any negative environmental impacts; and
  - 2.3.2.4 preventing and/or minimising the generation of waste and pollution, the use of raw materials, energy and water, and the use or generation of hazardous substances.
- 2.3.3 The objectives and principles stated above should be achieved within the constraints of maintaining the competitiveness of suppliers and adhering to sound and defensible procurement practices in terms of the prevailing statutory frameworks.
- 2.3.4 These objectives and principles should also be achieved without negatively impacting on BEE suppliers or the spirit of the Preferential Procurement Policy Framework Act, 2000(Act 5 of 2000) (PPPFA).
- 2.3.5 As stated above, section 217(1) of the Constitution states that when an organ of State or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system that is fair, equitable, transparent, competitive and cost-effective.
- 2.3.6 Furthermore, the National Environmental Management Act, 1998 (Act 107 of 1998) ("NEMA") establishes principles for decision-making on matters affecting the environment. Some of these principles are relevant to procurement decisions, which may significantly affect the environment. The NEMA principles that specifically promote sustainable development and have a bearing on greening the procurement of goods and services are:
- Section 2(4)(a) - Sustainable development requires the consideration of all relevant factors including, *inter alia*, the following:
    - (i) that pollution and degradation of the environment are avoided, or, where they cannot be altogether avoided, are minimised and remedied;
    - (ii) that waste is avoided, or where it cannot be altogether avoided, minimised and re-used or recycled where possible and otherwise disposed of in a responsible manner;
    - (iii) that the use and exploitation of non-renewable natural resources is responsible and equitable, and takes into account the consequences of the depletion of the resource;
    - (iv) that the development, use and exploitation of renewable resources and the ecosystems of which they are part do not exceed the level beyond which their integrity is jeopardised; and
    - (v) that negative impacts on the environment and on people's environmental rights be anticipated and prevented, and where they cannot be altogether prevented, are minimised and remedied.
  - Section 2(4)(b) - Environmental management must be integrated, acknowledging that all elements of the environment are linked and interrelated, and it must take into account the effects of decisions on all aspects of the environment and all people in the environment by pursuing the selection of the best practicable environmental option.
  - Section 2(4)(e) - Responsibility for the environmental health and safety consequences of a *policy*, programme, project, product, process, service or activity exists throughout its life cycle.

- Section 2(4)(i) - The social, economic and environmental impacts of activities, including disadvantages and benefits, must be considered, assessed and evaluated, and decisions must be appropriate in the light of such consideration and assessment.
- Section 2(4)(o) - The environment is held in public trust for the people, the beneficial use of environmental resources must serve the public interest and the environment must be protected as the people's common heritage.
- Section 2(4)(p) - The costs of remedying pollution, environmental degradation and consequent adverse health effects and of preventing, controlling or minimising further pollution, environmental damage or adverse health effects must be paid for by those responsible for harming the environment.

### **3 POLICY STATEMENTS**

#### **3.1 Application of Proposed Policy**

- 3.1.1 The proposed policy will be applicable to all departments within the KZNPG and public entities of the KZNPG will be strongly encouraged to adopt the policy. The policy should be used in conjunction with the existing national and provincial supply chain management regulatory framework, as well as the preferential procurement legislation and regulations. The objectives and principles of the Green Procurement policy should be achieved without negatively impacting on BEE suppliers or the spirit of the PPPFA.

#### **3.2 Integrating Green Procurement in the Supply Chain Management Process**

- 3.2.1 Green Procurement in practice is an environmentally efficient procurement procedure that ensures that the functional needs are more efficiently addressed. A guide for the procurement officer will be issued by Provincial Treasury.
- 3.2.2 Green Procurement must be integrated into the five elements of the current supply chain management process, namely, demand management, acquisition management, logistics planning, disposal management and supply chain performance.
- 3.2.3 Green Procurement must be entrenched in the strategic planning, budgeting, implementation in-year monitoring and evaluation processes of the KZNPG through its integration into supply chain management.

#### **3.3 Demand Management**

- 3.3.1 Demand Management is the first phase in the procurement process and involves proper research and planning in respect of the acquisition of goods, services and assets so as to acquire it in the most cost effective manner.
- 3.3.2 Demand Management will require that all departments undertake a needs assessment of resources that are required to fulfil their strategic objectives.
- 3.3.3 Demand Management, in the context of Green Procurement, requires a more strategic approach towards addressing the needs of the Department in order to capitalise on possible efficiency gains to be achieved by implementing best procurement strategies.
- 3.3.4 Green Procurement will aim to reduce unnecessary and wasteful consumption by assessing and providing for the environmental impact of such consumption.
- 3.3.5 Green Procurement considerations should be included in all needs assessments undertaken by departments.
- 3.3.6 Incorporating Green Procurement in Demand Management may help prevent 'fruitless and wasteful' expenditure as defined in section 1 of the Public Finance Management Act, 1999 (Act 1 of 1999) by ensuring that expenditure is not incurred in respect of goods or services that are unnecessary and harmful to the environment such as, for example, the procurement of printed pamphlets where electronic communication would suffice.
- 3.3.7 Incorporating Green Procurement into Demand Management is a cross functional exercise that should bring the line function management and supply chain management closer to ensure that value for money has been achieved.

- 3.3.8 Demand Management considerations involve;
  - 3.3.8.1 an understanding of future as well as current needs;
  - 3.3.8.2 linking up the requirements to a budget;
  - 3.3.8.3 determining specifications;
  - 3.3.8.4 an analysis of past expenditure;
  - 3.3.8.5 determining the best sourcing strategy;
  - 3.3.8.6 determining the frequency of the requirement;
  - 3.3.8.7 calculating the economic order quantity;
  - 3.3.8.8 identifying lead and delivery times; and
  - 3.3.8.9 conducting an industry and commodity analysis;

### **3.4 Acquisition Management**

- 3.4.1 Acquisition Management can be viewed as a plan of action with the objective of supplying goods and services by efficiently applying resources in a manner that would ensure that the purchasing objectives are met by making use of the competitiveness of the market and minimizing risks.
- 3.4.2 Environmental credentials for products and suppliers must be included in the KZNPG supplier database.
- 3.4.3 The database must be used by all departments when sending out invitations to tender.
- 3.4.4 The procurement process can be broken down into five stages, namely: compiling the bid documents, inviting the bids, receiving responses, evaluating responses, clearing the bids and awarding the contracts.
- 3.4.5 Green Procurement must be entrenched in the five stages of the procurement process by including the 'greening' requirements for each stage in the Accounting Officer's Supply Chain Management System.
- 3.4.6 The Green Procurement requirements must be addressed in the bid specifications or the Terms of Reference to encourage suppliers to comply with the requirements. Green requirements will be included in the bids as either one or a combination of the following:
  - 3.4.6.1 The green criteria for selected products and services must be included in the specifications of the bid documents, with suppliers having to submit their bids based on these specifications.
  - 3.4.6.2 Care must be taken to ensure that the specifications, where applicable, give effect to the requirements set by other control bodies and that they are not in conflict with stipulated legal or statutory requirements.
  - 3.4.6.3 In terms of the supply chain management guidelines released by National Treasury, February 2004, *Supply Chain Management: A Guide for Accounting Officers/Authorities*, functionality is defined as the quality of the product or service to be procured. Green procurement principles expand this definition to incorporate the capability, usefulness and durability of a product. Using this expanded definition, functionality points may be awarded for the purchase of green products. In the absence of specific Green Procurement scoring criteria, departments may use the generic criteria.
- 3.4.7 After receipt and evaluation of bids, compliance within the green provisions will be included in the comparative analysis for submission to the bid adjudication committee.
- 3.4.8 The bid evaluation committee will assess the bids in terms of price, and HDI status or other preferential procurement criteria.

- 3.4.9 Guidelines to consider when functionality is included as a criterion in the evaluation of bids are:
- 3.4.9.1 "Functionality" means the measurement according to predetermined norms of a service or commodity designed to be practical and useful, working or operating, taking into account quality, liability, viability, durability and environmental considerations of the service or commodity.
  - 3.4.9.2 The need to invite and evaluate bids on the basis of functionality depends on the nature of the required commodity or service. When functionality is utilised as an evaluation criteria, paragraph 3.4.9.3 and 3.4.9.4 must be adhered to.
  - 3.4.9.3 When inviting bids an institution must indicate: -
    - 3.4.9.3.1 whether the bids will be evaluated on functionality;
    - 3.4.9.3.2 the evaluation criteria for measuring functionality;
    - 3.4.9.3.3 the weight of each criteria; and
    - 3.4.9.3.4 the applicable values as well as the minimum thresholds for functionality.
  - 3.4.9.4 The evaluation of the bids must be conducted in the following two stages:
    - 3.4.9.4.1 Firstly, the assessment of functionality must be done in terms of the evaluation criteria and the minimum threshold referred to in paragraph 3.4.9.3 above. A bid must be disqualified if it fails to meet the minimum threshold for functionality as per the bid invitation.
    - 3.4.9.4.2 Thereafter, only the qualifying bids must be evaluated in terms of the 80/20 or 90/10 preference points system.
- 3.4.10 Where possible, all suppliers claiming green credentials should be verified during the vendor assessment process.
- 3.4.11 Once the contract has been signed, Green Procurement requirements should be included in the service level agreement between the department and the supplier. Supply Chain Management should ensure that the performance of the supplier is monitored against the targets or indicators in the service level agreement.

### **3.5 Logistics Management**

- 3.5.1 Logistics planning refers to the coding of items, setting of inventory levels, placing orders, receiving and distribution, stores/warehouse management, stock taking, maintenance, servicing and repairs of items, expediting orders, transport management and vendor performance.
- 3.5.2 All departments must include 'greening' provisions for activities that fall under the ambit of logistics planning within the Accounting Officer's System.

### **3.6 Disposal Management**

- 3.6.1 Disposal management refers to the decommissioning, clearance and removal of unserviceable, redundant and obsolete assets.
- 3.6.2 The proposed policy must be read with National Treasury Regulation 16A7: Disposal and letting of state assets, of the National Treasury Regulations (March 2005) for departments, trading entities, constitutional institutions and public entities, issued in terms of the Public Finance Management Act, 1999.
- 3.6.3 All departments must ensure that assets are indeed unserviceable, redundant or obsolete prior to disposing of them.
- 3.6.4 The cost of disposal of an asset in an environmentally friendly and safe manner must be included in the Life Cycle Cost assessment of all products to ensure that, as far as possible, the cost of environmental externalities are fully accounted for.

3.6.5 Where possible, supplier incentives to promote environmentally friendly disposal management must be used to reduce the cost: of disposal to government.

### **3.7 Supply Chain Management Monitoring**

3.7.1 National Treasury Regulation 16A3.2(d)-(vi) and Provincial Treasury Instruction require that the monitoring of the supply chain management processes occurs regularly, while an evaluation of the impact of policy and achievement of goals occurs annually.

3.7.2 Monitoring of the proposed Green Procurement Policy will be integrated into the routine monitoring and reporting systems of the departments.

3.7.3 Provincial Treasury will be responsible for collating data and reporting on the government-wide Green Procurement statistics.

3.7.4 Provincial Treasury will incorporate Green Procurement statistics into its management reporting systems.

### **3.8 Criteria for Environmentally Responsible Procurement Practices**

In the absence of specific Green Procurement scoring criteria the following generic criteria could be used:

#### **3.8.1 Manufacturing Phase:**

- 3.8.1.1 eliminating virgin material requirements;
- 3.8.1.2 ensuring the highest possible recycled material content of the product;
- 3.8.1.3 avoiding the generation of waste;
- 3.8.1.4 reducing the amount of energy used in the manufacture of the product;
- 3.8.1.5 managing the nature and amount of emissions produced during the manufacture;
- 3.8.1.6 ensuring the lowest possible use of hazardous substances; and
- 3.8.1.7 encouraging the use of environmentally certified suppliers.

#### **3.8.2 Use Phase:**

- 3.8.2.1 encouraging product reusability;
- 3.8.2.2 promoting energy efficiency (for example through an Energy Star® Rating);
- 3.8.2.3 managing the nature and volume of emissions during the use phase; and
- 3.8.2.4 promoting low maintenance requirements.

#### **3.8.3 Disposal Phase:**

- 3.8.3.1 promoting recyclability;
- 3.8.3.2 encouraging environmentally friendly disposal methods; and
- 3.8.3.3 ensuring special disposal for the disposal of hazardous wastes.

### **3.9 Declarations**

3.9.1 A bidder may be requested to substantiate any claim with regard to its environmental criteria in any manner either before a bid is adjudicated or at any subsequent time.

### **3.10 Review**

3.10.1 This proposed policy will be reviewed as required and practice / guidance notes will be developed, updated and issued on a more regular basis to:

- 3.10.1.1 provide for the latest thinking on life cycle analysis or assessment (LCA) and full life costing;
- 3.10.1.2 include new information on the environmental effects and performance of further product and service areas; and
- 3.10.1.3 include environmental criteria for further product and service groups as the availability of green options for these groups improves and as their costs become less prohibitive.

## **4. PERFORMANCE MANAGEMENT**

### **4.1 Introduction**

- 4.1.1 To ensure that the proposed Green Procurement Policy achieves its objectives, a comprehensive performance management system will be established at a provincial government level, departmental level and at management and individual staff levels as appropriate.

### **4.2 Responsibilities for Performance Management**

- 4.2.1 DEDT and the Provincial Treasury will together develop the performance management system and identify key performance criteria.
- 4.2.2 As Green Procurement is a provincial government-wide policy, it requires extensive coordination, information-sharing and monitoring. DEDT and treasury will be responsible for promoting awareness within the KZNPG and amongst supplier, developing capacity within the KZNPG, maintaining an information-sharing network and providing assistance regarding the implementation of the Green Procurement Policy to departments where the need is identified through monitoring.
- 4.2.3 The Provincial Treasury will be responsible for monitoring the implementation of the proposed Green Procurement Policy and enforcing compliance.

### **4.3 Targets**

- 4.3.1 The Provincial Executive may set government-wide targets for Green Procurement annually.
- 4.3.2 Each department will be responsible for identifying its contribution to achieving the provincial targets by submitting its departmental specific targets to the Provincial Treasury on an annual basis. The Accounting Officer of each department will be responsible for identifying performance targets for Green Procurement prior to the beginning of the year.
- 4.3.3 All departments will incorporate the performance targets for Green Procurement in their annual performance plans and performance management systems to facilitate the entrenchment of a Green Procurement Policy.
- 4.3.4 Accounting Officers should ensure that the proposed Green Procurement Policy is implemented within their Accounting Officers' Supply Chain Management Systems and revised annually to reflect changes in the departmental performance targets for Green Procurement.

### **4.4 Reporting**

- 4.4.1 The Provincial Treasury will be responsible for the review of the proposed Green Procurement Policy every two years or as required, for the issuing of practice notes for product / service areas as required and for producing (together with DEDT) an annual 'State of Green Procurement' Report.
- 4.4.2 The 'State of Green Procurement Report' should include information on the rand amount of Green Procurement undertaken by departments, the volumes of green products purchased, general changes in market prices of green products, engagements with industry, and, if possible, the environmental impact of Green Procurement undertaken.
- 4.4.3 The Provincial Treasury will develop a framework for monitoring and reporting and will communicate it to all departments.

## 4.5 Auditing

- 4.5.1 External auditing plays a critical role in validating the accuracy of financial information in government. In order to ensure compliance with the Green Procurement Policy, the Auditor General could audit the accuracy of the reported financials on Green Procurement.
- 4.5.2 The Auditor-General could also review the internal systems that produce information on the implementation of the Green Procurement Policy as part the Auditor-General's performance information auditing processes.
- 4.5.3 Over time, the Auditor-General (or an external environmental verification body chosen in consultation with the AG) could perform a full performance review on the Green Procurement Policy, including methodologies used for tracking progress.

## 5. PHASED IMPLEMENTATION OF THE GREEN PROCUREMENT POLICY

- 5.1.1 For the purposes of raising awareness of the proposed policy and how its principles can be incorporated into supply chain management decisions, the initial policy, while providing general environmental selection criteria for all product / service areas, will facilitate the issuing of practice notes for the inclusion of specific environmental criteria into standard bid specifications, with the initial focus on six pilot product / service areas.
- 5.1.2 The pilot areas were selected as being relevant to all departments, and with consideration to the high expenditure and/or high volume of these products/services.
- 5.1.3 The selected areas are: events greening, paper and stationery, lighting equipment, office electronic equipment, cleaning products and services, and waste services.
- 5.1.4 As the concept of Green Procurement becomes entrenched, and as the complexities around its implementation are overcome, further practice notes will be issued to allow for the inclusion of environmental criteria for additional product / service areas.

## ANNEXURE 1: CHECKLIST FOR CONSIDERING GENERIC SELECTION CRITERIA

<b>Manufacturing Phase</b>	
1. Have virgin materials been used in the product?	Y/N
2. Have recycled materials been used in the product? If the proportion of content made up by recycled materials is known, capture this information.	Y/N (% content of product)
3. Has the manufacturer taken steps to avoid and minimise the generation of waste in the production of the goods?	List actions taken
4. Has the manufacturer taken steps to minimise the use of energy in the production of the goods?	List actions taken
5. Has the manufacturer taken steps to minimise the emissions of air pollutants in the production of the goods?	List actions taken
6. Has the manufacturer used any hazardous substances in the product?	Y/N If Y, list hazardous substances used
7. Does the supplier have any form of environmental certification (e.g. ISO 14001)?	Y/N If Y, list
<b>Use Phase</b>	
8. Can the product be reused (e.g. able to accept refills of ink)?	Y/N Detail how it could be reused.
9. Does the product have an Energy Star® rating? 10. Is the product energy efficient?	Y/N Supplier to compare energy efficiency with other similar products.
11. Does the product come with a supplier guarantee of quality? 12. Does the product come with a maintenance plan?	Y/N



	Y/N
<b>Disposal Phase</b>	
13. Can the product be recycled?	Y/N
14. Has the supplier provided information on how he plans to dispose of the product?	Y/N
15. Has he considered environmentally friendly options?	List disposal options
16. Where hazardous substances are used, has the supplier detailed how he plans to dispose of the product?	Y/N List disposal options