



GREENING PROCUREMENT

Chapter Five



PROMOTE **SUSTAINABLE CONSUMPTION**



5.1 Introduction

Sustainable procurement is one of the primary drivers in the greening of the built environment and events discussed in Chapter 3 and Chapter 4 respectively. In Chapter 4 on event greening, sustainable procurement was identified as a central element of the greening of events, influencing the construction and operations of venues, the choice of consumables for use during events, and the tourism industry. The outcomes are sustainable utilisation of natural resources, waste minimisation and pollution reduction, sustainable energy and water use, local economic development and positive social impacts due to economic and environmental best practice.

Sustainable procurement also featured in the chapter on greening of the built environment, particularly in relation to the construction and operation of buildings with an emphasis being placed on the sustainable use of energy and water resources. Sustainable procurement is facilitated through the establishment of standards and credible accreditation and certification systems, which demonstrate that a product or service is produced or delivered in a sustainable way.

Procurement can be split into three core areas: spending by the public sector, the private sector and households. It is estimated that between 11% to 15% of the country's GDP is spent on public purchasing (DEAT-2008:4), and the balance by the private sector and households. This means that there is plenty of scope for influencing the way in which products and services are produced and supplied and to create markets for sustainably produced goods and services thereby stimulating sustainable consumption practices further afield.

The focus of this chapter is on the promotion of sustainable consumption through the greening of procurement for the public and private sectors. In respect of the public sector, procurement is a policy tool that is used to achieve particular political, social and economic objectives. As for the private sector, traditionally it has always been governed by its margins, earning capacity and the bottom line. Yet there has been a steady shift towards sustainable procurement as companies embrace the notion of the triple bottom line popularly referred to as 'People, Planet, Profit'.

Triple Bottom Line Accounting

Triple Bottom Line Accounting means expanding the traditional reporting framework to take into account ecological and social performance in addition to financial performance.

5.2 Procurement as a Public Policy Instrument

Procurement is used by governments to stimulate economic activity; protect national industry against foreign competition; improve the competitiveness of certain industrial sectors; and remedy regional disparities.

It can also be employed to achieve certain more direct social policy objectives such as to foster the creation of jobs; promote fair labour conditions; promote the use of local labour as a means to prevent discrimination against minority groups; protect the environment; encourage equality of opportunity between men and women; and promote the increased utilisation of the disabled in employment. There are numerous arguments that can be raised in favour of the use of procurement as a policy tool. The National Greening Framework voices the argument that procurement can be a useful and effective instrument to promote sustainable environmental practices as well as fair and beneficial business practices towards labour and the community.

5.3 Defining Sustainable Procurement

Procurement can be defined as the acquisition of appropriate goods and/or services at the best possible total cost of ownership to meet the needs of the purchaser in terms of quality and quantity, time, and location. Total cost of ownership is a financial estimate whose purpose is to help consumers determine direct and indirect costs of a purchase.

Public Sector Sustainable Procurement has been defined by the Department of Environmental Affairs as:

The process by which public sector departments buy supplies or services by taking into account: the best value for money (price, quality, availability, functionality); environmental aspects over the entire life cycle of products; and social aspects (issues such as poverty eradication, labour conditions, human rights). (DEAT, 2008)

This definition has equal application to the private sector which ought to be equally concerned with the environmental and social aspects of procurement choices as well as value for money.

People, Planet, Profit

People (human capital) pertains to fair and beneficial business practices towards labour and the community and the area in which a business operates.

Planet (natural capital) refers to sustainable environmental practices.

Profit is the economic value created by an organisation after deducting the cost of all inputs, including the cost of the capital tied up.

5.4 Defining the Procurement Process

Organisational structures typically exist for the purpose of furthering one kind of mandate or another. In order to execute a mandate, an organisation will usually be required to create outputs which facilitate the achievement of outcomes - and thus the fulfilment of a mandate. However, in order to create outputs and outcomes, inputs of one kind or another are usually required. Within the institutional realm of organisational management, such inputs are usually acquired via a procurement process.

Put simply, procurement is essentially the process by which an organisational entity acquires goods and services. In this respect, there are two aspects to the practice that need to be taken into account which are the procurement process and the procurement policy. The procurement process refers to the procedures to be followed when acquiring goods. A procurement process will typically outline the following elements:

- Actors and agencies who need to be involved;
- A process map with activities and outputs;
- Templates for submitting bids, assessing bids and capturing decisions; and
- A document management system (for record-keeping and possibly auditing purposes).

The procurement policy refers to the rules and regulations which must be followed to acquire goods and services. Procurement policy is thus concerned with providing guidelines for:

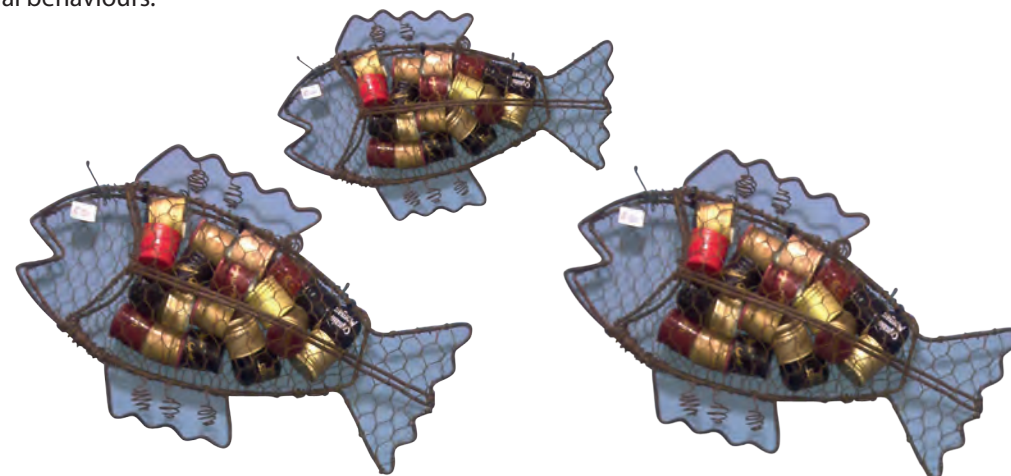
- Identifying the needs of customers and suppliers;
- Choosing and preparing tools and processes to communicate with suppliers;
- Preparing requests for proposals and requests for quotations; and
- Setting policies for evaluating proposals, quotes and suppliers.

Other considerations by the private sector when reformulating procurement policy includes:

- Aligning procurement policy to company policy. Where company policy does not embrace the triple bottom line, then company policy needs to be reconsidered.
- Aligning procurement policy to relevant environmental and labour legislation.
- Establishing recycling targets in procurement policy i.e. purchasing products which can be recycled.
- Prioritising local purchasing opportunities before considering national or international opportunities and thereby stimulating local economies.

- Setting SME purchasing targets and thereby stimulating SMEs.
- Identifying and prioritising more effective use of public services with lower carbon footprint such as the utilization of rail freight.
- Communication strategies to improve information to consumers on sustainable choice and products.
- Strengthening supplier relations and influencing their methods of producing or delivering goods and services.

This last point is particularly important in the context of the private sector as the private sector has ample room to influence the manner in which its suppliers produce the goods and services it requires. There is a steady trend among companies committed to sustainability to consider the upstream implications of their suppliers' environmental and social behaviours.



5.5.1 Public Sector Procurement

The framework for the greening of procurement is provided by the National Framework for Sustainable Development as it is intrinsic to the concept of sustainable production and consumption. It is also seen as an important component of greening the economy as articulated by the Green Economy discussion document:

In stimulating the green economy, as the largest single procurer of goods and services, the public sector has a significant role to play in leading the mainstreaming of environmental issues through green procurement policies. (EDD, 2010)

The post-1994 government regards its procurement as an important policy instrument to achieve socio-economic change. However, this activism has thus far been confined to addressing the skewed equity legacy of apartheid.

The growing awareness of the sustainable development agenda, and the increasing tendency of the State to formulate and promulgate strategies, regulations and programmes to address sustainable development challenges in South Africa, signals the opportunity to restructure public procurement to broaden its policy objectives to facilitate sustainable development goals.

Table 5.1: Benefits of sustainable procurement for the public sector

Financial savings	Resource and energy efficient goods, buildings and services can result in significant savings in terms of utility and operational costs.
Achieving local environmental goals	Sustainable procurement (i.e. using non-toxic products, organic food, transport with low emissions etc.) can be used to support local environmental protection targets.
Achieving socio-economic goals	The procurement of services can be used to address employment creation, the improvement of working conditions, and the economic integration of certain marginalised groups (the Employment Equity Act as well as the Expanded Public Works Programme have made significant advancements in this regard).
Drive local innovation	Working with local service providers provides a platform to secure environmentally innovative approaches (with the state providing a market for such solutions).
Improving public and private image and increasing legitimacy	Implementing sustainable procurement policies is a very visible way of demonstrating a governing authority's commitment to the goals of sustainable development.
Global sustainability	If procurement starts to have an impact on greenhouse gas emissions, deforestation and poverty, the effects will be felt globally.

Sustainable procurement is
underpinned by a commitment
 to apply responsible and
sustainable business practices

5.5.2 Private Sector Procurement

The inclusion of sustainable procurement into its business model forming part of a broader trend to practice responsible and sustainable business practices is underpinned by good corporate governance. The demand and availability of sustainably produced goods can be achieved if a widespread commitment by the private sector to procure such goods as well as to communicate its expectations to its suppliers to equally practice responsible and sustainable business practices.

The trend towards the mainstreaming of sustainability within the upper echelons of business are evident in the establishment of the Johannesburg Stock Exchange's (JSE) Socially Responsible Investment (SRI) Index and Ernst and Young's Excellence in Sustainability Reporting Survey.

Promoting sustainability

The JSE's SRI Index urges companies to adopt triple bottom line accounting in its business operations and measures policies and performance covering economic, environmental and social sustainability issues. The JSE has appointed an advisory committee that assists business to implement this index.

Ernst and Young's Excellence in Sustainability Reporting Survey encourages excellence in the quality of sustainability reporting by top South African companies to their stakeholders. Emphasis is placed on using the Global Reporting Initiative (GRI) which reflects current thinking and best practice standards regarding sustainability reports worldwide. In essence, the report can only operate effectively through sustainability reporting and good corporate citizenship. Companies with credible and integrated sustainability reporting command more respect in the investment and shareholder community. The survey also offers all listed companies, not just those listed on the JSE and public entities, an opportunity to benchmark their sustainability reporting measures against their competitors.



5.6 The Role of Eco-labelling in Supporting Sustainable Procurement



Eco-labelling is a voluntary system to certify the environmental performance of a product or service relative to its specific category and is based on a lifecycle assessment. A major function of an eco-label is to provide information on specific products and services which will enable consumers to make informed procurement choices. Unlike producer information, which may claim a product or service green merit, an eco-label must be provided and endorsed by a third party. Usually, a set of standards is used to assess the product or service before the ecolabel can be awarded.

As per the International Organisation for Standardisation, the ISO 14020 includes three types of labels, one of which is an eco-label. This eco-label is awarded based on an full lifecycle assessment.

Life Cycle Assessment

Life Cycle Assessment (LCA), also known as Life Cycle Analysis, is a method for assessing the overall environmental impact of products, processes or services from design to disposal i.e. across its entire lifecycle, a so called cradle to grave approach. The impacts on the environment may be beneficial or adverse. These impacts are sometimes referred to as the "environmental footprint" of a product or service.

LCA involves the collection and evaluation of quantitative data on the inputs and outputs of material, energy and waste flows associated with a product over its entire life cycle so that the environmental impacts can be determined.

Eco-labelling acts as an incentive, encouraging producers or service providers to improve their product or service offering in terms of its environmental impact. Being awarded the right to carry an eco-label helps to differentiate a product within its market, and therefore potentially gain market share.

The European Environment Agency produced the Indicator Signals Report in 2006 which recorded an increase in product sales based on the environmental friendliness of a product communicated through eco-labelling. The report also predicted that sales based on eco-labelling would increase, as demand for and production of eco-labeled products grows. However, growth to date on eco-labeled products has been relatively slow, and this has been attributed to the fact that eco-labels are most effective when there is brand recognition of the eco-label certification and most eco-label brands are relatively new and unknown. Therefore, a major emerging focus within eco-labelling should be on raising brand awareness for the certification body.

Including environmental criteria in tendering

Procurement policy and legislation governs how public procurement should be executed but what is to be procured is up to the discretion of the authorities needing to procure particular goods and services.

1. Definition of the subject matter of the contract

It is best to be explicit about the intention to factor in environmental considerations. This can be achieved by stating this intention in the subject matter so that potential bidders are clearly informed that the contracting authority intends to buy green.

Examples of green contracts:

- Contract for the supply of recycled papers
- Contract for the design and construction of an energy efficient building
- Contract for cleaning services that uses environmentally friendly products

2. Drawing up technical specifications

Once the intention to buy green is declared, measurable technical specifications to be fulfilled by the service/product are required.

a. Environmental technical standards and ecolabel criteria

The most common approach is to use existing technical standards or specifications. One can use the environmental criteria used by ecolabels as technical specifications but one cannot require that the product possesses a particular ecolabel as this is considered discriminatory.

Example of environmental criteria:

Paper to be procured must contain:

- Contain at least 80% of post-consumer waste recycled paper
- Be totally chlorine free (TCF)
- Durability > 100 years according to ISO 9706 or equivalent

b. Performance or functional requirements

Here one can provide the performance or functional requirements without being too prescriptive about the technical specifications.

An example is stating the required indoor air conditions of a building but allowing potential bidders to establish how best to achieve the desired levels.

c. Production and process methods

Contacting authorities can specify the criteria for specific materials that should or should not be included in the products as well as the process and production method of the products

For example, the requirement that electricity be generated from renewable sources or that paper is produced with the use of chlorine (TCF).

3. Other areas for inclusion of environmental criteria

Whilst the preferred approach is to include environmental criteria in the tender specifications, there may be a need to include the environmental criteria during the awarding of the contracts particularly where one is unsure about the availability or cost of the more environmentally friendly product/service. Environmental criteria can also be included in the contract performance clauses. For example, products must be developed in bulk instead as individual units or the contractor must collect the packaging materials and used products that they supply for recycling or reuse.

4. Conclusion

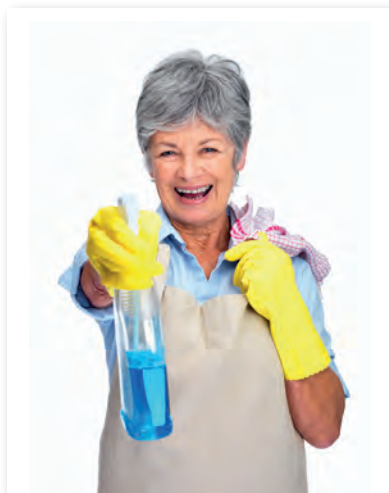
Environmental criteria can be introduced in tender documents provided that these criteria are explicitly stated; that the criteria relates to the subject matter of the contract; that the criteria can be quantified objectively; and that the wording of the criteria respect the general principles of transparency, non-discrimination and equal treatment.

5.6.1 National Eco-labelling Scheme

A National Eco-Labelling Scheme has been initiated by South Africa's environmental awareness agency, Indalo Yethu. This scheme aims to promote products and services that are produced in a responsible way in respect to:

- Minimising the use and impact on natural resources such as water and energy,
- Minimising a product's carbon footprint, and
- Producing minimal waste.

Indalo Yethu's initial focus has been on tourism and domestic cleaning products, with plans to increase the focus to the built environment, a large complex area that is comprised of several goods and services.



Where existing standards or accreditation systems exist, these will be leveraged upon, for example the Forestry Stewardship Council's standards for timber products. The third focal area may be the textile sector, which has been a focus of attention for the National Cleaner Production Centre and the application of clean production methods.

One of the first product lines which received the Indalo Yethu eco-label was a green cleaning range from Pick 'n Pay. When developing the green cleaning range, Pick 'n Pay realised that despite the importance of standards, there was no domestic standard for domestic chemical products. Where possible, international standards with credibility should be used for eco-labelling. Pick 'n Pay, for example, used a Canadian standard in the interim whilst a South African National Standard was to be developed through the South African Bureau of Standards (SABS).



5.6.2 Electrical Appliances

The Department of Energy has taken the lead on promoting eco-labelling for electrical appliances in conjunction with SABS. They have utilized the Green Star label for appliances and national standards for all appliances have been published in this regard. However, brand awareness of the Green Star label also needs to be promoted so as to increase its uptake among consumers. In addition to appliances, SABS is also focusing on industrial energy efficiency in alignment with the Department of Trade and Industry's priority mandate. The SABS either develops National standards or adapts International standards in terms of energy ratings and efficiencies with application to a range of industrial items such as fans, motors and pumps.

5.6.3 Tourism

Of the three eco-labelling activities in South Africa, tourism is the most advanced with several schemes already in place as discussed in Section 5.8 of the Events Greening chapter. The three main schemes were discussed as well as the development of the National Minimum Standards for Responsible Tourism and the need for an accreditation system once the standards have been published to ensure consistent application of responsible tourism principles and practices.



5.6.4 Opportunities for sustainable procurement

The following table indicates areas in which the public and private sector could apply sustainable procurement:

Table 5.2: Application of sustainable procurement to selected goods and services

Goods & Services	Sustainable recommendations
Accommodation	<ul style="list-style-type: none"> • Minimum Standards for Responsible Tourism • Accrediting agency is to be established. • Accommodation that has been certified by accrediting agencies as being in compliance with the Minimum • Standards for Responsible Tourism.
Appliances	<ul style="list-style-type: none"> • National standards and energy efficiency labeling developed for fridges.
Catering	<ul style="list-style-type: none"> • WWF's South African Sustainable Seafood Initiative (SASSI) and Wine and Biodiversity Initiative.
Cleaning Products	<ul style="list-style-type: none"> • Indalo Yethu eco labeling scheme and Certification of a green cleaning range
Construction	<ul style="list-style-type: none"> • EPWP (encourages use of labour intensive solutions- which are often less damaging to the environment) • Adherence to energy efficiency regulations • Use of sustainable building techniques
Labour	<ul style="list-style-type: none"> • Employment Equity Act (encourages use of persons previously discriminated against in the labour market). • EPWP (encourages use of local labour & EEA compliance)
Maintenance	<ul style="list-style-type: none"> • Application of energy efficiency building regulations in new building. • Retrofitting – energy efficient light bulbs
Paper	<ul style="list-style-type: none"> • FSB Accreditation • Broader application of DEA's Office Paper Minimization and Recycling Policy
Timber & Furniture	<ul style="list-style-type: none"> • FSB accreditation
Transport	<ul style="list-style-type: none"> • Local public transport: • Wider application of City of Johannesburg's Green Bus Initiative (CNG and Bio-ethanol buses) • Bus fleets: Euro IV standard diesel engines.

The current focus for addressing sustainability of preferential procurement is the development of regulations that promote local procurement as a means to foster local economic development. Environmental sustainability is yet to be addressed.

5.7 A Sustainable Procurement Policy for South Africa

Development of a Sustainable Procurement Policy should entail the following three essential steps:

1

• *Determining who should be involved*

It will be important to identify all the key role-players and have them involved in the process from the outset. This would include National Treasury being the custodian of public expenditure and therefore procurement. The Department of Trade and Industry and the South African Bureau of Standards as the latter oversees the development of required standards. The South African National Energy Research Institute should be involved due to its research and policy work being undertaken in respect of sustainable transport, renewable energy and energy efficiency. Indalo Yethu is a key role-player as it has launched its eco-labelling scheme for goods and services – it has certified a sustainable cleaning range and will also focus on the tourism sector. Last, but not least the Department of Public Works as it is responsible for all government property and has embarked on an ambitious process to retrofit these buildings.

Ideally a committee should be established with key stakeholders for the sole purpose of developing this policy although it could also be taken up by an existing structure such as the dti's Environmental Goods and Services Forum.

2

• *Clarify the objectives of the policy*

The committee needs to decide on what the objectives of the policy are and to ensure that there is a synergy between this policy and preferential procurement. The National Framework for Sustainable Development provides an initial perspective on the policy objectives as it states:

Complement (B)BEE oriented procurement procedures with sustainable procurement criteria that aim to reduce consumption of fossil fuels, increase use of renewable energy, reduce water use and minimise waste outputs.(DEAT 2008:39)

3

• *Define the scope of the policy*

The committee will need to decide which products and services are to be covered as well as which departments and Organs of State are to be involved.