

**Western Cape  
Government**  
**FOR YOU**

Western Cape Provincial Treasury (RSA)

# **SUSTAINABLE PROCUREMENT** **Public Sector Readiness to Attract Private Sector Participation**

A Western Cape Government (RSA) Context

29 May 2024

# Sustainable Procurement Defined in the South African Context

**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.**

**Sustainable procurement in the South African context is an umbrella term that includes initiatives like BBBEE, along with other policy priorities such as localisation, greening, ethical labour practices.**

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# Constitutional Requirements



217. 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-

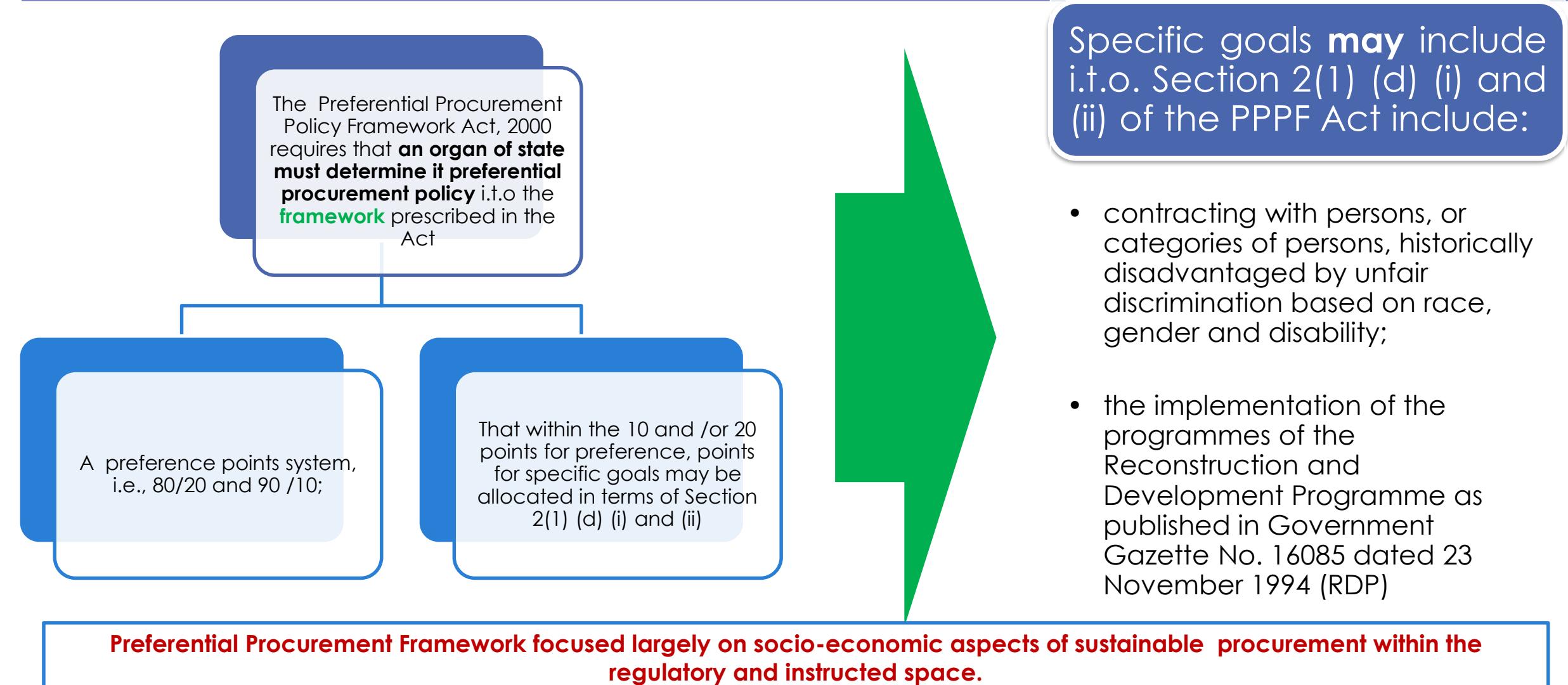
- categories of preference in the allocation of contracts;** and
- the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.**



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

**“unfair discrimination” is defined in s9(3) of the Constitution as “ The state may not unfairly discriminate directly or indirectly against anyone on one or more grounds, including race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth.**

# Framework Legislation



# SCM Risk Universe versus Legal Conundrums

## SCM RISK UNIVERSE

Market Volatility

Fiscal & Economic Risk/ Cost Containment

Corruption and/ or Lack of Accountability

Irregular Expenditure  
Compliance Driven

Lack of Enabling Systems

Disaster and / Crisis Management

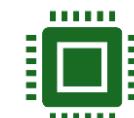
Competing and / or conflicting regulatory requirement



Constitutional Court judgment handed down on 16 February 2022 declaring the entire Preferential Procurement regulations 2017, invalid. New Regulations issued in 2022, however the following is experienced



Inadequate Standardization



Embedded Price Inefficiencies



Policy Over-reach



Commodity Variations



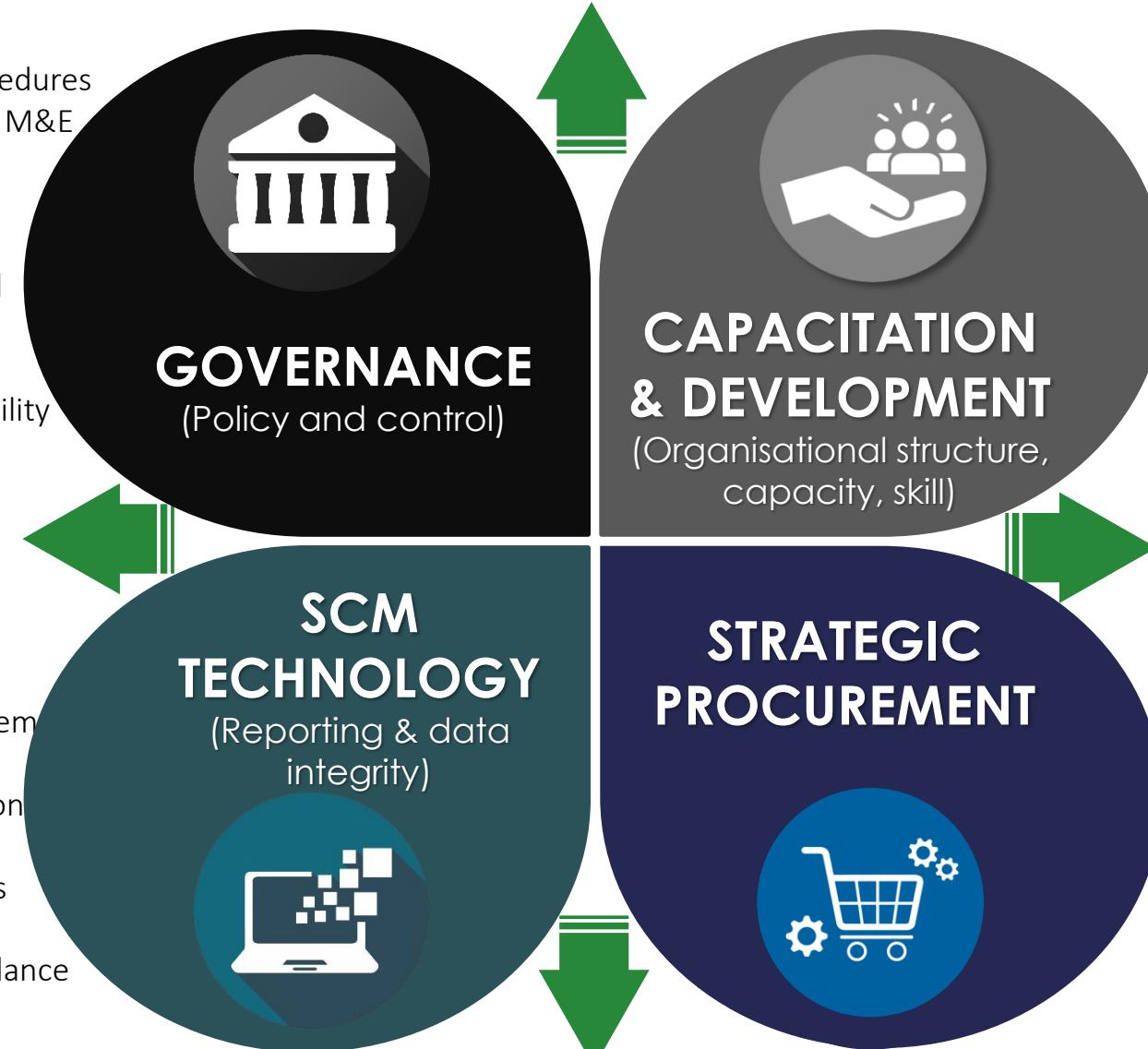
Operational Complexity

# Importance of a Cohesive and Synergised SCM Strategy

1. Standardised policy & procedures
2. Business process reviews – M&E
3. Operational functionality
4. Transactional credibility (delegations)
- Compliance to policies and prescripts
1. Risk sensitive
2. Responsibility & accountability management
3. Contract management
4. Positive audit outcomes

1. Reporting
2. Enterprise content management
3. Information management
4. Integrated financial and non-financial system
5. Reliable data that supports operational planning and strategic decisions and surveillance



1. Dedicated structure
2. Institutional memory for policies, best practices
3. Training (bespoke and integrated)
4. C&D strategy
5. Business process optimization
6. Client support (Helpdesk, etc.)
7. Supplier development

1. Procurement planning
2. Procurement strategies / commodity strategies
3. Effective utilisation of resources
4. Value for money
5. Economies of scale (transversal contracts)
6. Market intelligence and technical expertise
7. Service delivery
8. Future improvements

# Spend for Persons Historically Disadvantaged (2023/24)

## Spend per categories of persons historically unfairly discriminated against and as aligned to RDP Goals

The analysis is based on payments to suppliers registered on the WCSEB per designated categories defined in PPPFA. In order to ensure stability in the current procurement system post 16 January 2023, Provincial Cabinet approved that the WCG will in the interim continue to utilise the preferential procurement goals as contemplated in section (1)(d) of the PPPFA and the relevant B-BBEE scorecards (i.e B-BBEE certificate/sworn affidavit as supporting evidence provided by bidders to claim preference points), until the appropriate executive policy directives and technical reviews have been concluded.

\*Analysis is based on suppliers registered on the WCSEB as at 31 March 2024. Supplier information on the CSD and WCSEB are continuously changing and therefore snapshot data may vary slightly.



## Contributions towards the Local Economy



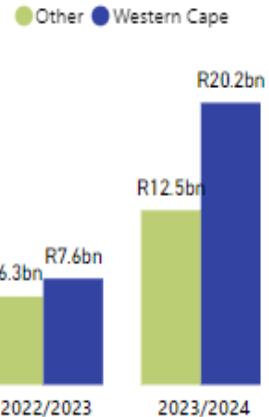
### Western Cape

R20,169,847,914.30

Total Payment

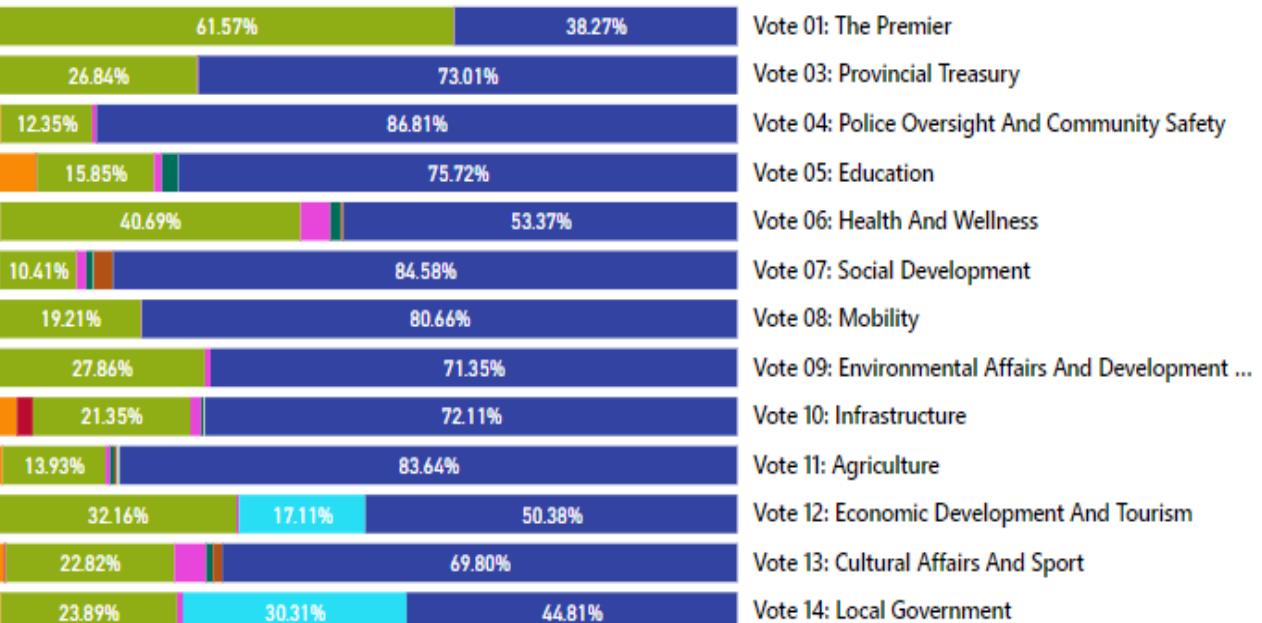
District	Payment Amount	%GT
City of Cape Town	R17,837,374,918.37	88.44%
Cape Winelands	R990,066,252.26	4.91%
Eden	R594,768,684.79	2.95%
West Coast	R411,854,127.07	2.04%
Overberg	R244,688,505.12	1.21%
Central Karoo	R91,095,426.69	0.45%
<b>Total</b>	<b>R20,169,847,914.30</b>	<b>100.00%</b>

Spend to suppliers in the WC per financial year.

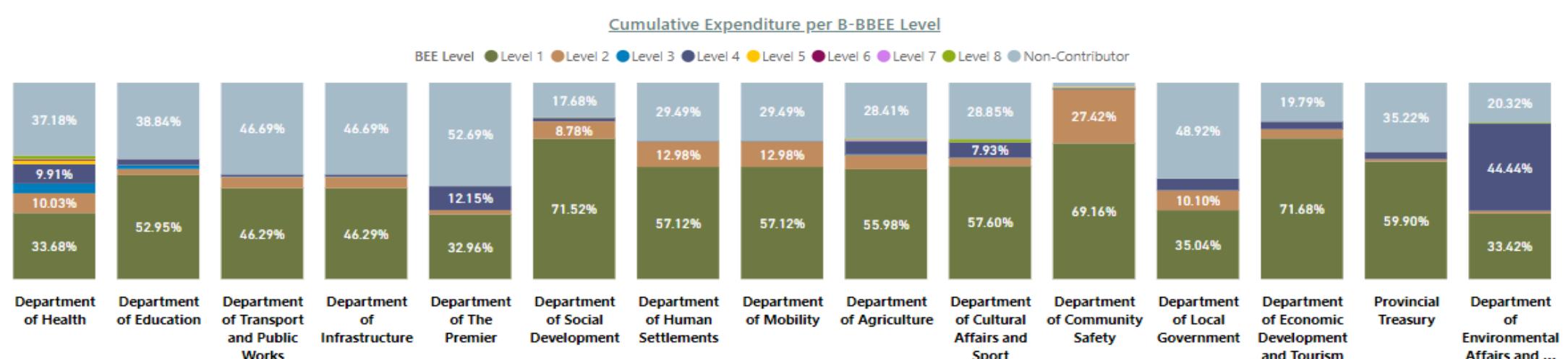


Province	Payment Amount	%GT
Western Cape	R20,169,847,914.30	55.61%
Gauteng	R10,473,283,647.88	28.88%
Other	R3,624,721,839.76	9.99%
KwaZulu-Natal	R800,798,755.12	2.21%
Eastern Cape	R535,570,325.58	1.48%
Limpopo	R410,852,215.49	1.13%
Free State	R98,543,058.97	0.27%
North West	R74,981,721.31	0.21%
Mpumalanga	R68,521,354.25	0.19%
Northern Cape	R12,308,251.43	0.03%
<b>Total</b>	<b>R36,269,429,084.09</b>	<b>100.00%</b>

● Eastern Cape ● Free State ● Gauteng ● KwaZulu-Natal ● Limpopo ● Mpumalanga ● North West ● Northern Cape ● Western Cape



# Expenditure per Department i.t.o B-BBEE compliance (2023-24)



Cumulative Expenditure per B-BBEE Level

Department	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7	Level 8	Non-Contributor	Total
Department of Agriculture	R131,633,691.48	R16,904,676.30	R678,996.30	R16,175,653.40	R55,936.56		R1,306,172.70	R1,583,180.66	R66,813,480.58	R235,151,787.98
Department of Community Safety	R82,628,414.76	R32,756,117.32		R945,925.16	R627,832.32					R2,520,886.18
Department of Cultural Affairs and Sport	R124,831,605.72	R8,915,656.86		R17,178,010.84	R135,529.30			R3,121,616.34	R62,530,831.80	R216,713,250.86
Department of Economic Development and Tourism	R53,442,343.74	R3,444,279.08		R2,921,481.60					R14,753,904.62	R74,562,009.04
Department of Education	R3,670,281,230.08	R216,219,624.80	R133,963,400.60	R208,609,120.28	R1,127,746.40	R8,988,905.84			R2,692,022,115.34	R6,931,212,143.34
Department of Environmental Affairs and Development Planning	R11,778,635.12	R459,961.38		R15,661,338.82				R179,267.06	R7,161,382.36	R35,240,584.74
Department of Health	R3,843,024,534.62	R1,144,898,838.64	R561,327,159.58	R1,131,156,890.46	R196,852,597.86	R59,956,041.02	R27,200,872.54	R204,790,870.82	R4,242,347,576.78	R11,411,555,382.32
Department of Human Settlements	R180,026,339.92	R40,902,927.31	R497,924.70	R819,750.94					R92,939,917.13	R315,186,860.00
Department of Infrastructure	R1,403,304,268.44	R173,512,247.83	R6,560,821.86	R31,208,142.49			R866,493.23	R754,832.24	R1,415,248,108.73	R3,031,454,914.82
Department of Local Government	R33,866,139.50	R9,764,869.92		R5,740,189.40					R47,276,735.64	R96,647,934.46
Department of Mobility	R180,026,339.92	R40,902,927.31	R497,924.70	R819,750.94					R92,939,917.13	R315,186,860.00
Department of Social Development	R243,564,153.44	R29,910,156.98	R84,389.76	R5,969,083.80	R211,927.80			R589,601.56	R60,223,993.70	R340,553,307.04
Department of The Premier	R286,756,515.90	R18,339,991.94	R494,750.00	R105,714,157.72	R184,393.46			R109,134.12	R458,402,073.10	R870,001,016.24
Department of Transport and Public Works	R1,403,304,268.44	R173,512,247.83	R6,560,821.86	R31,208,142.49			R866,493.23	R754,832.24	R1,415,248,108.73	R3,031,454,914.82
Provincial Treasury	R26,396,391.00	R502,020.50		R1,651,048.40					R15,520,410.82	R44,069,870.72
<b>Total</b>	<b>R11,674,864,872.08</b>	<b>R1,910,946,544.00</b>	<b>R710,666,189.36</b>	<b>R1,575,778,686.74</b>	<b>R199,195,963.70</b>	<b>R68,944,946.86</b>	<b>R30,240,031.70</b>	<b>R211,883,335.04</b>	<b>R10,685,949,442.64</b>	<b>R27,068,470,012.12</b>

# Enabling Sustainable Procurement: A Socio-economic Focus



## Key Challenges

- Low Start-Up Rates and High Discontinuation: Weak entrepreneurship culture, poor education and training, and bureaucratic constraints hinder growth.
- Regulatory and Bureaucratic Constraints: Complicated regulations and lack of streamlined processes.
- Infrastructure and Crime: Inadequate infrastructure and high crime rates disrupt business operations.
- Fragmented Support Ecosystem: Lack of coordination among support initiatives.



## Strategic Focus

Creating an Enabling Environment: Empowering small businesses and entrepreneurs for sustainable growth.

Access to Markets: Leveraging public procurement to support SMMEs, especially in townships and rural areas.

Strengthening Ecosystems: Enhancing business development support and entrepreneurship pathways.

# Key Initiatives and Projects



**SMME BOOSTER FUNDING**  
**PROJECT:** Provides financial support to SMMES for growth and sustainability to enhance access to critical support like equipment, machinery, and software.



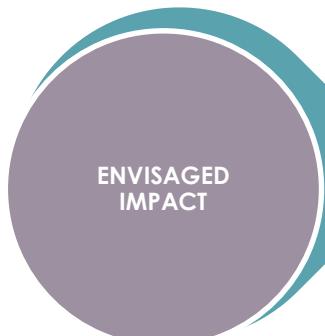
**ALTERNATIVE ENERGY SUPPORT**  
**PROGRAMME:** Mitigates the impact of load shedding on SMMES to provide alternative energy solutions to ensure continuous business operations.



**SME ACCELERATOR**  
**PROGRAMME:** Supports high-growth SMES in scaling and accessing funding to facilitate capacity building, access to funding, and market opportunities.



**CONTRACTOR DEVELOPMENT**  
**PROGRAMME:** increases SMMES' participation in public and private sector opportunities to enhance business awareness and support, improves procurement planning, and strengthens scm capabilities



# Key Policies and Initiatives

**2Wise2Waste Programme:** Promotes resource efficiency across public procurement.

**Green Procurement Policy:** Incorporates environmental considerations; addresses auditing challenges.

**Smart Procurement Phases 1 & 2:** Phase 1- Development of a business case and toolkit for sustainable procurement and Phase 2 - Training, implementation, and collaboration among key departments (DEA&DP, Provincial Treasury, Department of Local Government).

**SDG12.7.1 Pilot Testing:** Supports the transition to performance-based procurement.

**Gender Responsive Procurement:** Aligns procurement practices with gender equality objectives.

## STRATEGIC TOOLS AND METHODOLOGIES



1

**Total Cost of Ownership (TCO):** Evaluates financial sustainability and infrastructure resilience, especially under climate change impacts.

2

**Lifecycle Modelling and Investment Decision-Making:** Ensures investments are appropriate and urgent.

# Key Projects and Impact



## WESTERN CAPE FEASIBILITY STUDY ON SUSTAINABLE SETTLEMENTS

Objectives are to enhance resource efficiency, affordability, and environmental sustainability. comparison made between sustainable options vs. traditional methods over a 40-year lifespan using TCO.



## CONTRACTING FOR TCO

NEC3 AND NEC4 contracts features looked at to foster better relationships, collaboration, and include sustainability elements (z clauses) with specific focus on design, build and operate contract that embeds TCO from the start.



## FRAMEWORK AGREEMENTS

Its advantages include streamlining procurement, set sustainability targets, and pool resources for efficiency. support focus here is on the implementation of the district model for increased capacity in professional services.

# Training, Monitoring and Future Plans

## Training and Development

SPP Training Manual: Endorsed by DEA&DP, DLG, and PT; focuses on capacity building and implementation.

## Monitoring & Evaluation

Indicators in the Environmental Implementation Plan: Track SPP adoption and spending.

## Expanding SPP to Gender Responsive Procurement

Goals: Improve service delivery quality for women, enhance economic empowerment, and increase female participation in procurement.

### ACTION PLAN FOR 2024/2025



**NEEDS EVALUATION:**  
ASSESS OPERATIONAL NEEDS FOR SUSTAINABILITY TARGETS.



**PILOT PROJECTS:**  
IMPLEMENT SMALLER INFRASTRUCTURE PROJECTS TO DEVELOP TCO BASELINES.



**INSTITUTIONAL KNOWLEDGE:** TRAIN INTERNAL TEAMS ON TCO AND DEVELOP FRAMEWORKS FOR SUSTAINABLE PROCUREMENT.



**ORGANIZATIONAL BUY-IN:** PROMOTE THE PRACTICAL BENEFITS OF TCO IN PROCUREMENT PROCESSES.

## Shift in Thinking



Benefits to the end-user;	Does not overtly encumber government;	Get the right blend of Quality versus Cost;
Has specifications with a clear intent;	Affordability and viability is secure;	Evidence backed procurement evaluations;
Community and end-user buy-in		

Thank you

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