

Social Procurement State of Practice

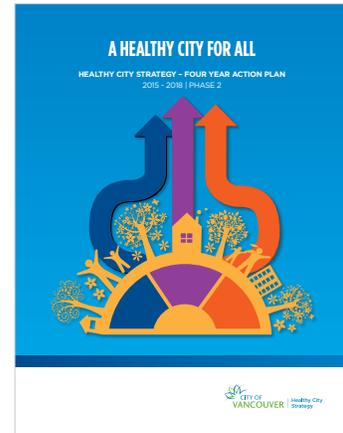


City of Vancouver
Healthy City Scholar
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December 2017 | Update

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The Healthy City Scholar program is created with the spirit of social procurement in mind. Using the City's purchasing power to provide students with an opportunity to work on meaningful projects gives young professionals a chance to gain valuable skills and experience that they will take forward into their careers.



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EXECUTIVE SUMMARY

By the end of 2018, the City of Vancouver aims to implement a social procurement framework. Being an organization that spends \$200 million dollars annually, the potential benefits of a social procurement framework to the City are substantial.

The rationale for social procurement is deceptively simple: provide social value with the money spent by a city.

The rationale for social procurement is deceptively simple: provide social value with the money spent by a city. Social procurement represents the choice by an organization to embed the achievement of social values into their procurement practices. Increasingly, organizations around the globe are changing their procurement practices in an effort to add social value into contracts.

This report begins with an examination of the current procurement practices in the City of Vancouver. In particular, looking at the journey the City has taken to reach this junction. Secondly, an exploration of the social procurement state of practice globally is conducted by examining the different goals that organizations have identified and the approaches they have taken to achieve them. The report concludes with an overview of the program elements that help ensure the success of a social procurement program and recommendations for future action.

Vancouver Context

The City of Vancouver has already taken a number of steps that positions itself to work towards adopting a social procurement framework. They include:

- Ethical Purchasing Policy and Supplier Code of Conduct (2005)
- City of Vancouver Procurement Policy (2010)
- Sustainable and Ethical Procurement Steering Committee (2011)
- Leadership Questionnaire on sustainable and social practices placed into bids over \$75,000 (\$200,000 for construction)

Sustainable and Ethical Procurement (SEP) Program

The Sustainable and Ethical Procurement (SEP) Program, as part of the City's procurement policy highlights six priority areas including:

- Supporting ethical labour practices
- Providing opportunities to social enterprises
- Providing opportunities for people with barriers to employment
- Providing opportunities to purchase local and sustainable food

City Strategies + Plans

The creation of a Social Procurement framework will support the following City strategies and plans:

- Downtown Eastside Area Plan | 2014
- Healthy City Strategy Action Plan | 2015-2018
- Community Economic Development Strategy | 2016
- New Start Strategy: A Settlement Integration Strategy for Immigrants and Refugees in Vancouver | 2016
- City of Reconciliation & Truth and Reconciliation

Council Motions

There have been a number of Council motions relating to social procurement including:

- Fair Trade Town | 2010
- Ten Percent Shift | 2012
- Buy Social Canada | 2015
- Living Wage Certification | 2016

Social Procurement Goals

This research aims to better understand the state of practice globally regarding social procurement. In particular, the research investigates the social policy goals that have been identified in other places and the approaches taken to meet them.

The following goals have been identified as priorities within organizations:

- Provide opportunities for people with barriers to employment
- Support social enterprises and social value businesses
- Promote Aboriginal opportunities
- Increase local supplier participation
- Promote diversity in the supply chain
- Support small and medium businesses
- Support social innovation

Procurement Approaches

The procurement approaches taken by an organization are determined by a multitude of factors, ranging from those done in the planning stage, to changes in the process, and requirements built into contracts.

Identify Opportunities

Social Impact Opportunity Analysis

A Social Impact Opportunity Analysis examines the spend categories within an organization and identifies potential social procurement opportunities. This can be used to examine contracts up for renewal and see if there are social impact opportunities in them.

Contract Weighting

Contracts are generally weighted primarily on price and technical ability. If the weight placed on social value is increased than suppliers are incentivized to focus their bids on social value objectives.

Revise Approaches to Procurement

Simplifying Procurement Process

The creation of a shorter Request for Proposal (RFP), or a simplified procurement process, may enable small businesses, including social enterprises and Aboriginal businesses, to bid on contract proposals where they currently do not have the capacity.

Certified Supplier Directory

The creation of a certified supplier directory will simplify the process of finding suppliers that can both fulfill the requirements of a contract and provide a social impact.

Meet the Buyer Events

Meet the Buyer events provide businesses with an opportunity to learn about working with a city, while also allowing the city to explain how the added social value works towards achieving larger social outcomes.

Advanced Notification

Providing advanced notice of potential upcoming contracts to suppliers will enable interested social enterprises and smaller businesses to plan ahead by developing appropriate programs.

Contract Unbundling

Contract unbundling involves the division of a larger contract into smaller ones. The agglomeration of contracts makes it difficult for many businesses to bid on contracts, and unbundling may allow businesses to enter the procurement process.

Apply Social Impact Criteria

Contracts Set Asides

Set Asides are contracts that are only available to a targeted group of suppliers. Within Canada, this is often used for Aboriginal procurement, while elsewhere it enables social enterprises, local businesses, and small and medium businesses to win contracts.

Direct Awarding

Direct awarding sees the awarding of a contract without a competitive procurement process. Small value contracts can sometimes be direct awarded to targeted suppliers, including Aboriginal businesses and social enterprises.

Solicit Bid from Targeted Suppliers

Requirements can be placed in the procurement process that requires bids from a specific group, in efforts to ensure that a supplier from a targeted group will be evaluated.

Joint Ventures

Joint Ventures involve two or more businesses bidding on a contract together. They are often used by Aboriginal businesses that do not have the capacity or resources to bid on a contract alone.

Targeted Employment

Targeted employment involves stipulations in a contract that requires suppliers to hire people from a targeted group. Targeted employment can involve direct employment by a supplier or through a third party organization.

Subcontracting

Subcontracting involves a business being hired by a supplier to complete a portion of an awarded contract. A contract can recommend, or require, that suppliers subcontract from specific suppliers that are able to provide a social impact.

Key Program Elements

Social procurement does not happen overnight. There are a number of key program elements that together will increase a program's likelihood of success.

Culture of Social Procurement

Regardless of the processes put in place, a social procurement program will struggle without an enabling culture. Having the support of council and management sends a clear message that there is a common vision, and social procurement is an organizational priority. Time will be needed while introducing social impact into a contract, and a dedicated social procurement expert will provide vital advice and assistance. While the eventual goal is that all staff are social procurement experts, having an internal champion will mitigate some of the fear that a procurement team may have about the effects of social procurement.

Having the support of council and management sends a clear message that there is a common social procurement vision.

Clear Goals, Objectives and Approaches

Clearly identifying the goals, objectives and approaches of a social procurement program is imperative for its success. The goals cannot be aspirational, and a contract should list the deliverables, measurement requirements, and the consequences if requirements are not met. This clear language is equally important for suppliers who will have a difficult time understanding what they are trying to achieve without clear outcomes. It is better to have a small number of achievable goals than a list that is impossible to achieve or monitor.

Monitoring + Evaluation

Monitoring and the evaluation of contracts are seen by many as the most difficult aspect of social procurement, but are just as important as the initial social requirements. Contracts can be monitored on either their outcomes (eg. # of people hired), or their impacts (eg. % reduction in poverty). Contract monitoring should not create a resource burden. Generally, organizations will monitor outcomes as they are less costly and more tangible. The enforcement of social impact requirements can be difficult. Although financial repercussions can be used, creating relationships with suppliers has proved more effective.

Trade Agreements

Trade agreements can represent a challenge in undertaking social procurement practices. The City of Vancouver must adhere to the Canadian Free Trade Agreement (CFTA), and the New West Partnership Trade Agreement (NWPTA). Although both trade agreements do have restrictions, there are a number of exemptions and thresholds that will enable social procurement to occur. Exemptions include non-profits, philanthropic institutions, prison labour and people with disabilities. Alongside these trade agreements the Comprehensive Economic and Trade Agreement (CETA), between Canada and the European Union, may play an increasingly prevalent role. Legal council should still always be sought to ensure a procurement practices does not risk breaking any trade agreement.

Summary

In summary, this report provides an overview of how the City of Vancouver arrived at a decision to explore a social procurement framework, and provides some options on how to implement the framework in the future. The City has already taken a number of steps towards embedding social procurement practices, and the creation of a framework will continue to formalize the work being conducted.

By actively striving to add social value into the procurement process an organization will continually work towards the larger goal of providing a better life for all its citizens.

Not every approach and program element will work in Vancouver. As seen in appendix 1, every organization has a slightly different perspective on what social procurement is, the goals they are trying to accomplish, and the approaches they will take as an organization.

The goals and objectives that an organization has for social procurement will play a determining role in the approaches that will be undertaken. However, the aim remains the same. By actively striving to add social value into the procurement process an organization, or in this case city, will continually work towards the larger goal of providing a better life for all its citizens.

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1 | INTRODUCTION

Every organization spends money to purchase goods and services. Generally, an approach has been taken that aims to find the most fiscally responsible solution at the possible expense of other criteria. This way of thinking is shifting, as organizations begin to act more strategically in how money is spent. Social procurement represents the choice by an organization to purchase goods and services that are not only fiscally responsible, but aim to provide a larger social value.



The City of Vancouver is seeking to develop and adopt a social procurement framework by the end of 2018. By undertaking social procurement practices the City aims to meet the following existing and emerging goals:

- Provide opportunities for people with barriers to employment
- Support social enterprises
- Role of procurement in supporting reconciliation

This report examines how other organizations are working towards achieving social value through procurement. This includes identifying the different goals of organizations, discussing the different approaches that have been taken, and exploring the key program elements that help ensure a successful social procurement program.

2 | BACKGROUND

2.1 What is Procurement?

The City of Vancouver purchases approximately \$200 million worth of goods and services every year. Within the City, procurement is done by a centralised department called Supply Chain Management (SCM). By having all purchasing occur within one department, the City has the ability to outline a clear approach and have visibility on all procurements.

When a good or service needs to be purchased by a City department, a request is put forward through an online shopping cart system. The department putting in the request, known as the ‘end user’, will provide the scope of work to SCM, who will put together a source plan request to be executed according to the procurement policy.

Purchasing within the City is done through an open and transparent procurement process. For contracts that are less than \$75,000 (\$200,000 for construction), three bids will be obtained through internal price records or requests that are sent out to known suppliers. For purchases that are over \$75,000 (\$200,000 for construction), a public call for bids will occur on the British Columbia Bid website.¹

For SCM’s Annual Procurement Report (2016), 652 awards, or 76.5% of contracts were under \$75,000, representing fewer than 10% of the City’s purchases by value. During the same period, 47 awards, or 5% of contracts were awarded over \$500,000, representing over 70% of the City’s purchase by value.

The City will evaluate bids on best value criteria that include the total cost of ownership, economic sustainability, environmental sustainability, and social sustainability, as determined by the specific criteria for the applicable procurement.

¹ <http://www.bcbid.gov.bc.ca/open.dll/welcome?language=En>

2.2 What is Social Procurement?

Social procurement represents the clear choice by an organization to support social goals through their purchasing of goods and services. This can be done by embedding the delivery of social and sustainable outcomes within tenders and processes. Historically, providing a social benefit through procurement has been considered a secondary objective, sitting below the primary objective of obtaining a good or service at the best price.² Increasingly, municipalities and organizations are realizing the added value of social procurement and are working towards embedding the practices as a priority in its overall strategies.

If the primary procurement goal of an organization is to reward contracts to the lowest bidder, then this goal is readily and continually achieved. However, if the goal of procurement is to support city-wide initiatives a city's purchasing can be used to support other city goals. Two decades ago procurement was entirely focused on economic factors and market efficiency. Over the past twenty years environmental sustainability has increasingly become more relevant in procurement practices.³ The next step in the evolution of what is valued in procurement is social impact.

Best value for money will be achieved by evaluating how procurement affects the overall result and may not always come from the cheapest bid.⁴ Contracts awarded exclusively on price can result in significant negative externalities.⁵ Beyond price, best value can include supplier fit, capacity of supplier, innovation, contribution to policy objectives, and increased economic, environmental and social value.⁶ Procurement itself is not simply a transactional process, but a strategic operation by a city to leverage its purchasing to support societal goals.⁷

Social procurement represents the clear choice by an organization to support social goals through their purchasing of goods and services.

² Halloran Deirdre. The Social Value in Social Clauses: Methods of Measuring and Evaluation in Social Procurement. Global Public Procurement Theories and Practices. Florida: Springer Publishing 39-58 Eds. Khi Thai. 2017

³ Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

⁴ Social Procurement Australasia. Social Procurement Toolkit. 2013 Retrieved from: <http://socialprocurementaustralasia.com/wp-content/uploads/2013/09/Social-Procurement-Toolkit.pdf>

⁵ Šličiuviene, Dovilė. Public Procurement in Lithuania: (Dis)balance Between Profitability and Environmental Protection. Global Public Procurement Theories and Practices. Florida: Springer Publishing 17-38 Eds Khi Thai. 2017.

⁶ Social Procurement Australasia. Insights Into Social Procurement: From Policy to Practice. 2015 Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2015/07/SPA-Insights-From-Policy-to-Practice-2015_FINAL.pdf

⁷ United Nations Environment. 2017 Global Review of Sustainable Public Procurement. 2017. Retrieved from: http://www.scpclearinghouse.org/sites/default/files/globalreview_web.pdf

As continuously shown, there is no best way to do social procurement.⁸ While organizations will have a wide range of goals, the choice to prioritize social impact means there is a unifying direction. By making a clear choice to support social procurement, the socioeconomic goals related to poverty, labor, health and an increasingly robust economy can be envisioned.⁹

Social procurement practices are not new, occurring in most organizations on an ad hoc basis.¹⁰ For this reason, the formalised promotion of social procurement is still in its infancy, meaning there is not a clear best approach to applying a framework.¹¹ This newness speaks to the wide variety of approaches to social procurement, all with their strengths and weaknesses.

The City's Ethical Purchasing Policy (EPP) ensures all suppliers meet the performance standards outlined in its Supplier Code of Conduct (SCC).

2.3 Social Procurement in the City of Vancouver

2.3.1 Commitment to Sustainable and Ethical Procurement

The City of Vancouver has taken a number of steps towards the creation of a Social Procurement framework. In 2005, the City adopted an Ethical Purchasing Policy (EPP) that applied to apparel items and agricultural products.¹² Vendors must meet the performance standards outlined in its Supplier Code of Conduct (SCC).¹³ Its aim is to ensure a safe and healthy workplace for people who make products for the City.

In April 2010, the *City's Procurement Policy* (AF-015-01)¹⁴ was implemented by City Council, providing direction for the purchasing of goods and services for the City of Vancouver, the Vancouver Park Board, the Vancouver Police Board and the Vancouver Library Board. The contents of the policy include sustainable and ethical procurement policies within the procurement process.

8 Social Procurement Australasia. *Insights Into Social Procurement: From Policy to Practice*. 2015 Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2015/07/SPA-Insights-From-Policy-to-Practice-2015_FINAL.pdf

9 Mowat Centre and Atkinson Foundation. *Community Benefits and Social Procurement Policies: A Jurisdictional Review*. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb-spp_review_final.pdf

10 Social Procurement Action Group (SPAG). *Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement*. 2012.

11 Social Procurement Australasia. *Insights Into Social Procurement: From Policy to Practice*. 2015 Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2015/07/SPA-Insights-From-Policy-to-Practice-2015_FINAL.pdf

12 <http://policy.vancouver.ca/AF01401.pdf>

13 <http://policy.vancouver.ca/AF01401P1.pdf>

14 <http://policy.vancouver.ca/AF01501.pdf>

2.3.2 Sustainable and Ethical Procurement Program

Steering Committee

In 2011, the City established a *Sustainable and Ethical Procurement Steering Committee*, in an effort to provide strategic oversight and direction for the most effective ways to integrate sustainable and ethical procurement. Membership of the committee included the Deputy City Manager (chair), Director of Sustainability, Director of Supply Chain Management, representation from Financial Services, and other departments whose purchase requirements were identified for strategic sustainable and ethical procurement. In 2012, the committee focused on enhancing internal processes to progress the program, and provide staff guidance on targeting opportunities.

Sustainable and Ethical Procurement Priorities

The Sustainable and Ethical Procurement (SEP) Program, as part of the City's procurement policy, highlights six priorities areas including:

- Supporting ethical labour practices
- Providing opportunities to social enterprises & people with barriers to employment
- Providing opportunities to purchase local and sustainable food

Social Procurement Considerations

In 2012, the City incorporated sustainable and ethical considerations into the procurement process for bids over \$75,000 (\$200,000 for construction). Considerations were built into bids in three ways:

- Proponents must meet the requirements set out in the SCC
- Proponents must fill out a *Leadership Questionnaire* that identifies suppliers who embed social and sustainability leadership into their operations
- Proponents are asked to provide rationale for how their goods or services will address key sustainability issues, including socio-economic sustainability

2.3.3 Stated Priorities of Social Procurement

The current stated priorities for the social procurement are:

- Increase procurement with social enterprises
- Increase employment opportunities for people with barriers
- Pay a living wage for contracted services
- Increase purchase of local and sustainable food
- Continue to be a Fair Trade Town

2.4 City of Vancouver Strategies and Plans

The creation of a Social Procurement Framework supports the following:

Downtown Eastside Area (DTES) Plan | 2015

- Local business is supported and barriers to establishing business are reduced;
- Residents are given opportunities to earn a living that at a minimum, pays for their basic needs;
- Social enterprises are encouraged;
- Local hiring and social purchasing policies are a priority;
- Opportunities for employment in local business, social enterprise, green/ high tech and micro enterprises are created.
- These DTES local economy principles support the city-wide principle of fostering a robust, resilient economy.

Healthy City Strategy | 2015-2018

Goal: Making Ends Meet and Working Well

- 5. (a) Encourage the development and/or enhancement of social procurement frameworks among the Leadership Table members.
- (b) Create a formal Social Procurement Framework to guide the City of Vancouver's procurement practices.
- Supply Chain Management and Social Policy identified as co-leads in the creation of a social procurement framework

Community Economic Development Strategy

- Inclusive employment
- Attract new businesses
- *Buy Social Canada* and *Community Economic Development Strategic Action Committee (CEDSAC)* as implementation partner
- Practicing an asset based approach to CED
- *CEDSAC*: Develop social procurement directory
- *CEDSAC/City*: Convene a Vancouver social procurement roundtable

City of Reconciliation & Truth and Reconciliation

- Help build the capacity of local Aboriginal organizations to engage in social hiring and social procurement in partnership with community centres and Aboriginal organizations

New Start Strategy: A Settlement Integration Strategy for Immigrants and Refugees in Vancouver | 2016

Goal: Building Welcome and Inclusive Workplaces

- 3.2 Explore alignment with the Healthy City Strategy action on developing a social procurement framework for the City to encourage the inclusion of culturally diverse businesses. Work with large businesses to help them adopt this practice.

2.5 Council Motions

The following Council motions support a social procurement framework:

Fair Trade Town | 2010

City Council endorses an application to become a Fair Trade Town. The City will continue the existing policy to purchase only Fair Trade coffee, tea and sugar, and other Fair Trade certified products where possible and practicable, for all meetings, offices and canteens. The City will appoint a City representative to the Fair Trade Vancouver steering committee for quarterly meetings.

Ten Per Cent Shift | 2012

City Council endorses Ten Percent Shift Campaign. Ten Percent Shift is a local campaign to raise awareness about the benefits of investing in local businesses, and making conscious decisions to seek out local business opportunities where feasible and City staff report back any way it can increase percentage of local purchasing.

Buy Social Canada Certification | 2015

City Council endorses the work of Buy Social Canada and directs staff to consider Buy Social Canada certification program during the development of the City's social procurement framework. Buy Social Canada aims to promote the inclusion of social values into existing purchasing. Its focus includes: certifying social enterprise suppliers and purchasers, directly supporting the creation of market opportunities for social enterprises, and supporting social enterprise capacity.

Living Wage | 2016

City Council approved proposed Living Wage Implementation Plan. To be recognized as a Living Wage Employer, the City must implement measures to ensure that direct employees and individuals employed by contracted service providers, including subcontractors, are compensated at or above the Living Wage rate. Social Enterprises are exempt from the living wage requirement. On May 1, 2017 the City officially became a living wage employer.

2.6 City of Vancouver Social Procurement Examples

The following are examples of social procurement practices that have either occurred, or were attempted by the City of Vancouver. While not exhaustive they provide an overview of what contracts have been identified and the approaches taken.

Street Cleaning Grant | 1999-present

Multiple Vendors

- The Street Cleaning Grant is to provide supplementary street cleaning services through job support and life skills training opportunities for youth and adults with barriers to traditional employment
- Low threshold employment supports network, helping marginalized individuals to become more self-reliant, thus contributing to the goal of ending homelessness and providing cleaner streets
- In 2017, the grant was for \$970,000 through six organizations, with amounts ranging from \$340,000 to \$40,000
- The grants are monitored quarterly by the engineering department (including hours worked, people employed, blocks cleaned, and amount of litter collected)

Contractor for Renovations of City Shelter Facilities | 2012

Embers Staffing Solutions

- City went to market through invitation to tender (ITT) for renovations within City shelters
- Bid sent to prequalified list of general contractors
- Two social enterprises (*Just Works*, *EMBERS*) were invited for specific bid
- The added suppliers required to meet the City's insurance, indemnity, health, and safety requirements
- Embers continued similar work with the City over the coming years

Supply and Distribution of Food Scraps Kitchen Containers | 2012

Plastic Solutions Canada

- Procurement for supplier to provide and deliver compost containers to all residential units
- Contract for both the supply and delivery of kitchen containers were bundled together
- RFP states: “utilizing labour from social enterprise organizations that provide easy-to-access employment opportunities to those with barriers should be considered for door-to-door distribution activities.”
- Of three proponents: One felt this was not appropriate given the contract and would prefer to use own staff, second said they will comply without stating how, and third stated they initiated discussion with two social enterprises to assist with distribution where possible
- A number of social enterprises were reached out to, but none were considered a good fit
- The cost of working with social enterprise, (training etc.), was deemed too high at \$22.50 vs \$17.00 per hour from regular subcontractor

Winter HEAT Shelter Conversion | 2014

Embers Staffing Solutions

- City sought quotations to determine if it would issue a construction agreement for building renovations at site to be used as a winter shelter
- The criteria was price and ability to meet schedule
- In contract approval summary, the use of a social enterprise to complete the contract was seen as a value added
- Embers won contract with lowest price bid

Graffiti Removal Services | 2014

Goodbye Graffiti

- City graffiti removal contract was up for renewal through open bid process
- The scope of work included a requirement for a proposed work plan addressing whether and, if so, how the Proponent proposes to include the use of a Social Enterprise and/or Person(s) with Barriers to Employment
- There were two bids, with *Goodbye Graffiti* having the lowest price, and the highest technical capability
- *Goodbye Graffiti* committed to assigning a minimum of 25 hours per week of work to employees who were graduates of *Coast Mental Health* Transition Employment Program, gradually increasing this minimum to a maximum of 40 hours per week over the course of the following six months
- Supply Agreement states: The city will work collaboratively with *Goodbye Graffiti* and *Coast Mental Health* to allow continuous success of the program, including meeting periodically to review and evaluate issues and opportunities
- Supplier provides training to hired individuals, similar to training for regular employees
- In 2017 the contract was extended
- Unbundling of contract was explored with project manager

Parking Landscape, Clean and Litter

Pick Up Maintenance | 2014

Mission Possible

- City sought a supplier to provide routine maintenance for a number of sites along Fraser Street
- As a limited competition process the bid was targeted to social enterprises that provide opportunities to people with barriers to employment
- Bid sent out to 6 social enterprises, with 3 responses
- Bid was awarded on lowest price and ability to fulfil work

Construction Services for Repairs to SRO Hotels | 2014

Embers

- The City sought a social enterprise who could provide, from time to time, construction (handyman) repairs for outstanding SoM violations
- The City aimed to enter into standing-offer (prequalify)
- Embers was the only respondent and was given approval for upcoming projects

Snow and Ice Removal | 2014

Multiple Vendors

- RFA regarding snow and de-icing services of City owned or managed property during periods of snow
- City sought to prequalify multiple suppliers
- As part of *Social Impact Procurement Pilot Questionnaire*, City emailed vendor about potential subcontracting opportunities with social enterprises
- Vendors are requested to report, on a monthly basis, the progress they achieve in engaging social enterprises (unknown whether this occurred)

Supply and Delivery of Office Supplies | 2016

Staples

- Contract for the delivery of office supplies to all locations in the City
- City included requirement for social impact workplan
- One proponent's social impact workplan outlined history of working with social enterprises, and made a commitment to hire people with barriers
- Sustainability was given a weighted score of 12% overall
- Social impact, within sustainability, was given a weighting of 2% in evaluation

3 | GOAL OF THE RESEARCH

As directed by the *Healthy City Strategy Action Plan (2015-2018)*, the City of Vancouver is taking steps to create a Social Procurement Framework. This research aims to better understand the state of practice globally regarding social procurement. In particular, the research investigates the social policy goals that have been identified by different organizations, and the approaches taken to meet them.

By studying what others are doing, the City continues to work towards the creation of its own Social Procurement Framework.

3.1 Methodology

To better understand how a social procurement framework can be created, implemented, and monitored, a scan of current literature and practices was undertaken. This scan included municipalities, provincial and federal governments, private reports, and academic literature. It also included interviews with City staff, formal roundtable discussions, and conversations with community organizations.

Within government literature there is a clear distinction between guides and policies. While guides describe ideal social procurement scenarios they are not legally binding documents. Social procurement policies are more reserved in their aspirations, but provide examples of clear political direction.

There are a number of guides that outline what social procurement is, and investigate ways an organization can change to better support social initiatives. A few jurisdictions have implemented formal social procurement frameworks, or have rewritten their procurement policy to reflect social procurement practices. The policies clearly outline the requirements put in place to achieve social value. A number of other jurisdictions state that they support the achievement of social outcomes through procurement, but do not elaborate on the steps they are taking.

Overall, there is a large amount of literature on the potential that social procurement holds, but little about how to implement a framework or monitor its effectiveness in practice. Only a small portion of social procurement literature is written by government organizations, and therefore the majority comes from private reports, academia and consultation.

Collectively, the literature provides an overview of the current status of social procurement. It also highlights the range of definitions and objectives that organizations have regarding their procurement practices.

By studying what others are doing, the City continues to work towards the creation of their own Social Procurement Framework.

4 | SOCIAL PROCUREMENT GOALS

As identified by the City of Toronto, social procurement is in itself a core poverty reduction policy.¹⁵ A social procurement framework does not stand alone, but must be attached to the goals and policies set forward by a city.

In the City of Vancouver, social procurement represents a piece in a group of initiatives and strategies intended to help create positive impacts and tackle the large societal challenges that the City continually faces. This includes working towards poverty reduction, inclusion, and reconciliation. This direction come from the City, and it is important to embed these broader principles of the City into the thought process of the supply chain.¹⁶

A social procurement framework does not stand alone, but must be attached to the goals and policies set forward by a City.

Although the first three goals have been identified by the City of Vancouver, other jurisdictions have outlined different goals that they are trying to accomplish. A social procurement framework should build off of the current policies in place and facilitate the integration of social procurement as an extension of the existing processes.¹⁷

Identified Goals

Provide Opportunities for People with Barriers to Employment

- Barcelona (Spain), City of the Gold Coast (Australia), New South Wales (Australia), Toronto, Victoria (BC), Regional Municipality of Wood Buffalo (Alberta), Wales

Supporting Social Enterprises

- Barcelona (Spain), British Columbia, Cumberland (BC), Cumbria (UK), City of the Gold Coast (Australia), London (UK), New South Wales (Australia), Scotland, Victoria (Australia), Victoria (BC), Wales

Promote Aboriginal Opportunities

- Australia, BC Hydro (Crown Corporation), Canada (Federal), Manitoba, New South Wales (Australia)

Increase Local Supplier Participation

- Cumberland (BC), Cumbria (UK), City of the Gold Coast (Australia), London (UK), Manchester (UK), New South Wales (Australia), Scotland, Wales

¹⁵ City of Toronto. Social Procurement Program. 2016.

¹⁶ Social Procurement Australasia. Social Procurement: The Business Case. 2015. Retrieved from: <http://socialprocurementaustralasia.com/wp-content/uploads/2014/09/Social-Procurement-Business-Case1.pdf>

¹⁷ State Government of Victoria (Australia). Social Procurement: A Guide for Victorian Local Government. 2010.

Promote Diversity in the Supply Chain

- Cumberland (BC), Cumbria (UK), New South Wales (Australia), Seattle (USA), Toronto, Victoria (BC)

Support Small and Medium Businesses

- Cumberland (BC), Cumbria (UK), London (UK), Manchester (UK), New South Wales (Australia), Scotland, Wales

Support Social Innovation

- British Columbia, New South Wales (Australia), Scotland

4.1 Provide Opportunities for People with Barriers to Employment

Providing opportunities for people with barriers to employment is a key goal for the City of Vancouver's Social Procurement Framework. The City aims to address unemployment amongst its citizens by providing employment to people who historically have been excluded from the workforce. According to the *Mowat Foundation*, a number of studies have shown that providing employment for people that face barriers can have significant economic benefits.¹⁸ If, for example, a contract requires the employment of people with barriers, the social impact will be a reduction in unemployment that may also reduce stresses on other cost centers.¹⁹

The positive impacts of hiring people with barriers include: increase in employability, job skills, local spend, and quality of life.

As seen in *Ernst Young's* Social Impact report for Atira Property Management the positive impacts of hiring people with barriers include: increase in employability, job skills, local spend, and quality of life. At the same time there is a reduction in social assistance costs, shelter costs, crime rates, reliance on food banks and healthcare costs.²⁰

¹⁸ Mowat Centre and Atkinson Foundation. Community Benefits and Social Procurement Policies: A Jurisdictional Review. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb-spp_review_final.pdf

¹⁹ *ibid.*

²⁰ Ernst & Young. Atira Property Management Inc.: Social Impact of Hiring Target Employee Group Individuals. 2017. Retrieved from: <http://www.atira.bc.ca/sites/default/files/APMI%20Social%20Impact%20Report%20-%20July%202017.pdf>

Examples

Wales

- Federal procurement policy seeks out areas of expenditure that can provide work for disadvantaged people.²¹

British Columbia

- Province's *Social Impact Purchasing Guidelines* lists increased independence and sustainable employment for those in need, and meaningful independence and community inclusion for people with disabilities as purchasing goals.²²

Village of Cumberland | BC

- Village's social procurement framework lists helping people move out of poverty, and providing independence and sustainable employment for those in need as goals.²³

City of the Gold Coast | Australia

- Social procurement is seen as a strategic approach to provide employment opportunities via procurement to disadvantaged communities.²⁴

Barcelona | Spain

- The City's social procurement guide aims to increase employment for people with barriers.²⁵

Victoria | BC

- The City's action plan mandates helping people with barriers to employment and strengthening capacity for supportive employment. The City will also give preference to vendors that hire people with barriers.²⁶

New South Wales | Australia

- Social procurement is seen as a potential tool to provide opportunities for employment and training for people excluded from the work force.²⁷

Toronto | Canada

- The City has implemented a Workforce Development program on large contracts aimed at providing meaningful employment opportunities to people with barriers.²⁸

21 Welsh Government. Wales Procurement Policy Statement. 2015.

22 British Columbia: Ministry of Social Development and Social Innovation. Social Impact Purchasing Guidelines. 2014

23 Village of Cumberland. Social Procurement Framework. 2016.

24 City of Gold Coast (Australia). Procurement Policy and Contract Manual. 2016. Retrieved from: <http://www.goldcoast.qld.gov.au/procurement-policy-guidelines-12293.html>

25 Ajuntament de Barcelona. Social Public Procurement Guide. 2017. Retrieved from: <http://ajuntament.barcelona.cat/contractaciopublica/en/>

26 City of Victoria. Good Jobs + Good Business = Better Community: The Mayor's Task Force on Social Enterprise and Social Procurement Action Plan. 2017.

27 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

28 City of Toronto. Social Procurement Program. 2016

4.2 Support Social Enterprises

Vancouver has a robust social enterprise sector, with the potential to provide immense social value in the City's contracts.²⁹ Social enterprises are businesses that seek to provide a social value above and beyond profit.³⁰ The City has identified supporting social enterprises as one of its goals. One way to do this is by providing opportunities for social enterprises to bid on city contracts.

Many cities or regions will create a social enterprise strategy that exists outside of their social procurement framework. By creating a strategy that is separate from public procurement, social enterprises are supported in their operations with both the public sector and general public.³¹ Most social enterprises are started by people who are passionate about a specific goal, but may not have a business background and would benefit from access to skill development opportunities.³²

Most social enterprises are started by people who are passionate about a specific goal but may not have a business background and would benefit from access to skill development opportunities.

By supporting social enterprises there is a strong likelihood that other social procurement goals will be fulfilled, as social enterprises have been shown to support people with barriers to employment.³³ Social enterprises will help facilitate the accomplishment of social, environmental, health, cultural, economic and other community goals.³⁴

Examples

Toronto | Canada

The City of Toronto identifies social enterprises as a diverse supplier if more than 50% of the employees are considered disadvantaged and their mission is to create social, environmental, or cultural value and impact.³⁵

London | UK

City has committed to supporting and continuing positive engagement with the social enterprise sector.³⁶

Victoria | Australia

Businesses are encouraged to create relationships with 'social value businesses.'³⁷

²⁹ City of Vancouver CED Strategy

³⁰ Lepage, David. Exploring Social Procurement. 2014.

³¹ Scottish Government. Scotland's Social Enterprise Strategy 2016-2026. 2016. Retrieved from: <http://www.gov.scot/Resource/0051/00511500.pdf>

³² Province of Nova Scotia. Advancing Social Enterprise in Nova Scotia. 2017. Retrieved from: <https://novascotia.ca/business/docs/social-enterprise-framework.pdf>

³³ Canadian Community Economic Development Network & Government of Manitoba. Manitoba Social Enterprise Strategy. 2015. Retrieved from: https://www.gov.mb.ca/housing/pubs/mb_social_enterprise_strategy_2015.pdf

³⁴ Scottish Government. Scotland's Social Enterprise Strategy 2016-2026. 2016. Retrieved from: <http://www.gov.scot/Resource/0051/00511500.pdf>

³⁵ City of Toronto. Social Procurement Program. 2016

³⁶ City of London. City of London Procurement Strategy 2015-2018. 2015.

³⁷ State Government of Victoria (Australia). Social Procurement: A Guide for Victorian Local Government. 2010.

City of the Gold Coast | Australia

City's procurement guide recommends developing and attracting social enterprises.³⁸

Barcelona | Spain

City identifies subcontracting from social enterprises as a value added service.³⁹

Regional Municipality of Wood Buffalo | Alberta

Building social enterprise capacity is identified as social procurement priority.⁴⁰

4.3 Promote Aboriginal Opportunities

As a Reconciliation City, Vancouver is seeking to increase Aboriginal participation in procurement. Within Canada, there have been a number of steps taken to address Aboriginal procurement at the national and provincial level. At the municipal level, Aboriginal procurement as a mandate has not generally been an identified priority, although this is changing.

As identified by the *Federation of Canadian Municipalities*, the City of Saskatoon is working with the *Office of Treaty Commissioner* to develop an action plan that will review policies and programs with an indigenous lens.⁴¹ The goals of the plan include connecting indigenous people with employment and increasing procurement opportunities.⁴²

Based on the *Canadian Council for Aboriginal Business's 2016 Aboriginal Business Survey*, more than half of First Nations businesses are located on reserve.⁴³ This can represent a barrier for Aboriginal businesses, as they are unable to use on-reserve land as collateral, and therefore most businesses are self-financed.⁴⁴ Furthermore, education and job experience continues to be a barrier for Aboriginal businesses.⁴⁵

The City of Saskatoon is working with the Office of Treaty Commissioner to develop an action plan that will review policies and programs with an indigenous lens.

38 City of Gold Coast (Australia). Procurement Policy and Contract Manual. 2016. Retrieved from: <http://www.goldcoast.qld.gov.au/procurement-policy-guidelines-12293.html>

39 Ajuntament de Barcelona. Social Public Procurement Guide. 2017. Retrieved from: <http://ajuntament.barcelona.cat/contractaciopublica/en/>

40 https://www.rmwb.ca/Municipal-Government/municipal_departments/SCM/Doing-Business/Social-Procurement.htm

41 Federation of Canadian Municipalities. Pathways to Reconciliation: Cities respond to the Truth and Reconciliation Commission Calls to Action. 2015. Retrieved from: https://fcm.ca/Documents/tools/BCMC/Pathways_to_reconciliation_EN.pdf

42 *ibid.*

43 Canadian Council for Aboriginal Business. Promise and Prosperity: The 2016 Aboriginal Business Survey. 2016. Retrieved from: <https://www.ccab.com/wp-content/uploads/2016/10/CCAB-PP-Report-V2-SQ-Pages.pdf>

44 Aboriginal Affairs and Northern Development Canada. Evaluation of the Procurement Strategy for Aboriginal Business. 2014. Retrieved from: http://www.aadnc-aandc.gc.ca/DAM/DAM-INTER-HQ-AEV/STAGING/texte-text/ev_psab_1446467643497_eng.pdf

45 *ibid.*

Public procurement is seen as a tool that Aboriginal businesses can use to gain experience, develop capacity, and form partnerships with other businesses competing for procurement opportunities.⁴⁶ Aboriginal procurement guidelines aim to strengthen the relationship between aboriginal businesses and public procurement organizations.⁴⁷

Examples

Canada

The *Procurement Strategy for Aboriginal Businesses (PSAB)*, started in 1996, aims to increase federal contracting opportunities and to gain access to the overall federal procurement process for Aboriginal businesses.⁴⁸

British Columbia

The *Aboriginal Procurement and Contract Management Guidelines* provide a non-mandatory guide for staff to procure culturally appropriate programs and services to Aboriginal people and communities.⁴⁹

Metro Vancouver

Metro Vancouver has proposed changes to the Procurement Policy for projects that are located on or in proximity to First Nations land. The changes will be done in effort to increase aboriginal participation in the procurement process.⁵⁰

Manitoba

Manitoba's *Aboriginal Procurement Initiative (API)* works towards creating opportunities for aboriginal businesses and the creation of new employment opportunities.⁵¹

New South Wales | Australia

The *Aboriginal Participation in Construction Policy*, ensures purchasers examine a supplier's commitment to include aboriginal participation in their projects. Contract obligations are dependent on a number of factors including cost and the extent they affect the Aboriginal community.⁵²

46 Aboriginal Affairs and Northern Development Canada. Evaluation of the Procurement Strategy for Aboriginal Business. 2014. Retrieved from: http://www.aadnc-aandc.gc.ca/DAM/DAM-INTER-HQ-AEV/STAGING/texte-text/ev_psab_1446467643497_eng.pdf

47 British Columbia: Ministry of Finance. Aboriginal Procurement and Contract Management Guidelines. 2015. Retrieved from: http://www.fin.gov.bc.ca/ocg/fmb/manuals/CPM/Aboriginal_Procurement_and_ContractMgmt_Guidelines.pdf

48 <http://www.aadnc-aandc.gc.ca/eng/1100100032802/1100100032803>

49 British Columbia: Ministry of Finance. Aboriginal Procurement and Contract Management Guidelines. 2015. Retrieved from: http://www.fin.gov.bc.ca/ocg/fmb/manuals/CPM/Aboriginal_Procurement_and_ContractMgmt_Guidelines.pdf

50 Metro Vancouver report

51 Government of Manitoba. Aboriginal Procurement Manual. 2015

52 New South Wales Government. NSW Government Policy on Aboriginal Participation in Construction. 2016. Retrieved from: https://www.procurepoint.nsw.gov.au/system/files/documents/apic_policy_1_august_2016.pdf

4.4 Increase Local Supplier Participation

While the City of Vancouver provides support for local businesses and supports purchasing local food, increasing local supplier participation, possibly due to the limits of trade agreements, is not a current priority.

The positive impacts generated by local businesses include the increased hiring of local labour, higher distribution of profits from operations locally, and the strong likelihood they will then reinvest locally through purchasing of goods and services.⁵³

A large portion of social procurement frameworks are done on a regional scale, and include communities that are facing economic and social deprivation. The use of local suppliers in procurement will have a positive social benefit by increasing employment opportunities in local neighbourhoods, and keeping money within a local community.⁵⁴

Examples

Australia

In Australia, two guides at the provincial level, in New South Wales and Victoria, seek to promote local businesses to ensure financial stability.

London | UK

City procurement policy commits to supporting local business by creating a local procurement strategy for businesses in the City.⁵⁵

Village of Cumberland | BC

Social Procurement framework lists increasing local jobs as a goal.⁵⁶

City of the Gold Coast | Australia

The support of local businesses is a key focus area for the City of the Gold Coast's overall procurement policy, and a number of factors will privilege local businesses in the procurement process.⁵⁷

Positive impacts generated by local businesses include the increased hiring of local labour, higher distribution of profits from operations locally, and the strong likelihood they will then reinvest locally through purchasing of goods and services.

53 Columbia Institute, LOCO BC, and ISIS Research Centre at the Sauder School of Business. The Power of Purchasing: The Economic Impacts of Local Procurement. 2013. Retrieved from: http://www.sauder.ubc.ca/Faculty/Research_Centres/Centre_for_Social_Innovation_and_Impact_Investing/Core_Themes/Social_Innovation/The_Power_of_Purchasing

54 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

55 City of London. City of London Procurement Strategy 2015-2018. 2015.

56 Village of Cumberland. Social Procurement Framework. 2016.

57 City of Gold Coast (Australia). Procurement Policy and Contract Manual. 2016. Retrieved from: <http://www.goldcoast.qld.gov.au/procurement-policy-guidelines-12293.html>

4.5 Promote Diversity within Supply Chain

While Vancouver has not identified supply chain diversity as a current goal, other cities and regions see it as a key tenet. Diverse suppliers are not well represented within the supply chain; therefore the goal of diversifying the supply chain includes having procurement represent the diversity of a city while ensuring the supply chain is equitable for diverse suppliers.⁵⁸ In Toronto, the inclusion of diverse suppliers including aboriginal people, racialized groups, persons with disabilities, newcomers, women, and LGBTQ+ is prioritized in the procurement process.⁵⁹

The business case for increasing supplier diversity includes building a more qualified supplier pool, engaging multiple capable suppliers, and the building of relationships and economic capacity in the community.⁶⁰ The promotion of diverse suppliers is not anti-competitive, as enabling an increasingly dynamic supplier market will increase competition over the long term.⁶¹

The promotion of diverse suppliers is not an anti-competitive approach, as enabling an increasingly dynamic supplier market will increase competition over the long term.

Examples

Seattle | USA

All city departments are required to annually provide their goals for procurement from women and minority owned businesses. Every year a report is produced that measures the actual spend with women and minority owned businesses in comparison to the stated goals. Over time there has been a steady increase in reported participation.⁶²

Toronto | Canada

In Toronto, at least one quote should come from a diverse supplier for small contracts.⁶³

New South Wales | Australia

Providing a diverse and equitable supply chain that represents the diversity of the community is a recommendation by the New South Wales social procurement guide.⁶⁴

58 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

59 City of Toronto. Social Procurement Program. 2016.

60 University of Ottawa:Telfer School of Management. Canadian Federal Procurement as a Policy Lever to Support Innovation and SME Growth. 2017. Retrieved from: http://www.telfer.uottawa.ca/assets/documents/2017/Federal-Procurement-and-SMEs-report-Telfer_web.pdf

61 State Government of Victoria (Australia). Social Procurement: A Guide for Victorian Local Government. 2010.

62 City of Seattle. 2017 Annual Citywide WMBE Goals. 2017. Retrieved from: www.seattle.gov/Documents/Departments/FAS/.../WMBE/WMBE_plans_2017.pdf

63 City of Toronto. Social Procurement Program. 2016

64 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

4.6 Increase Small and Medium Enterprise Participation

As identified by *Clean Energy Canada's Power of Procurement* report, small and medium enterprises (SMEs) represent 98% of businesses in Canada, and are generally better situated to work in a local market.⁶⁵ A Canadian Government report by the *Telfer School of Management* found that the continued growth of SMEs represents a disproportionate share of job creation, innovation, and overall economic prosperity in Canada.⁶⁶ They also play a large role in generating employment, sales, revenue and trade in Metro Vancouver.⁶⁷ SMEs often will be located in disadvantaged communities and are more likely to provide opportunities for local and diverse people.⁶⁸

In support of SMEs, New South Wales has implemented a '30 Days to Pay' policy that requires the payment to small businesses within 30 days.⁶⁹ For smaller businesses this is vital, as many will not have the economic capacity to continually wait on payments.

Examples

Scotland

In Scotland's *Procurement Reform Act (2014)* the contracting authority must consider how the procurement process can facilitate the involvement of small and medium enterprises.⁷⁰

Victoria | Australia

In Victoria's social procurement guide the support of SMEs is seen as a contributing factor to the diversification of the supply chain as well as a sign of a healthy economy. The aim is for SMEs to be well positioned to prosper in a local economy through procurement.⁷¹

United Kingdom

By 2015, as mandated by procurement policy, 25% of government spend will go to SMEs. This goal was met during the 2013-2014 financial year.⁷²

SMEs often will be located in disadvantaged communities and are more likely to provide opportunities for local and diverse people.

65 Clean Energy Canada. *The Power of Procurement*. 2017. Retrieved from: http://cleanenergycanada.org/wp-content/uploads/2017/04/Power-of-Procurement_FINAL.pdf

66 University of Ottawa: Telfer School of Management. *Canadian Federal Procurement as a Policy Lever to Support Innovation and SME Growth*. 2017. Retrieved from: http://www.telfer.uottawa.ca/assets/documents/2017/Federal-Procurement-and-SMEs-report-Telfer_web.pdf

67 Barnes, Trevor and Hutton, Tom, Prepared for Metro Vancouver. *Dynamics of Economic Change in Metro Vancouver*. 2016. Retrieved from: <http://www.myprosperity.org/Documents/DynamicsofEconomicChangein-MetroVancouver.pdf>

68 City of London. *City Procurement: Responsible Procurement Strategy 2016-2019*. 2016

69 <https://www.finance.nsw.gov.au/doing-business-dfsi/30days>

70 Scotland. *Procurement Reform (Scotland) Act 2014*. 2014

71 State Government of Victoria (Australia). *Social Procurement: A Guide for Victorian Local Government*. 2010.

72 <https://www.gov.uk/government/publications/2010-to-2015-government-policy-government-buying/2010-to-2015-government-policy-government-buying#appendix-1-making-sure-government-gets-full-value-from-small-and-medium-sized-enterprises>

4.7 Promote Innovation within the Supply Chain

Although not normally identified, promoting innovation within the supply chain is sometimes seen as an objective of social procurement. Often, SMEs or social enterprises will have innovative approaches to projects, but many governments do not have processes that encourage this innovation.⁷³ Supporting social innovation through procurement increases the likelihood that other goals identified by social procurement will be fulfilled in the process. For some procurement teams, the act of being innovative is seen within itself as a social value and its contributions may be merited based on its innovative qualities. By being innovative there is the potential to open new markets that previously were not considered.⁷⁴

Supporting social innovation through procurement increases the likelihood that other goals identified by social procurement will be fulfilled in the process.

Examples

Scotland

Scotland's *Procurement Reform Act (2014)* encourages and promotes innovation within the supply chain.⁷⁵

British Columbia

The Provincial Government's *Social Impact Purchasing Guidelines* identifies supporting a culture of social innovation as one of its goals. The province states that supporting innovation will help the growth and sustainability of the social enterprise sector. It can also encourage suppliers to look for new ways to increase their social value within government contracts.⁷⁶

New South Wales | Australia

In New South Wales, social innovation is identified as a social value objective that aims to enable entities to test, develop and scale innovations in a market environment.⁷⁷

73 British Columbia: Ministry of Jobs, Tourism and Skills Training. Small Business: Doing Business with Government Project. 2014. Retrieved from: http://www2.gov.bc.ca/assets/gov/business/business-management/business-and-government/doingbusinesswithgovtproject_v04.pdf

74 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

75 Scotland. Procurement Reform (Scotland) Act 2014. 2014

76 British Columbia: Ministry of Social Development and Social Innovation. Social Impact Purchasing Guidelines. 2014

77 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

5 | PROCUREMENT APPROACHES

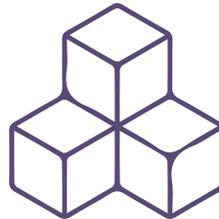
The following section highlights different social procurement approaches that organizations take to accomplish their social goals. The approaches range from actions taken in the planning stage, changes in the procurement process, and the actual requirements that purchasers can place in contracts.

Social procurement requirements can be fulfilled by either direct or indirect means. Direct purchasing is when a good or service is directly procured from a social value business while indirect purchasing is when social impact requirements exist that businesses have to fulfill.⁷⁸

The approaches different organizations take are determined by a number of factors including the political landscape, size, scope, and their identified social procurement goals.

5.1 Identify Opportunities

- *Social Impact Opportunity Analysis*
- *Contract Weighting*



5.2 Revise Approaches To Procurement

- *Simplify RFP Process*
- *Certified Supplier Directory*
- *Meet the Buyer Events*
- *Advanced Notification*
- *Contract Unbundling*



5.3 Apply Social Impact Criteria

- *Set Aside program*
- *Direct Awarding*
- *Solicit Bid from Target Group*
- *Joint Venture*
- *Targeted Employment*
- *Subcontracting from Targeted Suppliers*



⁷⁸ Social Procurement Australasia. Insights Into Social Procurement: From Policy to Practice. 2015 Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2015/07/SPA-Insights-From-Policy-to-Practice-2015_FINAL.pdf

5.1 Identify Opportunities

5.1.1 Social Impact Opportunity Assessment

A social impact opportunity analysis examines the spend categories within an organization, and identifies potential social procurement opportunities. At the earliest stage, a spend analysis can be conducted to see if current contracts are providing social value and align with the city's strategic goals.⁷⁹ In particular, contracts that are up for renewal may provide opportunities to apply a social procurement lens.⁸⁰ The City of the Gold Coast (Australia), as part of their *City Contracting Plan 2017-2018*, identified a recycling contract up for renewal as a potential opportunity to work with a social benefit supplier.⁸¹

Completing a social impact opportunity analysis early in the procurement process will help ensure that the proper contracts are chosen to insert social value.

Completing a social impact opportunity analysis early in the procurement process will help ensure that the proper contracts are chosen to insert social value.⁸² This early stage is also the time when organizational priorities and outcomes are discussed.⁸³ Organizations can identify a societal outcome they want to achieve and then identify how it can be achieved in upcoming contracts.⁸⁴

Complimenting a social impact opportunity analysis is the completion of a supplier market analysis. When the time comes to add social impacts into contracts, an assurance that suppliers can meet the requirements must first be done. For example, if a contract requires four hundred hours of work, then a supplier has to be able to fulfil those four hundred hours.⁸⁵ Although a particular contract may appear to provide opportunity to insert social impact, without a supplier readily available it will not be successful. Completing these steps sets a team up for success in achieving social value in their procurement activities.

79 State Government of Victoria (Australia). *Social Procurement: A Guide for Victorian Local Government*. 2010.

80 Social Procurement Australasia. *Insights Into Social Procurement: From Policy to Practice*. 2015 Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2015/07/SPA-Insights-From-Policy-to-Practice-2015_FINAL.pdf

81 City of Gold Coast. *City Contracting Plan 2017-2018*. 2017 (Recycling and Waste Facilities) Retrieved from: <http://www.goldcoast.qld.gov.au/city-contracting-plan-31907.html>

82 Social Procurement Action Group (SPAG). *Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement*. 2012.

83 Social Traders. *Measuring the Impact of Social Procurement: A New Approach*. 2013. Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2013/09/Burkett-McNeill_Social-Traders_framing-the-value-question-in-social-procurement-Part-1.pdf

84 Social Procurement Australasia. *Social Procurement: The Business Case*. 2015. Retrieved from: <http://socialprocurementaustralasia.com/wp-content/uploads/2014/09/Social-Procurement-Business-Case1.pdf>

85 Mowat Centre and Atkinson Foundation. *Community Benefits and Social Procurement Policies: A Jurisdictional Review*. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb-spp_review_final.pdf

Uses and Examples

- New South Wales (Australia) recommends using a ‘supplier social value positioning model.’ Contracts are broken down into categories along a matrix based on complexity and value. The model will identify a social value rating in comparison to the risk of the contract.⁸⁶
- In Halton U.K, every contract above £1,000 will undergo a social value ‘opportunity assessment’ that helps determine outcomes to include in the procurement process. Where appropriate, they aim to include at least one social value outcome in each of their procurements.⁸⁷
- British Columbia’s *Report on Small Business* recommended contract managers create a small business lens checklist to provide small business perspective in the tender process.⁸⁸
- In Scotland, for all contracts over £4 million, purchasers are required to evaluate what social value can be gained in the contract.⁸⁹
- Toronto utilizes a social procurement team to conduct social impact opportunity analysis on large contracts. The team consists of their Social Procurement Coordinator, a lead from Social Policy, and a Workplace Development Coordinator who works with employment organizations. City divisions propose their capital procurement strategies annually and the social procurement team identifies projects that fit the requirements for workplace development programs. The departments must outline a description of the projects, as well as the trades that will be involved.⁹⁰

Recommendation | 1
Conduct a social impact opportunity analysis to examine contracts that are up for renewal, and identify opportunities for social procurement pilots.



86 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

87 Halton (UK). Halton’s Social Value Procurement Framework. Retrieved from: <https://www3.halton.gov.uk/Pages/councildemocracy/pdfs/SocialValueProcFramework.pdf>

88 British Columbia: Ministry of Jobs, Tourism and Skills Training. Small Business: Doing Business with Government Project. 2014. Retrieved from: http://www2.gov.bc.ca/assets/gov/business/business-management/business-and-government/doingbusinesswithgovtproject_v04.pdf

89 Scotland. Procurement Reform (Scotland) Act 2014. 2014

90 City of Toronto. Social Procurement Program. 2016.



Recommendation | 2

Increase the weighting of social value in contracts that can clearly provide a social impact.

The Regional Municipality of Wood Buffalo, Alberta, equally weighted price, capability, and social value within their snow removal contract.

5.1.2 Contract Weighting

Contract proposals will be objectively evaluated and weighted on a number of criteria in a bid. Price, and the technical capability of a supplier, generally represent the majority of this weighting. Environmental and social impacts are increasingly being weighted in the evaluation process, as they gain influence in procurement. Social aspects of a proposal are generally given a small number of points; approximately 5%. By introducing, and increasing the weight placed on social value, suppliers are incentivized to focus their bids on social impact objectives.

It is critical that what is being weighted is identified during the bidding process, so suppliers are aware of how much significance is being placed on social value.⁹¹ Currently, it is not likely that the points awarded for social value will be the determining factor in a contract.⁹² However, as social value increasingly becomes a priority this weighted value may increase.

Uses and Examples

- In Toronto, suppliers are required to create a workplace development proposal on certain large contracts. The workplace development proposal will be weighted within the evaluation phase.⁹³
- In 2015, Manchester (UK) Council increased the weighting for social value from 10% to 20% in all contracts. This was done to ensure companies prioritise the insertion of social value in their tenders.⁹⁴
- The Regional Municipality of Wood Buffalo (RMWB), Alberta, as part of their social procurement pilot project equally (33%) weighted price, capability, and social value within their snow removal contract. The RFQ specifically stated that as part of their social value they aimed to provide work opportunities for recently housed, formally homeless people.⁹⁵
- Supporting local businesses is the primary mandate of City of the Gold Coast procurement. Up to 15% will be awarded to a business if they are a City of the Gold Coast business with their head office located in the city.⁹⁶

91 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

92 Based on RFP weighting examples

93 City of Toronto. Social Procurement Program. 2016. And conversation with City Staff

94 Manchester City Council. Social Value Toolkit for Suppliers 2017. 2017. Retrieved from: www.manchester.gov.uk/download/downloads/id/24934/social_value_toolkit.pdf

95 https://www.rmwb.ca/Municipal-Government/municipal_departments/SCM/Doing-Business/Social-Procurement.htm

96 City of Gold Coast (Australia). Procurement Policy and Contract Manual. 2016. Retrieved from: <http://www.goldcoast.qld.gov.au/procurement-policy-guidelines-12293.html>

5.2 Revise Approches To Procurement

5.2.1 Simplifying Procurement Process

The process of submitting a request for proposal (RFP) can be quite onerous.⁹⁷ Social enterprises, SMEs, and social value suppliers have identified that bidding on municipal contracts can be overly time consuming, costly, and complex.⁹⁸
⁹⁹ Governments generally have long RFP processes, and long turn around on payments, resulting in advantages for larger companies.¹⁰⁰ This results in smaller suppliers not having the procurement resources to bid on government RFPs.¹⁰¹ Even though a service or good may fit the capacity and skillset of a supplier, they may not apply.¹⁰²

For small businesses, simplifying the RFP process would allow them to bid on more contracts without a drain on resources.

In British Columbia's *Doing Business with the Government* report, recommendations included having a short form RFP for low-risk and low-dollar contracts.¹⁰³ For small businesses, generally including social enterprises, simplifying the RFP process would allow them to bid on more contracts without a drain on resources.¹⁰⁴ The *Department of Aboriginal Affairs and Northern Development Canada* found that a lack of practical knowledge and capacity represented a significant barrier for Aboriginal businesses trying to bid on government contracts.¹⁰⁵ Unless a supplier has a dedicated person who replies to RFPs, which privileges large businesses, the complicated nature of city RFPs may prove too demanding to put together.¹⁰⁶

97 Mowat Centre and Atkinson Foundation. Community Benefits and Social Procurement Policies: A Jurisdictional Review. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb-spp_review_final.pdf

98 *ibid.*

99 British Columbia: Ministry of Jobs, Tourism and Skills Training. Small Business: Doing Business with Government Project. 2014. Retrieved from: http://www2.gov.bc.ca/assets/gov/business/business-management/business-and-government/doingbusinesswithgovtproject_v04.pdf

100 Hebb, Tessa, and Hachigian, Heather. Social Value Procurement Measurement and Evaluation. Carleton Centre for Community Innovation 2017. Retrieved from: https://carleton.ca/3ci/wpcontent/uploads/SVP-Evaluation_Final_April_13_2017.pdf

101 Strandberg, Coro. 2014. Social Value Business Guide.

102 Columbia Institute, LOCO BC, and ISIS Research Centre at the Sauder School of Business. Buying Local: Tools for Forward-Thinking Institutions. 2013. Retrieved from: www.civicgovernance.ca/wordpress/wp-content/uploads/2014/01/FINAL-Buying-Local.pdf

103 British Columbia: Ministry of Jobs, Tourism and Skills Training. Small Business: Doing Business with Government Project. 2014. Retrieved from: http://www2.gov.bc.ca/assets/gov/business/business-management/business-and-government/doingbusinesswithgovtproject_v04.pdf

104 Lepage, David. Exploring Social Procurement. 2014.

105 Aboriginal Affairs and Northern Development Canada. Evaluation of the Procurement Strategy for Aboriginal Business. 2014. Retrieved from: http://www.aadnc-aandc.gc.ca/DAM/DAM-INTER-HQ-AEV/STAGING/texte-text/ev_psab_1446467643497_eng.pdf

106 British Columbia: Ministry of Jobs, Tourism and Skills Training. Small Business: Doing Business with Government Project. 2014. Retrieved from: http://www2.gov.bc.ca/assets/gov/business/business-management/business-and-government/doingbusinesswithgovtproject_v04.pdf

Recommendation | 3

Explore the introduction of a simplified RFP for low risk contracts that businesses with limited capacity can fulfil.

Uses and Examples

- British Columbia has a Short-Form RFP (SFRFP) that can be used on contracts that are less than \$250,000 a year. The SFRFP was created in consultation with vendors and is used when it is determined that price is not the only selection criteria. The goal of the SFRFP is to foster a progressive business culture and help generate business for small businesses.¹⁰⁷
- In Manchester UK, Council has attempted to increase the participation of SMEs and local businesses by streamlining the bidding process. This is done by decreasing the amount of questioning and making the process less time consuming and more straightforward.¹⁰⁸
- In Wales, policy is in place to have “common systems that appropriately minimise complexity, cost, timescales and requirements for suppliers.”¹⁰⁹



107 <http://www2.gov.bc.ca/gov/content/governments/services-for-government/bc-bid-resources/templates-and-tools/solicitation-templates/short-form-request-for-proposal>

108 Centre for Local Economic Strategies. The Power of Procurement II The Policy and Practice of Manchester City Council 10 Years On. 2017 Retrieved from: https://cles.org.uk/wp-content/uploads/2017/02/The-Power-of-Procurement-II-the-policy-and-practice-of-Manchester-City-Council-10-years-on_web-version.pdf

109 Welsh Government. Wales Procurement Policy Statement. 2015.

5.2.2 Certified Supplier Directory

As organizations make efforts to work with specific groups, having a database of suppliers who meet the criteria (i.e. social enterprises, Aboriginal, diverse, SMEs) will provide purchasers with a reliable list to contact. Creating a certified database simplifies the process of finding a supplier who can both meet social impact requirements and deliver the goods or service procured.¹¹⁰ As part of their *Community Economic Development (CED) Strategy (2016)*, the City of Vancouver recommended the creation of a social procurement directory.¹¹¹

In many cases, a database will be created by a third party or intermediary, and will ensure that the standards of companies are consistent.¹¹² A concern brought forward by purchasers is that they do not have the expertise to know if a social enterprise is capable of completing a contract.¹¹³ The creation of a database will take the onus off buyers to try and find a supplier, and enables a risk free process to identify potential suppliers.¹¹⁴

Uses and Examples

- In Manitoba, the *Aboriginal Procurement Initiative (API)* created an Aboriginal business directory, which includes businesses that have formally registered under the API. The list aims to help buyers identify Aboriginal businesses as bidders and provides a network of opportunities for suppliers.¹¹⁵
- The City of Toronto is a corporate member of six third-party certification organizations.¹¹⁶ The organizations work directly with businesses through the certification process. The City requires the certification of businesses to be eligible for their ‘Supply Chain Diversity’ program. The use of third-party certification means the City does not certify any suppliers themselves.¹¹⁷
- The Village of Cumberland and the Regional Municipality of Wood Buffalo are *Buy Social Canada* certified communities. They are therefore certified as a community themselves, demonstrating their commitment to support businesses that enhance social value in the community.^{118 119}



Recommendation | 4
Create a social enterprise directory to provide SCM with a list of social enterprises operating in different spend categories. A directory will identify who is available, the work they do, and the capacity of their operations.

110 Columbia Institute, LOCO BC, and ISIS Research Centre at the Sauder School of Business. *Buying Local: Tools for Forward-Thinking Institutions*. 2013. Retrieved from: www.civicgovernance.ca/wp-content/uploads/2014/01/FINAL-Buying-Local.pdf

111 <http://council.vancouver.ca/20161130/documents/pspc2.pdf>

112 City of Toronto. *Social Procurement Program*. 2016.

113 Mowat Centre and Atkinson Foundation. *Community Benefits and Social Procurement Policies: A Jurisdictional Review*. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb-spp_review_final.pdf

114 City of Toronto. *Social Procurement Program*. 2016.

115 Government of Manitoba. *Aboriginal Procurement Manual*. 2015.

116 City of Toronto. *Social Procurement Program*. 2016

117 City of Toronto. *Social Procurement Program*. 2016. and conversation with City staff.

118 https://www.rmwb.ca/Municipal-Government/municipal_departments/SCM/Doing-Business/Social-Procurement.htm

119 Village of Cumberland. *Social Procurement Framework*. 2016.

Recommendation | 5
Host meet the buyer events, where suppliers come and learn about opportunities for city contracts, gain knowledge about how to bid on contracts, and showcase their goods or service to a city.

5.2.3 Meet the Buyer Events

Meet the buyer events allow businesses, in an informal setting, to learn about potential opportunities for business with a city.¹²⁰ Hosting these events also provide opportunity for a city to explain how social value requirements link to larger social outcomes being achieved.¹²¹ At the same time, businesses are able to present their goods and services to potential buyers, thus also providing an education piece for the city.¹²²



These events raise awareness about potential contracts that a city may have in the future, while increasing accessibility and transparency within the procurement process.¹²³ Meet the buyer events will also provide education to suppliers about the goals of a social procurement framework, and can provide workshops on how to bid on a city contract.¹²⁴ Hosting events may also increase a city's chances to meet and connect with minority, small, or Aboriginal businesses that are not as advantaged to apply for contracts.¹²⁵

Uses and Examples

- In Manchester (UK), the Economic Development Department hosts meet the buyer events targeted at SMEs and the community sector. These events allow potential suppliers to hear about upcoming opportunities and better understand the tender process.¹²⁶
- Wales (UK) hosts speed dating Meet the Buyer events. The events outline contract opportunities and allow for short one-on-one conversations that give SMEs the opportunity to discuss requirements and explain the services they provide.¹²⁷

120 Columbia Institute, LOCO BC, and ISIS Research Centre at the Sauder School of Business. *Buying Local: Tools for Forward-Thinking Institutions*. 2013. Retrieved from: www.civicgovernance.ca/wordpress/wp-content/uploads/2014/01/FINAL-Buying-Local.pdf

121 Centre for Local Economic Strategies. *The Power of Procurement II The Policy and Practice of Manchester City Council 10 Years On*. 2017 Retrieved from: https://cles.org.uk/wp-content/uploads/2017/02/The-Power-of-Procurement-II-the-policy-and-practice-of-Manchester-City-Council-10-years-on_web-version.pdf

122 City of London. *City Procurement: Responsible Procurement Strategy 2016-2019*. 2016

123 European Union. *Buying Social: A Guide to Taking Account of Social Considerations in Public Procurements*. 2010. Retrieved from: <http://ec.europa.eu/social/BlobServlet?docId=6457&langId=en>

124 City of Victoria. *Good Jobs + Good Business = Better Community: The Mayor's Task Force on Social Enterprise and Social Procurement Action Plan*. 2017.

125 City of London. *City Procurement: Responsible Procurement Strategy 2016-2019*. 2016

126 Centre for Local Economic Strategies. *The Power of Procurement II The Policy and Practice of Manchester City Council 10 Years On*. 2017 Retrieved from: https://cles.org.uk/wp-content/uploads/2017/02/The-Power-of-Procurement-II-the-policy-and-practice-of-Manchester-City-Council-10-years-on_web-version.pdf

127 Welsh Government. *Community Benefits: Delivering Maximum Value for the Welsh Pound*. 2014. Retrieved from: <http://prp.gov.wales/docs/prp/toolkit/140815communitybenefitreportenglishwebupdated.pdf>

- London (UK) has events targeting social enterprises and SMEs in an effort for the City to learn from the market and create further opportunities.¹²⁸
- In the United States, ‘Vendor Outreach Sessions’ are conducted providing small businesses with an opportunity to meet with specialists on a one-on-one basis. The sessions provide businesses with information about potential procurement opportunities and allow them to explain the good or service they provide.¹²⁹

5.2.4 Advanced Notification

For suppliers, having a ‘heads up’ to what an organization will be procuring in advance can enable them to bid on a future contract by developing appropriate programs.¹³⁰ If organizations are able to provide notice of future contracts well in advance, interested social enterprises and smaller businesses will be able to tailor their goods or services to meet the contract needs.¹³¹

Uses and Examples

- In Manchester (UK), procurers will start to engage with potential suppliers long before the procurement process to develop new/ innovative solutions.¹³²
- Learnings from the City of Toronto social procurement pilot project identified the need for suppliers to know about upcoming projects in advance, so they can develop appropriate programs.¹³³



128 City of London. City Procurement: Responsible Procurement Strategy 2016-2019. 2016

129 National Women’s Business Council. Best Practices in Federal Procurement: A Study of the Successes and Barriers for Women-Owned Businesses. 2006. Retrieved:

<https://www.nwbc.gov/research/bestpractices-federal-procurement-studysuccesses-and-barriers-women-owned-businesses> (as cited in: University of Ottawa: Telfer School of Management, 2017)

130 City of Toronto. Social Procurement Program. 2016

131 European Union. Buying Social: A Guide to Taking Account of Social Considerations in Public Procurements. 2010. Retrieved from: <http://ec.europa.eu/social/BlobServlet?docId=6457&langId=en>

132 Centre for Local Economic Strategies. The Power of Procurement II: The Policy and Practice of Manchester City Council 10 Years On. 2017 Retrieved from: https://cles.org.uk/wp-content/uploads/2017/02/The-Power-of-Procurement-II-the-policy-and-practice-of-Manchester-City-Council-10-years-on_web-version.pdf

133 City of Toronto. Social Procurement Program. 2016.

5.2.5 Contract Unbundling

Unbundling of contracts entail the division of a large contract into smaller ones. Within larger contracts, there may be the potential to have a portion unbundled and directly purchased from a supplier that meets a stated procurement goal.

Generally, procurement teams are looking to take on larger contracts with fewer suppliers.¹³⁴ The unbundling of contracts balances the savings from economies of scale versus the diversity that multiple contracts may provide, which can enhance competition and increase efficiency.^{135, 136} The agglomeration of contracts makes it very difficult for smaller suppliers, including social enterprises and Aboriginal businesses, to bid on contracts.¹³⁷ This is because the breadth and scope of the contract will make it difficult for businesses that generally specialize in a specific skill to qualify their bids.¹³⁸

Often, small businesses are able to do one or two things extremely well, but contracts that are large in scale tend to run across multiple disciplines.¹³⁹ If a specific service is unbundled from a contract, businesses that focus on that service in particular will be able to bid on the contract and potentially provide a better quality service.¹⁴⁰

There are currently no best practices regarding unbundling of contracts, and it should be done on a case by case basis.¹⁴¹ Even with policy encouragement, in practice it largely does not occur.¹⁴² If contracts are to be unbundled, care must be taken to ensure they do not circumvent the procurement process.¹⁴³

The unbundling of contracts balances the savings from economies of scale versus the diversity of multiple contracts that may enhance competition and increase efficiency.

134 Lepage, David. Exploring Social Procurement. 2014.

135 SIGMA (joint OECD and EU initiative). Brief 36: Public Procurement: Division of Contracts into Lots. 2016. Retrieved from: <http://www.sigmapweb.org/publications/Public-Procurement-Policy-Brief-36-200117.pdf>

136 University of Ottawa: Telfer School of Management. Canadian Federal Procurement as a Policy Lever to Support Innovation and SME Growth. 2017. Retrieved from: http://www.telfer.uottawa.ca/assets/documents/2017/Federal-Procurement-and-SMEs-report-Telfer_web.pdf

137 Plymouth Community Homes. Social Value Toolkit: Leading Economic, Environmental and Social Benefit Through Procurement. 2014. Retrieved from: <http://www.plymouthcommunityhomes.co.uk/wp-content/uploads/2014/12/Social-Value-Toolkit-Final-Oct-14.pdf>

138 Scottish Government. Analysis of the Impact and value of Community Benefit Clauses in Procurement. 2015 Retrieved from: <http://www.gov.scot/Resource/0048/00480510.pdf>

139 British Columbia: Ministry of Jobs, Tourism and Skills Training. Small Business: Doing Business with Government Project. 2014. Retrieved from: http://www2.gov.bc.ca/assets/gov/business/business-management/business-and-government/doingbusinesswithgovtproject_v04.pdf

140 SIGMA (joint OECD and EU initiative). Brief 36: Public Procurement: Division of Contracts into Lots. 2016. Retrieved from: <http://www.sigmapweb.org/publications/Public-Procurement-Policy-Brief-36-200117.pdf>

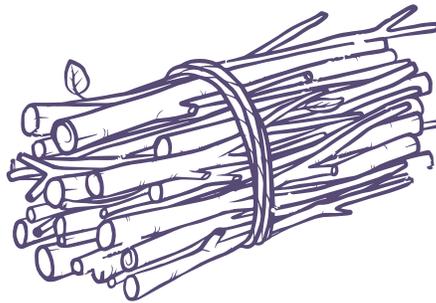
141 *ibid.*

142 European PPP Expertise Centre (EPEC). PPPs and Procurement: Impact of the new EU Directives. 2016. Retrieved from: http://www.eib.org/epec/resources/publications/epec_ppp_and_procurement_en

143 European Union. Buying Social: A Guide to Taking Account of Social Considerations in Public Procurements. 2010. Retrieved from: <http://ec.europa.eu/social/BlobServlet?docId=6457&langId=en>

Uses and Examples

- Multiple cities and organizations in the United States, including the Bay Area Rapid Transit (BART) and City of Seattle, have identified unbundling contracts as an avenue to create potential opportunities for small businesses.¹⁴⁴ In Seattle, there are no examples of unbundling occurring in practice, and departments identified a number of barriers to the practice including supplier capacity and cost.¹⁴⁵
- At the University of British Columbia (UBC), a local supplier was identified who could provide tofu at a lower price than their main supplier. The tofu contract was unbundled from the other food purchases and awarded to the local supplier.¹⁴⁶
- In London (UK), Public Contract Regulations aims to support SMEs by exploring the unbundling of larger contracts. If a large contract is not unbundled the purchasing group must give rationale as to why it is not feasible.¹⁴⁷
- In effort to increase business with SMEs, Manchester's (UK) council will adapt contracts to their needs, with particular focus on unbundling large contracts.¹⁴⁸



144 BART. BART Board Workshop 2017. Retrieved from: https://www.bart.gov/sites/default/files/better-bart/Board%20Workshop%202017_4D_%202016%20Bond%20Implementation.pdf

145 City of Seattle. 2017 Annual Citywide WMBE Goals. 2017. Retrieved from: www.seattle.gov/Documents/Departments/FAS/.../WMBE/WMBE_plans_2017.pdf

146 Columbia Institute, LOCO BC, and ISIS Research Centre at the Sauder School of Business. Buying Local: Tools for Forward-Thinking Institutions. 2013. Retrieved from: www.civiggovernance.ca/wordpress/wp-content/uploads/2014/01/FINAL-Buying-Local.pdf

147 United Kingdom. The Public Contracts Regulations 2015.

148 Manchester City Council. Manchester City Council Ethical (Procurement) Policy. 2017. Retrieved from: http://www.manchester.gov.uk/downloads/download/6446/ethical_procurement_policy

Recommendation | 6
Investigate whether social value requirements can be used to pre-qualify suppliers within an ITT process

5.3 Applying Social Impact Criteria

Specific language can be written into a contract that aims to achieve the goals of social procurement.¹⁴⁹ Often called social clauses, they are integrated into the procurement process to enable social and environmental considerations to be included in a contract.¹⁵⁰

In the Village of Cumberland, potential suppliers must provide two envelopes when bidding on an Invitation to Tender (ITT). The first envelope will include how the proponent will meet a predetermined number of social value requirements, and their bid will not be considered if they are unable to meet them.¹⁵¹

As identified by the City of Barcelona, if a contract is given a social value requirement, then upcoming contracts that are similar should have similar conditions.¹⁵² Consistency across contracts will ensure a transparent, open and equitable process. If there are any changes within a contract that will favour specific suppliers, an organization's legal team should be consulted to ensure that the requirements do not circumvent any trade agreements, or the duty of a transparent and open procurement process.¹⁵³

5.3.1 Contract Set Asides | Limited Competition

Set Asides are contracts that have been removed from the regular procurement process, and are only available to a targeted group of suppliers. Often, organizations will use smaller contracts as potential opportunities to set aside for targeted suppliers.¹⁵⁴

Within Canada, this is often applied to Aboriginal procurement, while elsewhere it is used for social enterprises, local businesses, and SMEs.¹⁵⁵ By setting aside contracts for a specific group, however determined, it is ensured that social value outcomes will be accomplished. Joint ventures or subcontracting opportunities can be explored in a set aside program if there are concerns about the ability of suppliers to complete the work (see joint ventures/ sub-contracting below).

149 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

150 Halloran, Deirdre. Community Action Network. A Primer on the Use of Social Clauses in Ireland. 2015. Retrieved from: http://www.canaction.ie/can_15/www/live_site/downloads/can_-_primer_social_clauses_web_in_ireland_2015.pdf?gi_sn=55b220918281c%7C0

151 Conversations with City staff

152 Ajuntament de Barcelona. Social Public Procurement Guide. 2017. Retrieved from: <http://ajuntament.barcelona.cat/contractaciopublica/en/>

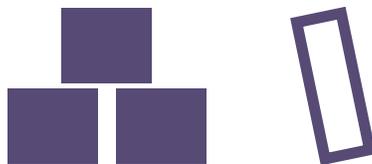
153 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

154 Mowat Centre and Atkinson Foundation. Community Benefits and Social Procurement Policies: A Jurisdictional Review. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb-spp_review_final.pdf

155 City of Gold Coast. City Contracting Plan 2017-2018. 2017 (Recycling and Waste Facilities) Retrieved from: <http://www.goldcoast.qld.gov.au/city-contracting-plan-31907.html>

Uses and Examples

- The Canadian Government's *Procurement Strategy for Aboriginal Businesses* (PSAB) set-asides certain contracts only available to Aboriginal businesses. The program affects all federal contracts valued above \$5,000 delivered to a primarily Aboriginal population. The strategy also provides a framework for Aboriginal businesses to form joint ventures with Aboriginal or non-Aboriginal businesses to bid on contracts that have been set aside¹⁵⁶
- Manitoba has a provincial framework to set aside contracts for Aboriginal businesses. Similar to the PSAB contracts directly affecting Aboriginal businesses will be set aside. One provision is that certain contracts will be set aside for specifically Manitoba Aboriginal businesses.¹⁵⁷
- Australia's *Commonwealth Indigenous Procurement Policy* designates that all federal contracts between \$80,000 and \$200,000 will be mandatorily set aside for Indigenous businesses, with a few exceptions. Procuring officers must determine if an Indigenous business is capable of providing the good or service. If there are no available Indigenous businesses a rationale must be given, and then the ordinary procurement process will occur.¹⁵⁸
- In the Bay Area, the Bay Area Rapid Transit (BART) has a *Micro Small Business Entity (MSBE) Set-aside Agreement*. For purchases under \$100,000, effort will be made to purchase from a certified small business.¹⁵⁹
- The City of the Gold Coast's (Australia) procurement policy mandates that a portion of the annual procurement spend is set aside to suppliers that provide benefits to disadvantaged communities.¹⁶⁰
- The U.S. Small Business Administration facilitates the national small business set aside program. Contracts between \$3,500 and \$150,000 are required to be set aside for small business if there are at least two qualified small businesses capable of bidding.¹⁶¹



156 Aboriginal Affairs and Northern Development Canada. Evaluation of the Procurement Strategy for Aboriginal Business. 2014. Retrieved from: http://www.aadnc-aandc.gc.ca/DAM/DAM-INTER-HQ-AEV/STAGING/texte-text/ev_psab_1446467643497_eng.pdf

157 Government of Manitoba. Aboriginal Procurement Manual. 2015

158 Australian Government. Commonwealth Indigenous Procurement Policy. 2015. Retrieved from: https://www.pmc.gov.au/sites/default/files/publications/indigenous_procurement_policy_0.pdf

159 http://www.bart.gov/about/business/ocr/SB_Program_Overview

160 City of Gold Coast (Australia). Procurement Policy and Contract Manual. 2016. Retrieved from: <http://www.goldcoast.qld.gov.au/procurement-policy-guidelines-12293.html>

161 <https://www.sba.gov/contracting/government-contracting-programs/what-small-business-set-aside>

5.3.2 Direct Awarding

Under certain circumstances, a contract can be awarded without a competitive process. Policy may allow direct award for contracts when they are from another government organization, when only one qualified vendor is available, and in emergency, confidentiality or other shared cost arrangements.¹⁶² If policy allows, direct awards can be used to further social goals.¹⁶³ Lower value contracts are often used as an opportunity to buy directly from targeted suppliers.¹⁶⁴ Direct awarding is different from a set aside program because the set aside program will still have a competitive process.¹⁶⁵



Uses and Examples

- In BC Hydro's *Aboriginal Contract and Procurement Policy at BC Hydro*, direct awarding is mentioned as a procurement approach. Even if a contract is direct awarded, the bid must still be a competitive price and meet BC Hydro expectations around qualifications, safety and performance standards.¹⁶⁶
- In British Columbia's *Social Impact Purchasing Guidelines* direct awarding is a recommended approach. The guide highlights social enterprises as organizations that can benefit from a direct award process.¹⁶⁷

162 <http://www2.gov.bc.ca/gov/content/governments/services-for-government/bc-bid-resources/how-to-buy-services/procurement-process/pre-award/direct-awards>

163 Mowat Centre and Atkinson Foundation. *Community Benefits and Social Procurement Policies: A Jurisdictional Review*. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb_spp_review_final.pdf

164 *ibid.*

165 <https://www.aadnc-aandc.gc.ca/eng/1354798736570/1354798836012>

166 BC Hydro. *Aboriginal Contract and Procurement Policy at BC Hydro*. Retrieved from: <https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/corporate/community/aboriginal-contract-procurement-policy.pdf>

167 British Columbia: Ministry of Social Development and Social Innovation. *Social Impact Purchasing Guidelines*. 2014

5.3.3 Solicit Bid from Targeted Suppliers

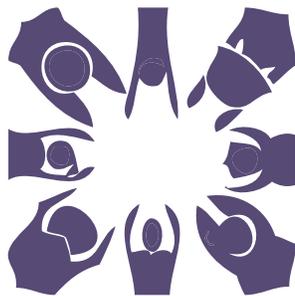
A procurement policy can require bids from specific groups. These requirements ensures that a supplier from a targeted group will participate in the bid process, and is generally utilized within specific price thresholds. Outcomes of targeting suppliers include increasing diversity in the supply chain, supporting social enterprises, and supporting local or SMEs.

This approach is different from a set-aside program, where only targeted suppliers can bid. Targeted bids do not ensure a specific supplier will be awarded a contract. Once the suppliers have been identified, all bids will be evaluated on the same criteria. As specific supplier groups are continually short listed, the theory is they will increasingly win contracts.¹⁶⁸

In Toronto, departments are required to seek one bid from a diverse supplier that is identified through the City's Diverse Supplier Directory.

Uses and Examples

- In Toronto, departments are required to seek one bid from a diverse supplier that is identified through the City's *Diverse Supplier Directory*.¹⁶⁹ Between February and September (2017) 20 contracts were awarded to diverse suppliers valued at just over \$250,000.¹⁷⁰
- In London (UK), one-off purchasing between £10,000 and £100,000 requires solicitation of at least one bid from a local firm, small or medium enterprise, or social enterprise.¹⁷¹



Recommendation | 7
For contracts of specific size and scope, require bids from a targeted group (eg. social enterprise, Aboriginal business)

168 Conversation with Toronto City Staff

170 City of Toronto Purchasing Report (2017)

171 City of London. City of London Procurement Code Part One: Rules. 2016

5.3.4 Joint Ventures

Joint Ventures involve two or more businesses deciding to bid on a contract together. This is different than subcontracting, because both businesses are working directly with the procuring organization. For businesses that are seeking to directly work with the City, joint ventures may provide that opportunity. Generally, organizations prefer a single vendor and do not promote joint ventures.¹⁷² Joint ventures will provide opportunities for businesses that do not have the capacity to bid on a contract alone, and is often used by Aboriginal businesses.¹⁷³

Uses and Examples

- In Manitoba's *Aboriginal Procurement Initiative (API)* the creation of joint ventures is an avenue used to fulfill requirements of the Aboriginal set-aside program.¹⁷⁴
- The Canadian government's *Procurement Strategy for Aboriginal Business (PSAB)* provides a framework for Aboriginal Businesses to partner with other Aboriginal businesses or Non-Aboriginal businesses in bidding on set aside contracts. Within a joint venture at least 51% of the joint venture must be controlled by an Aboriginal business or businesses.¹⁷⁵



172 Request for Proposals (RFPs) examples from multiple organizations

173 British Columbia: Ministry of Finance. *Aboriginal Procurement and Contract Management Guidelines*. 2015. Retrieved from: http://www.fin.gov.bc.ca/ocg/fmb/manuals/CPM/Aboriginal_Procurement_and_ContractMgmt_Guidelines.pdf

174 Government of Manitoba. *Aboriginal Procurement Manual*. 2015

175 Aboriginal Affairs and Northern Development Canada. *Evaluation of the Procurement Strategy for Aboriginal Business*. 2014. Retrieved from: http://www.aadnc-aandc.gc.ca/DAM/DAM-INTER-HQ-AEV/STAGING/texte-text/ev_psab_1446467643497_eng.pdf

5.3.5 Targeted Employment

Stipulations can be written in a bid that require contractors to hire people from a targeted group. Often, targeted employment requirements support providing opportunities for the long term unemployed and other people with barriers.¹⁷⁶ A United Kingdom study found that targeted recruitment and training requirements do not add extra cost, nor does quality of service suffer.¹⁷⁷ Targeted employment can be done directly by the contractor or through a third party, for example an employment agency.¹⁷⁸



A United Kingdom study found that targeted recruitment and training requirements do not add extra cost, nor does quality of service suffer.

Uses and Examples

- During Metro Vancouver's *Evergreen Line Expansion Project* the contract required a specific number of employment hours split between the Musqueam Indian Band and the Tsleil-Waututh Nation. After the contract was awarded, the contractor was given twenty days to meet with both First Nations to determine a process to meet the requirements. The contract also required the contractor submit to the province a plan detailing how they will comply with the requirements.¹⁷⁹
- The New South Wales' *Government Policy on Aboriginal Participation in Construction* outlines mandatory Aboriginal targeted spends determined by contract thresholds. Once 90% of the contract is complete, the contractor must provide a participation report confirming the targets were met.¹⁸⁰
- Wales (UK) procurement policy proposes identifying areas of expenditure that can be reserved for suppliers with a workforce that is at least 30% people with barriers.¹⁸¹

Recommendation | 8
Require suppliers to employ a minimum amount of people with barriers for certain large contracts.

176 Halloran, Deirdre. Community Action Network. A Primer on the Use of Social Clauses in Ireland. 2015. Retrieved from: http://www.canaction.ie/can_15/www/live_site/downloads/can_-_primer_social_clauses_web_in_ireland_2015.pdf?gi_sn=55b220918281c%7C0

177 Joseph Rowntree Foundation. Tackling Poverty Through Public Procurement. 2014. Retrieved from: <https://www.jrf.org.uk/report/tackling-poverty-through-public-procurement>

178 State Government of Victoria (Australia). Social Procurement: A Guide for Victorian Local Government. 2010.

179 Evergreen Line Rapid Transit Project Agreement, Schedule 18: First Nations. Retrieved from: <http://www.partnershipsbcc.ca/projects/operational-complete/evergreen-line-rapid-transit-project/#1487651133619-dd8088f1-822b>

180 New South Wales Government. NSW Government Policy on Aboriginal Participation in Construction. 2016. Retrieved from: https://www.procurepoint.nsw.gov.au/system/files/documents/apic_policy_1_august_2016.pdf

181 Welsh Government. Wales Procurement Policy Statement. 2015.



Recommendation | 9
Place requirements in large contracts for suppliers to have a subcontracting plan that provides opportunities for businesses that provide social value.

5.3.6 Subcontracting from Targeted Suppliers

Subcontracting involves a supplier employing another business to complete a portion of an awarded contract. Subcontracting can provide an opportunity for mainstream businesses to partner with businesses that are able to deliver social value.¹⁸² Within a social procurement framework, an organization can require that contractors subcontract part of their work to a targeted group or social enterprise.¹⁸³ If there are requirements to subcontract to specific suppliers it must be included in the bid document prior to the contract being awarded.¹⁸⁴

Uses and Examples

- Within the Canadian Government's *Procurement Strategy for Aboriginal Business* (PSAB) contractors are encouraged to subcontract to Aboriginal businesses when they need to fulfill a federal government requirement.¹⁸⁵
- In Australia's *Indigenous Procurement Policy*, there are minimum targets for Indigenous business participation. Contracts that are subcontracted to Indigenous businesses are able to count towards the targets.¹⁸⁶
- In Victoria (Australia), direct subcontracting involves working with suppliers to subcontract part of their work to targeted suppliers. This can either be a mandatory social clause or an encouraged voluntary action.¹⁸⁷
- In Barcelona (Spain), subcontracting to a social enterprise can be seen as a performance condition improving the social efficiency of public investment. The guidelines state that the social enterprise must demonstrate their economic and technical solvency and capacity to perform the subcontracted piece of the contract. A subcontracted social enterprise cannot exceed 35% of the contract price.¹⁸⁸
- Within the United States, in accordance with the *Small Business Act*, all federal procurement over \$700,000 (\$1.5 million for construction) must have a small business subcontracting plan.¹⁸⁹

182 Social Procurement Australasia. *Social Procurement: The Business Case*. 2015. Retrieved from: <http://socialprocurementaustralasia.com/wp-content/uploads/2014/09/Social-Procurement-Business-Case1.pdf>

183 City of Toronto. *Social Procurement Program*. 2016

184 State Government of Victoria (Australia). *Social Procurement: A Guide for Victorian Local Government*. 2010.

185 <https://www.aadnc-aandc.gc.ca/eng/1354798736570/1354798836012>

186 Australian Government. *Commonwealth Indigenous Procurement Policy*. 2015. Retrieved from: https://www.pmc.gov.au/sites/default/files/publications/indigenous_procurement_policy_0.pdf

187 State Government of Victoria (Australia). *Social Procurement: A Guide for Victorian Local Government*. 2010.

188 Ajuntament de Barcelona. *Social Public Procurement Guide*. 2017. Retrieved from: <http://ajuntament.barcelona.cat/contractaciopublica/en/>

189 Retrieved from: <https://www.sba.gov/contracting/government-contracting-programs/what-small-business-set-aside>

6 | KEY PROGRAM ELEMENTS

6.1 Culture of Social Procurement

Although clear processes can be put in place, without an enabling culture there will be continued difficulty in fulfilling the potential of social procurement. For many within organizations, social procurement represents another bureaucratic barrier to their work.¹⁹⁰ It is seen as a burden instead of an opportunity. While reservation by people is unfortunate, it is not unexpected. There are a number of steps organizations can take to alleviate these concerns.

6.1.1 Leadership from Council and Management

The support of Council and management is vital to creating a robust and effective social procurement framework.¹⁹¹ Direct support from leadership will enable a ‘whole of organization’ approach, where social procurement practices are influenced by, and align with, multiple city goals.¹⁹² Competing priorities within an organization remain a challenge, as social procurement is generally seen as a great option, but secondary to cost savings and risk avoidance.¹⁹³ According to a *United Nations* survey (2017), competing procurement priorities are the most often cited barrier to sustainable or social public procurement in North American.¹⁹⁴

Direct support from leadership will enable a ‘whole of organization’ approach, where social procurement practices are influenced by, and align with, multiple city goals.

Leadership from Council and management sends a clear message that there is a common vision. It is important that these leaders are part of the process from the very beginning, as it will ensure buy-in and raise awareness about the work being done.¹⁹⁵ Adding social value in purchasing will be seen as a clear organizational priority that cannot be ignored.

190 Based on stakeholder consultation

191 Centre for Local Economic Strategies. *The Power of Procurement II: The Policy and Practice of Manchester City Council 10 Years On*. 2017 Retrieved from: https://cles.org.uk/wp-content/uploads/2017/02/The-Power-of-Procurement-II-the-policy-and-practice-of-Manchester-City-Council-10-years-on_web-version.pdf

192 Social Procurement Australasia. *Insights Into Social Procurement: From Policy to Practice*. 2015 Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2015/07/SPA-Insights-From-Policy-to-Practice-2015_FINAL.pdf

193 Halloran D. *The Social Value in Social Clauses: Methods of Measuring and Evaluation in Social Procurement*. Global Public Procurement Theories and Practices. Florida: Springer Publishing 39-58 Eds. Khi Thai. 2017

194 United Nations Environment. *2017 Global Review of Sustainable Public Procurement*. 2017. Retrieved from: http://www.spcclearinghouse.org/sites/default/files/globalreview_web.pdf

195 Social Procurement Action Group (SPAG). *Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement*. 2012.

6.1.2 Resources to Implement the Program

Time will be needed while introducing social impacts into contracts to fully understand what impacts are being desired and the methods in which they will be completed. Education on the potential impacts of social procurement, through internal workshops, can help create buy-in from the staff unsure of what this new way of purchasing is trying to accomplish.¹⁹⁶

For procurement teams that may not have the embedded knowledge and skills to understand the role of social impact, it can be difficult to articulate what is being accomplished, or determine what is possible.

Recommendation | 10

Hire an expert to lead social procurement program, educate staff on the value of social procurement, and the ways they can embed the practice into their purchasing.

For procurement teams that may not have the embedded knowledge and skills to understand the role of social impact, it can be difficult to articulate what is being accomplished, or determine what is possible. By dedicating resources and time to examine social impacts, there will be a thoughtful approach to implementation; leading to clearer requirements that meet the contract conditions.¹⁹⁷

6.1.3 Internal Champion

Successful programs will have an internal champion who is an expert on social procurement.¹⁹⁸ A social procurement expert will provide advice and assistance on potential social procurement opportunities.¹⁹⁹ It would be unreasonable to expect everyone to immediately understand the full potential of social procurement. An internal passionate expert can be the determining factor in moving social procurement from policy to practice.²⁰⁰ Having a liaison that can help educate staff will ensure there is a gradual shift.²⁰¹ In many cases the ‘push-back’ from departments is not because of professional disagreement, but due to the impression that they do not have the expertise to apply the requirements properly.²⁰²

196 Conversations with Toronto City Staff

197 Joseph Rowntree Foundation. Tackling Poverty Through Public Procurement. 2014. Retrieved from: <https://www.jrf.org.uk/report/tackling-poverty-through-public-procurement>

198 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

199 Social Procurement Australasia. Social Procurement Toolkit. 2013. Retrieved from: <http://socialprocurementaustralasia.com/wp-content/uploads/2013/09/Social-Procurement-Toolkit.pdf>

200 Social Procurement Australasia. Insights Into Social Procurement: From Policy to Practice. 2015 Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2015/07/SPA-Insights-From-Policy-to-Practice-2015_FINAL.pdf

201 City of Toronto. Social Procurement Program. 2016.

202 Conversations with City of Toronto staff

The City of Toronto employs a Social Procurement Coordinator who is responsible for implementing the social procurement policy. The position is full-time and jointly funded between Social Policy and the City's purchasing department. The coordinator leads a social procurement team to identify what projects have the potential to add social value. Over time, purchasing staff will become the experts on social procurement. But as the process is still new, having a team of dedicated social procurement experts ensures the success of the program.²⁰³

6.1.4 Understanding Social Value

The addition of social requirements into contracts could be seen as the antithesis to a culture that prioritizes the lowest price and risk when evaluating contract bids.²⁰⁴ During their social value pilot program the City of Toronto identified significant risk aversion amongst staff as the requirements placed in contracts were unfamiliar and did not follow a clear process or guideline.²⁰⁵

To promote a committed cultural shift within an organization, staff should understand the societal changes (poverty reduction, reconciliation etc.) they are helping to facilitate.

To promote a committed cultural shift within an organization, staff should understand the societal changes (poverty reduction, reconciliation etc.) they are helping to facilitate.²⁰⁶ Hiring progressive purchasers who already understand the potential of social impact purchasing is an easy way to embed social procurement within processes.²⁰⁷ Eventually, by applying a 'whole of organization' approach, social requirements that are tackling large societal issues will become business as usual within procurement.²⁰⁸

Recommendation | 11

Work to create an interdepartmental taskforce that educates their own departments about how procurement works and how they can empower SCM to succeed in their social procurement practices.

203 City of Toronto. Social Procurement Program. 2016. Conversations with City of Toronto Staff

204 University of Ottawa: Telfer School of Management. Canadian Federal Procurement as a Policy Lever to Support Innovation and SME Growth. 2017. Retrieved from: http://www.telfer.uottawa.ca/assets/documents/2017/Federal-Procurement-and-SMEs-report-Telfer_web.pdf

205 City of Toronto. Social Procurement Program. 2016.

206 Social Traders. Measuring the Impact of Social Procurement: A New Approach. 2013. Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2013/09/Burkett-McNeill_Social-Traders_framing-the-value-question-in-social-procurement-Part-1.pdf

207 Centre for Local Economic Strategies. The Power of Procurement II The Policy and Practice of Manchester City Council 10 Years On. 2017 Retrieved from: https://cles.org.uk/wp-content/uploads/2017/02/The-Power-of-Procurement-II-the-policy-and-practice-of-Manchester-City-Council-10-years-on_web-version.pdf

208 Joseph Rowntree Foundation. Tackling Poverty Through Public Procurement. 2014. Retrieved from: <https://www.jrf.org.uk/report/tackling-poverty-through-public-procurement>

6.2 Clear Goals, Objectives, and Approaches

Effective social procurement practices will clearly identify the goals and objectives being sought.²⁰⁹ When introducing social procurement, the first step is to ensure the chosen actions are justified by the program goals.²¹⁰ Social value requirements cannot be aspirational, and should be linked to the subject matter of the contract.²¹¹ A contract should clearly list the deliverables, measurement requirements, monitoring responsibilities, and consequences if the social value requirements are not met.²¹² Social value requirements have to be achievable, otherwise there will be no bids, or the quality of goods or services will suffer.²¹³

Recommendation | 12

Work with suppliers to create achievable targets that meet the goals set forward by the city.

It is better to have a small number of achievable targets than a long list that are impossible to reach or monitor.

Having clear quantifiable social outcomes is equally important for suppliers. Without clear outcomes suppliers will have a difficult time understanding what they are trying to accomplish, which will decrease the likelihood of achieving any social value through procurement.²¹⁴ Consideration should be given to how targets will be measured before they are placed as a requirement into contracts.²¹⁵ It is better to have a small number of achievable targets than a long list that are impossible to reach or monitor.²¹⁶ Inserting requirements at the beginning of the process will decrease the likelihood of potential confusion for suppliers.²¹⁷

209 Social Procurement Australasia. Insights Into Social Procurement: From Policy to Practice. 2015 Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2015/07/SPA-Insights-From-Policy-to-Practice-2015_FINAL.pdf

210 Halloran, Deirdre. Community Action Network. A Primer on the Use of Social Clauses in Ireland. 2015. Retrieved from: http://www.canaction.ie/can_15/www/live_site/downloads/can_-_primer_social_clauses_web_in_ireland_2015.pdf?gi_sn=55b220918281c%7C0

211 Cumbria County Council. A Social Value Toolkit: For Commissioners and Procurers. 2015. Retrieved from: <http://www.cumbria.gov.uk/elibrary/Content/Internet/536/654/1085/6696/42171102532.pdf>

212 Social Procurement Australasia. Social Procurement Toolkit. 2013. Retrieved from: <http://socialprocurementaustralasia.com/wp-content/uploads/2013/09/Social-Procurement-Toolkit.pdf>

213 Mowat Centre and Atkinson Foundation. Community Benefits and Social Procurement Policies: A Jurisdictional Review. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb-spp_review_final.pdf

214 Croydon Council. Inspiring and Creation Social Value in Croydon. 2012. Retrieved from: <https://www.croydon.gov.uk/sites/default/files/articles/downloads/socialvalue.pdf>

215 United Nations Environment. 2017 Global Review of Sustainable Public Procurement. 2017. Retrieved from: http://www.scpclearinghouse.org/sites/default/files/globalreview_web.pdf

216 Social Procurement Australasia. Social Procurement Toolkit. 2013. Retrieved from: <http://socialprocurementaustralasia.com/wp-content/uploads/2013/09/Social-Procurement-Toolkit.pdf>

217 Hebb, Tessa, and Hachigian, Heather. Social Value Procurement Measurement and Evaluation. Carleton Centre for Community Innovation 2017. Retrieved from: https://carleton.ca/3ci/wpcontent/uploads/SVP-Evaluation_Final_April_13_2017.pdf

6.2.1 Contract Requirement Language

When placing requirements within a contract, the language can be descriptive or prescriptive. Although similar sounding, there is a large distinction between contracts stating, ‘provide opportunities for employment to people with barriers,’ compared to, ‘employ a specific percent of people with barriers to employment.’ New South Wales’ (Australia) guide on social procurement recommends taking a more prescriptive approach, believing non-quantifiable requirements will decrease the likelihood of success.²¹⁸ Counter to that, others believe if requirements are overtly specific, and seek to determine how a supplier will fulfill them, they will not be achieved.²¹⁹ When looking to build requirements into contracts, the language used will play a determining role in how and if social impact goals will be met.

6.2.2 Challenges from Non-Compulsorily Language

Upon first glance, it may appear that there are strong social value requirements built into a contract. On close examination, the language used will most likely make suggestions about seeking out social value, instead of requiring it. For example, instead of saying a supplier is required to do something, it will say they are required to consider doing something.²²⁰ This language means potential suppliers must consider how to add social value, but the assurance that social value will be incorporated into the procurement does not exist. The use of non-compulsory language is one way to ensure that trade-agreements are not violated, and that provincial or federal law are not circumvented.²²¹ However, by using language that is non-compulsory, suppliers may be unsure of what they are trying to accomplish, and the result will be that social value is not incorporated into the contract.

When looking to build requirements into contracts, the language used will play a determining role in how and if social impact goals will be met.

218 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

219 Lepage, David. Exploring Social Procurement. 2014.

220 Mowat Centre and Atkinson Foundation. Community Benefits and Social Procurement Policies: A Jurisdictional Review. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb-spp_review_final.pdf

221 Mowat Centre and Atkinson Foundation. Community Benefits and Social Procurement Policies: A Jurisdictional Review. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb-spp_review_final.pdf

6.3 Monitoring + Evaluation

Monitoring contracts to ensure the social value requirements are being met is equally important as having the initial requirement.²²² Monitoring should be done consistently throughout the lifetime of the contract.²²³ The monitoring and evaluation of contracts is seen by many as the most difficult aspect of social procurement.²²⁴ There is often a perception that trying to understand social value will involve a high demand on resources to collect data.²²⁵

How an organization decides to measure social procurement will be a determinant of its success. Two approaches to measurement are outcome based and impact based.²²⁶ An outcome based approach uses short term quantifiable indicators that are simple in nature, for example, number of persons employed from a specific group. Impact based approaches look at long term, often qualitative, complex indicators, for example, the effect that local procurement has on reducing the poverty rate. While it is easy to see the direct results of purchasing a lower priced good, the impact of creating social value can be far reaching, but harder to quantify.²²⁷ At the same time, attempting to measure impacts for a specific contract may be overly complex and expensive, unless there is a strategic reason.²²⁸

Contract monitoring should not create a resource burden that outweighs the potential social benefits.²²⁹ The impacts of social procurement are hard to articulate through one measurable target (i.e. increased employment), and even more so within a specific contract.²³⁰ For this reason, organizations will generally monitor outcomes as they are less costly and more tangible, but must make sure that by focusing on outputs they do not lose sight of the impacts sought.²³¹

While it is easy to see the direct results of purchasing a lower priced good, the impact of creating social value can be far reaching, but harder to analytically quantify

222 Halloran, Deirdre. Community Action Network. A Primer on the Use of Social Clauses in Ireland. 2015. Retrieved from: http://www.canaction.ie/can_15/www/live_site/downloads/can_-_primer_social_clauses_web_in_ireland_2015.pdf?gi_sn=55b220918281c%7C0

223 Social Procurement Australasia. Insights Into Social Procurement: From Policy to Practice. 2015 Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2015/07/SPA-Insights-From-Policy-to-Practice-2015_FINAL.pdf

224 Halloran D. The Social Value in Social Clauses: Methods of Measuring and Evaluation in Social Procurement. Global Public Procurement Theories and Practices. Florida: Springer Publishing 39-58 Eds. Khi Thai. 2017

225 Hebb, Tessa, and Hachigian, Heather. Social Value Procurement Measurement and Evaluation. Carleton Centre for Community Innovation 2017. Retrieved from: https://carleton.ca/3ci/wpcontent/uploads/SVP-Evaluation_Final_April_13_2017.pdf

226 *ibid.*

227 State Government of Victoria (Australia). Social Procurement: A Guide for Victorian Local Government. 2010.

228 Social Procurement Action Group (SPAG). Social Procurement in New South Wales: A Guide to Achieving Social Value Through Public Sector Procurement. 2012.

229 Mowat Centre and Atkinson Foundation. Community Benefits and Social Procurement Policies: A Jurisdictional Review. 2016. Retrieved from: http://atkinsonfoundation.ca/wp-content/uploads/2016/05/mowat-af_cb_spp_review_final.pdf

230 Social Traders. Measuring the Impact of Social Procurement: A New Approach. 2013. Retrieved from: http://socialprocurementaustralasia.com/wp-content/uploads/2013/09/Burkett-McNeill_Social-Traders_framing-the-value-question-in-social-procurement-Part-1.pdf

231 Hebb, Tessa, and Hachigian, Heather. Social Value Procurement Measurement and Evaluation. Carleton Centre for Community Innovation 2017. Retrieved from: https://carleton.ca/3ci/wpcontent/uploads/SVP-Evaluation_Final_April_13_2017.pdf

6.3.1 Enforcement of Social Value

Enforcement of social value requirements can be a tricky process in contracts. The complete termination of a contract for failing to meet the social value requirements is not realistic.²³²

Although financial repercussions for not meeting requirements can be used, the creation of positive relationships with suppliers has proven a better route in ensuring compliance.

Ideally, there will be an agreement on the potential consequences if a supplier does not meet their social impact requirements during evaluation.²³³ Although financial repercussions for not meeting requirements can be used, the creation of positive relationships with suppliers has proven a better route in ensuring compliance.²³⁴

6.3.2 Contract Management

In procurement, once a contract has been awarded it is normal to move onto the next. However, for contracts that have social impact requirements, procuring organization will need to both manage the contract and support the contractor throughout the process.²³⁵ Written in contracts that are part of Toronto's workplace development program is a requirement that the supplier meets with the City on a quarterly basis to ensure the continued success of the workplace development program.²³⁶ Spending time and energy enabling businesses through contract management will lead to increasing social value benefits and a continued maturity of social value business practices.

Recommendation | 13

Write stipulations into contracts that require suppliers to check-in and provide updates and feedback on fulfilling their social value requirements.

232 Halloran, Deirdre. Community Action Network. A Primer on the Use of Social Clauses in Ireland. 2015. Retrieved from: http://www.canaction.ie/can_15/www/live_site/downloads/can_-_primer_social_clauses_web_in_ireland_2015.pdf?gi_sn=55b220918281c%7C0

233 Hebb, Tessa, and Hachigian, Heather. Social Value Procurement Measurement and Evaluation. Carleton Centre for Community Innovation 2017. Retrieved from: https://carleton.ca/3ci/wpcontent/uploads/SVP-Evaluation_Final_April_13_2017.pdf

234 Halloran, Deirdre. Community Action Network. A Primer on the Use of Social Clauses in Ireland. 2015. Retrieved from: http://www.canaction.ie/can_15/www/live_site/downloads/can_-_primer_social_clauses_web_in_ireland_2015.pdf?gi_sn=55b220918281c%7C0

235 Scottish Government. Analysis of the Impact and value of Community Benefit Clauses in Procurement. 2015 Retrieved from: <http://www.gov.scot/Resource/0048/00480510.pdf>

236 City of Toronto. Social Procurement Program. 2016.

6.4 Trade Agreements

While there are a number of trade agreements in place that the City of Vancouver must adhere to, for the most part they do not restrict social procurement opportunities. Generally, there is a fear that placing any preference within a contract will automatically circumvent established trade agreements.²³⁷ This nervousness leads to purchasing teams missing out on potential opportunities to add social value. In reality, trade agreements have a number of different exemptions and financial thresholds, that enable social procurement.

6.4.1 Canadian Free Trade Agreement (CFTA)

The government of Canada introduced the *Canadian Free Trade Agreement* (CFTA) on July 1, 2017 in efforts to modernize the previous *Agreement on Internal Trade* (AIT).²³⁸ The CFTA governs internal trade between Canadian provinces and territories and seeks to provide equal opportunity for Canadian businesses regardless of geographical location.

The CFTA states that local governments, school districts and other public sector agencies are not permitted to have local preference policies for food over \$100,000 and services and construction over \$250,000. Although Alberta, New Brunswick, and Prince Edward Island placed exemptions for local food within their policy, British Columbia did not. This means that any food procurement over \$100,000 cannot be given local biases. The CFTA does not apply to procurement that is part of a small businesses set-aside program.

The CFTA states that a procuring entity should avoid the use of technical specifications that require, or refer to a particular trademark, or trade name, patent, copyright, design, type, specific origin, producer or supplier. If an organization seeks out third party verification for social impact businesses or social enterprises, they will have to ensure it is either exempt from the CFTA or maintains an open and transparent process.

²³⁷ Columbia Institute, LOCO BC, and ISIS Research Centre at the Sauder School of Business. *Buying Local: Tools for Forward-Thinking Institutions*. 2013. Retrieved from: www.civicgovernance.ca/wordpress/wp-content/uploads/2014/01/FINAL-Buying-Local.pdf

²³⁸ Canadian Free Trade Agreement. 2017. Retrieved from: <https://www.cfta-alec.ca/canadian-free-trade-agreement/>

6.4.2 New West Partnership Trade Agreement (NWPTA)

Alongside the newly formed CFTA, the province of British Columbia is part of the *New West Partnership Trade Agreement* (NWPTA) that includes Alberta and Saskatchewan.²³⁹ The agreement requires open and non-discriminatory procurement where anticipated costs are above \$75,000 for goods or services, and \$100,000 for construction.

Although trade agreements appear as a rigid barriers to social procurement, they may not be as onerous as on first glance.

Moving forward, the newly adopted Comprehensive Economic and Trade Agreement (CETA), which reduces barriers for trade between Canada and the European Union, may also play an increasingly prevalent role. Although trade agreements appear as a rigid barriers to social procurement, they may not be as onerous as on first glance. In practice, legislative concerns about social procurement have been shown more apparent than real.²⁴⁰ Contracts that fall below the stated thresholds do not have to conform to the trade agreements. As well, a number of procurement types are exempt from the trade agreements. Exemptions include non-profits, philanthropic institutions, prison labour, and people with disabilities.

The trade agreements may appear as a barrier to social procurement. In reality, there are a number of opportunities that will not burden procurement teams with unnecessary risk of circumventing them. At the same time legal council should always be sought to ensure a procurement practices does not risk breaking any trade agreement.

²³⁹ The New West Partnership Trade Agreement. Retrieved from: http://www.newwestpartnershiptrade.ca/pdf/NewWest_Partnership_Trade_Agreement_2016.pdf

²⁴⁰ Revington C. Hoogendam R. & Holeyton A. The Social Procurement Intermediary: The State of the Art and its Development within the GTHA. 2015. Retrieved from: <http://www.lefca.org/documents/Social-Procurement-Intermediary-LEF-2015.pdf>

7 | CONCLUSION

Slowly, social procurement practices are becoming more common place in public procurement. This report provides an overview of those practices and highlights opportunities to inject social value within the procurement process.

Recommendation | 14

Implement a social procurement framework, or rewrite procurement policy to reflect social procurement initiatives.

By building a framework, the City of Vancouver will be able to clearly articulate what they are trying to achieve, and how they are going to achieve it.

While there are many guides that provide an understanding of what the benefits of social procurement are, it is the policies in place that show what organizations are actively doing. By building a framework, the City of Vancouver will be able to clearly articulate what they are trying to achieve, and how they are going to achieve it.

Procurement is a tricky process, as is trying to understand social value. When these two are placed together it can be difficult to comprehend what is possible. But when the time is taken to formalise a strategy, the City's purchasing will become an increasing proponent in achieving the City's larger social goals.

8 | RECOMMENDATIONS

The following recommendations build off the state of practice research and are in support of working towards a formal social procurement program.

Procurement Approaches

- 1 Conduct a social impact opportunity analysis to examine contracts that are up for renewal, and identify opportunities for social procurement pilots.
- 2 Increase the weighting of social value in contracts that can clearly provide a social impact.
- 3 Explore the introduction of a simplified RFP for low risk contracts that businesses with limited capacity can fulfil.
- 4 Create a social enterprise directory to provide SCM with a list of social enterprises operating in different spend categories. A directory will identify who is available, the work they do, and the capacity of their operations.

- 5 Host meet the buyer events, where suppliers come and learn about opportunities for city contracts, gain knowledge about how to bid on contracts, and showcase their goods or service to a city.
- 6 Investigate whether social value requirements can be used to prequalify suppliers within an ITT process.
- 7 For contracts of specific size and scope, require bids from a targeted group (ex. Social enterprise, aboriginal business)
- 8 Require suppliers to employ a minimum amount of people with barriers for certain large contracts.
- 9 Place requirements in large contracts for suppliers to have a subcontracting plan that provides opportunities for businesses that provide social value.

Program Elements

- 10 Hire an expert to lead social procurement program, educate staff on the value of social procurement, and the ways they can embed the practice into their purchasing.
- 11 Work to create an interdepartmental taskforce that educates their own departments about how procurement works and how they can empower SCM to succeed in their social procurement practices.
- 12 Work with suppliers to create achievable targets that meet the goals set forward by the City.
- 13 Write stipulations into contracts that require suppliers to check-in and provide updates and feedback on fulfilling their social value requirements.
- 14 Implement a social procurement framework, or rewrite procurement policy to reflect social procurement initiatives.

9 | WORK CITED

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10.1 | REVIEW OF SOCIAL PROCUREMENT

Appendix:

- 10.1 Review of Social Procurement
- 10.2 Social Procurement Booklet

The following appendix provides information on a selection of social procurement policies, reports and guides. The appendix identifies the organizational definition, goals for social procurement, approaches to meet the goals and the steps to implementation. Measurement and evaluation tools are noted where applicable.

Canadian Context

- British Columbia | Social Impact Purchasing Guidelines
- City of Toronto | Social Procurement Program and Staff Consultation
- Regional Municipality of Wood Buffalo (Alberta) | Procurement Pilots, Social Procurement Framework (Hamilton, 2016), and Staff Consultation
- Victoria (BC) | Good Jobs + Good Business = Better Community - Mayors
- Task Force on Social Enterprise and Social Procurement Draft Action Plan
- Village of Cumberland (BC) | Social Procurement Framework (Hamilton, 2015) and Staff Consultation

International Context

- Barcelona (Spain) | Social Public Procurement Guide
- City of the Gold Coast (Australia) | Procurement Policy and Contracting Plan
- London (UK) | Public Procurement Strategy + Guide
- Manchester City | Report, Guide + Policy
- New South Wales | Social Procurement Guide
- Scotland | Procurement Reform Act (Scotland) 2014
- Victoria (Australia) | Social Procurement Guide
- Wales | Procurement Policies

Aboriginal Context

- Manitoba | Aboriginal Procurement Initiative (API)
- New South Wales (Australia) | NSW Government Policy on Aboriginal Participation Construction
- Canada | Procurement Strategy for Aboriginal Business
- BC Hydro | Aboriginal Procurement Policy
- Australia | Commonwealth Indigenous Procurement Policy
- Vancouver Olympic Committee (VANOC) | Vancouver 2010 Sustainability Report

Canadian Context

British Columbia | Social Impact Purchasing Guidelines

Social Impact Purchasing is a process through which organizations consider not only value for money, but also social and environmental impacts when purchasing goods and services.

Goals

- Increased independence and sustainable employment for those in need
- Meaningful independence and community inclusion for people with disabilities
- Culture of social innovation across the province

Approaches

- Direct award
- Preference for social enterprise
- Short form RFP

Implementation | Next Steps

- Understand your social value requirements
- Confirm your procurement process
- Identify the type of social impact purchasing that meets your needs
- Complete your procurement process and make your purchase

Measurement + Evaluation

- Track the number of contracts that are awarded to social enterprises or social purpose businesses

City of Toronto | Social Procurement Program and Staff Consultation

Social procurement is the achievement of strategic social, economic and workforce development goals using an organization's process of purchasing goods and services.

Goals

- Increase diversity of supply chain by providing diverse suppliers with equitable access to competitive City procurement processes;
- Enact workforce development program : Increase the number of employment, apprenticeship and training opportunities leveraged for people experiencing economic disadvantage, including those from equity-seeking communities

Approaches

- Require bids from select suppliers
- Supplier certification through third party organizations
- Social value weighting
- Workforce development program

Implementation | Next Steps

- For procurement between \$3,000 and \$50,000 in value, divisions will be required to seek at least one quotation from a diverse supplier as part of the Divisional Purchase Order process
- For procurement over \$50,000 in value, for which there is a competitive procurement process, suppliers will be encouraged to develop their own supplier diversity programs
- Contracts over \$5 million and lasting over 2 years may be required to implement workforce development program
- Acquire and maintain list of diverse suppliers
- Develop templates, language and evaluation guidelines

Measurement + Evaluation

Output indicators:

- Number of competitive procurements selected to include a workforce development component
- Number of proposals received for RFP projects that include workforce development proposal
- Number of diverse suppliers in City supply chain (direct or subcontract)
- Number of direct suppliers in competitive procurements developing their own supply chain diversity program

Regional Municipality of Wood Buffalo (Alberta) | Procurement Pilots, Social Procurement Framework¹, and Staff Consultation

The Regional Municipality of Wood Buffalo (RMWB) is transforming its method of purchasing goods and services to proactively seek social and economically sustainable benefits for the region. The Municipality will seek to leverage its current spend to achieve desirable and targeted social impact.

Goals

- Procurement will work to add, rather than diminish social value in society
- Increase social and economic development
- Increase in supply chain diversity
- Improving access to government contracts
- Improve small business access
- Build social enterprise capacity

Approaches

- In 2016 The Regional Municipality of Wood Buffalo recommended their Social Procurement Framework be accepted as information by council.
- Social procurement framework was followed by social procurement pilots
- Significant weighting for social value
- Contractors must meet social value requirement to prequalify for ITT

Implementation | Next Steps

- Held a number of stakeholder engagement meetings with suppliers to educate, and also gain insight to help collaboratively build a social procurement framework
- Developed a portal for under threshold contracts that are sent out via email to self-registered vendors
- Belief that existing contracts can be strategically restructured to add social value in renewal
- Examples of contracts where social value has been weighted 33%

Measurement + Evaluation

- If supplier does not meet social requirements in contract they may be banned from bidding on contracts for period of time

¹ The Regional Municipality of Wood Buffalo Social Procurement Framework was designed by Sandra Hamilton

Victoria (BC) | Good Jobs + Good Business = Better Community - Mayors Task Force on Social Enterprise and Social Procurement Draft Action Plan

To help Victoria's economic ecosystem thrive and improve the well-being of Victoria residents, we must adjust our thinking and realize the potential to drive social good and economic opportunity at the same time as prudently, responsibly, and transparently managing tax dollars and spending decisions.

Goals

- Strengthen and reward small business sector
- Help people with barriers find opportunities for employment
- Grow strong inclusive economy

Approaches

- Weighting for the hiring and training/retraining of people with barriers
- Preference for Vendors that hire people with barriers

Implementation | Next Steps

- Establish Social procurement framework
- Educate city staff, social enterprises, and businesses
- Develop and provide educational material
- Survey and engage businesses
- Pilot social procurement
- Strengthen capacity for supportive employment
- Procurement policy weighs on a case-by-case basis if contract can provide extended social value

Measurement + Evaluation

- Currently there is nothing mentioned

Village of Cumberland (BC) | Social Procurement Framework² and Staff Consultation

The Village of Cumberland uses a social procurement framework to leverage public dollars and achieve desirable and targeted social impact for the Village through competitive bid and purchasing activities.

Goals

- Expand definition of best value
- Promote diversity and innovation through supply chain partnerships
- Stimulate growth and build capacity of supply chains
- Improve access to contracts for micro, small business and social enterprises
- Increase local jobs
- Help move people out of poverty

Approaches

- Asks for consideration of social value within contracts
- Contractors must meet social value requirement to prequalify for ITT
- Social Value weighting

Implementation | Next Steps

- For ITTs contractors must prequalify by meeting social value requirements, then contract awarded 100% on price
- Contracts are weighted (approx. 5%) on providing social value

Measurement + Evaluation

- Currently, there are no measurement other than initial meeting of requirements

² The Cumberland Social Procurement Framework was designed by Sandra Hamilton and adapted from Social Procurement: a Guide for Victorian Local Government. State Government of Victoria, October, 2010

International Context

Barcelona (Spain) | Social Public Procurement Guide

This guide specifies social inclusion, gender equality and social justice measures designed to encourage the award of work, supply and service contracts to companies and professionals that perform public contracts with a business model base on decent wages, stable employment with health and safety protection, environmental sustainability and ethical behavior, to promote the production players' democratic participation and drive social innovation.

Goals

- Support social enterprises
- Increase employment for people with barriers
- Healthy economy

Approaches

- Predetermined contractual obligations established by the contracting body before tenders are submitted

Implementation | Next Steps

- When creating contracts social measures are evaluated to see if they fit the context of the contract

Measurement + Evaluation

- In the case where there is a significantly high impact socially, on the people and the interest groups involved, as well as financially, the contractor may be required to draw up a report analyzing social impact and the monitoring carried out during the contract

City of the Gold Coast (Australia) | Procurement Policy and Contracting Plan

Council is committed to social procurement, a strategic approach to meeting social objectives through procurement and in particular providing employment opportunities via procurement to disadvantaged communities on the Gold Coast.

Goals

- Developing and attracting social enterprises
- Encouraging local businesses to include social or community objectives into daily business practices
- Promoting employment opportunities and inclusive and accessible work environments for people with barriers
- Build the skills, knowledge and ability of not-for-profit community groups to enable them to access funding and expand services

Approaches

- Weighting of local business
- Set Asides: Mandate to spend certain amount procurement spend on suppliers that provide benefits to disadvantaged communities of the Gold Coast

Implementation | Next Steps

- In City Contracting plan they will identify social procurement as potential "sourcing method" for specific contracts
- Award up to 15% preference to local suppliers, based on sliding criteria

Measurement + Evaluation

- Percentage of procurement spend with local suppliers
- Percentage of procurement spend aligned to strategic outcomes

London (UK) | Public Procurement Strategy + Guide

Through our procurement processes and activities we aim to minimize the negative impacts associated with goods, services and works and their associated supply chains and maximize potential benefits including social value.

Goals

- Support SMEs
- Support Local business
- Support Social Enterprise

Approaches

- Require bids from specific suppliers
- Supplier engagement to increase future procurement
- Unbundle contracts
- Social Value weighting

Implementation | Next Steps

- For one off purchasing a minimum of three firms to be invited to submit written quotations, including: one local firm, an SME or a Social Enterprise
- If large contracts are not unbundles there must be a rationale
- In underdeveloped markets evaluation criteria will be weak, but in complete markets it is used to ensure City maximizes social value
- Social value panel formed with community members to ensure the social value is designed by them

Measurement + Evaluation

- City aims to enhance all data collection, measurements, and results reporting to continue to develop and achieve target outputs

Manchester City | Report, Guide + Policy

A process whereby organizations meet their needs for good, 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 organization, but also to society and economy, whilst minimizing damage to the environment.

Goals

- Promote employment and economic stability
- Raise the living standard of local residents (local business)
- Promote participation and Citizen Engagement
- Support SMEs

Approaches

- Simplify RFP
- Meet the buyer events
- Social procurement in all stages
- Pre-procurement engagement
- Unbundle contracts

Implementation | Next Steps

- Create link between procurement and wider corporate responsibility
- Maintain an ongoing relationship with supplier after contract is awarded
- Take an evidence based understanding of where spend goes and the impacts

Measurement + Evaluation

- Measure percentage of local spend

New South Wales | Social Procurement Guide

Social procurement refers to the generation of social value through purchasing and procurement processes. In other words, social procurement is another way that public bodies can achieve their social objectives (alongside more traditional approaches to achieving these objectives).

Goals

- Employment and training
- Social inclusion
- Diversity and Equality
- Local sustainability
- Social and Service innovation
- Fair Trade

Approaches

- Social Clauses (but the requirements can range depending on contract)
- Supply market Analysis
- Social value weighting

Implementation | Next Steps

- Leadership
- Communication and Education
- Policy and Process
- Planning
- Opportunity Analysis
- Supplier Engagement

Measurement + Evaluation

- Encourages contract management uses key performance indicators

Scotland | Procurement Reform Act (Scotland) 2014

Smart use of procurement can play a key role in promoting jobs and growth, encouraging innovation, boosting training and apprenticeship opportunities and helping small and medium enterprises (SME's) third sector organizations and supported businesses to compete effectively for contracts.

Goals

- Promote job growth
- Encourage innovation
- Increase training and internship
- Support SME's, third sector and supported business

Approaches

- Buyers must consider social value when procuring goods or services
- *Implementation | Next Steps*
- The following must be considered by purchaser:
- Potential improvements to the economic, social, and environmental wellbeing of the authority's area
- How to facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in the process, and how to promote innovation

Measurement + Evaluation

- After the end of each financial year, the Scottish Ministers must prepare a report, based on information contained in annual procurement reports during that year, on procurement activity in Scotland (including social aspects)

Victoria (Australia) | Social Procurement Guide

Social procurement involves using procurement processes and purchasing power to generate positive social outcomes in addition to the delivery of efficient goods, services and work

Goals

- Increased diversity of supplier market
- Improvements in supplier quality
- Strengthen organizational partnership with diverse range of community actors
- Contribute to economic and social development of local community

Approaches

- Social clauses
- Weighing of social value
- Conduct spend analysis
- Direct subcontracting
- Purchasing agreements

Implementation | Next Steps

Focus on either:

- One Off Direct Purchases- Short term work
- Ongoing Purchases- Create a relationship with a 'social value businesses' without putting a formally binding contract in place

Measurement + Evaluation

- There are a number of scenarios where social impacts prove difficult to measure and monitor. For example, it is easy to determine whether the number of new employees meets contractual obligations, but other social impacts such as community pride or wellbeing are less quantifiable.

Wales | Procurement Policies

The process whereby organizations 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 organization, but also to society and the economy, whilst minimizing damage to the environment

Goals

- Support people with barriers
- Support social benefit suppliers
- Maximize opportunities for SMEs

Approaches

- Identify areas of expenditure which can be reserved for suppliers with a workforce of 30% or more disadvantaged workers
- Identify areas of expenditure which can be reserved for 'social benefit suppliers'
- Simplify standard procurement processes
- Meet the buyer events

Implementation | Next Steps

- Make an employment utilization plan
- Advertisement of local supply chain opportunities a condition of contract,
- Ask for a CB proposal and ideas (but do not evaluate as part of the tender)

Measurement + Evaluation

- Complete an annual return to Welsh Government of procurement outcomes, achieved through procurement

Aboriginal Procurement Context

Manitoba | Aboriginal Procurement Initiative (API)

Procurement practices can be seen as one way to assist in the development of Aboriginal business and supports Manitoba's commitment to community economic development as a key component of Manitoba's economic strategy, intended to develop a provincial economy that is more inclusive, equitable, and sustainable.

Goals

- Stimulate Aboriginal business development
- Indirect creation of new employment opportunities
- Relationship building between aboriginal suppliers and government buyers
- Enable a better understanding of tender process by buyers

Approaches

- Aboriginal Business Set Asides
- Mandatory Aboriginal Business Participation
- Aboriginal Business directory

Implementation | Next Steps

- Create an Aboriginal Procurement Criteria that evaluates whether contract fits the API
- If contract meets requirement, follow steps of Set Aside program
- Maintain an Aboriginal Business Directory

Measurement + Evaluation

- Currently there is nothing mentioned

New South Wales (Australia) | NSW Government Policy on Aboriginal Participation Construction

Government procurement provides a significant opportunity to increase Aboriginal skills and economic participation.

Goals

- Provide opportunities for Aboriginal people within national construction contracts

Approaches

- Mandatory Aboriginal participation
- Based on financial thresholds

Implementation | Next Steps

- Aboriginal participation is project based:
- Projects primarily directed to Aboriginal communities (includes beneficiary, key user group or predominant stakeholder) (Mandatory 5%)
- All other construction contracts over \$10 million (Mandatory 4%)
- All other construction contracts over \$1 million (Mandatory 3%)

Measurement + Evaluation

- Contractors must submit Aboriginal participation plan within 60 days of contract being awarded
- Participation report must be provided when project reaches 90% completion explaining how participation plans has been implemented

Canada | Procurement Strategy for Aboriginal Business

Procurement is a tool for Aboriginal businesses to grow by gaining experience, developing capacity, and forming partnerships with other businesses to compete for procurement opportunities

Goals

- Provide opportunities for Aboriginal people within national contracts

Approaches

- **Mandatory Set Asides**- Applies to all federal contracts with value greater than \$5,000 delivered to primarily Aboriginal population
- **Voluntary Set-Asides** - May elect to set aside select opportunities
- **Joint Ventures and Partnerships** - Allows partnerships to bid on opportunities that have been set aside
- **Use of Aboriginal Criteria**
- Departments are encouraged to request Aboriginal Business Sub-Contracting Aboriginal business database

Implementation | Next Steps

- Create an Aboriginal Procurement Criteria that evaluates whether contract fits the PSAB
- If contract meets requirement, follow steps of Set Aside program
- Maintain an Aboriginal Business Directory

Measurement + Evaluation

- Currently there are none mentioned, although concerns have been raised that the PSAB privileges larger Aboriginal businesses

BC Hydro | Aboriginal Procurement Policy

Working together to build relationships that respect Aboriginal peoples' interests is important to BC Hydro.

Goals

- Supporting the long-term economic interests of Aboriginal people in British Columbia

Approaches

- Direct award
- Set aside contracts

Implementation | Next Steps

- May fulfil procurement commitments outlined in agreement with an Aboriginal group, but still:
- Must be at market competitive prices
- Must meet expectations with respect to qualifications, safety and performance standards for the work
- Contract may be awarded to Aboriginal group, or business designated by Aboriginal group to perform work
- 'Direct Procurement' opportunities will take into account: security of supply, competitive market impacts, and ongoing program costs and efficiencies
- Encourage suppliers to use Aboriginal Business Directory to explore opportunities for partnerships and subcontracting

Measurement + Evaluation

- Currently, there are nothing mentioned

Australia | Commonwealth Indigenous Procurement Policy

A strong Indigenous business sector will help drive financial independence, and create wealth and opportunities for Indigenous Australians.

Goals

- Creating opportunities for Indigenous businesses to grow
- It is also about stimulating private investment in new Indigenous businesses.
- Target: 3% of Government contracts awarded to indigenous businesses by 2020

Approaches

- Target for purchasing from Indigenous businesses
- Mandatory set-aside program
- Minimum indigenous participation requirements for certain contracts

How do they get there?

Mandatory Set-Aside:

- For domestic contracts between \$80,000-\$200,000, buyer must first determine if Aboriginal SME can complete contract
- Document outcome of search
- If no suitable indigenous business identified than go through regular procurement
- If set aside program not applied there must be rationale why

Minimum Indigenous Participation:

- All new contracts valued at \$7.5 million or above in particular sectors
- Mandatory minimum requirements are written into contracts
- Venders submit an Indigenous participation plan

Minimum Contract Targets

- To Reach Target Portfolios may include:
- Direct contracts with an Indigenous business
- Subcontracts with an Indigenous business when subcontract directly relates to goods or service
- Direct contract with joint venture (Joint venture must be minimum 25% indigenous)
- Multiyear contracts can be counted towards the portfolio's performance against the target for each year

Implementation | Next Steps

- Utilize Indigenous procurement website
- Lists contract targets, awarded and the total value of them by category
- Requirement to report contracts and will be cross matched with indigenous business database
- Measures include: value, term, good service being purchased, minimum requirement

Vancouver Olympic Committee | Vancouver 2010 Sustainability Report

VANOC will make every effort to work with suppliers to leverage sustainability impacts and increase innovation, trade and investment in the sustainability and Aboriginal participation sector.

Goals

- Increased social, ethical and environmental performance
- Growth of minority-owned businesses and the sustainable enterprise sector (First Nations, Inuit, Metis, inner-city, social, fair trade, and environmental enterprises)
- Increased jobs for targeted communities (e.g. Aboriginal people, people with disabilities, inner-city residents)

Approaches

- Direct award
- Limited competitive bid
- Open competitive bid with custom specifications
- Aboriginal opportunity requirement
- Inner-City opportunity requirement
- Weighting within overall evaluation process

Implementation | Next Steps

- Pre-procurement opportunity analysis to identify high impact opportunities
- Choose procurement approach depending on opportunity
- Selected opportunities will prepare customized participation specifications, criteria or other info to support bid preparation
- Targeted performance questionnaire will factor in the scoring and ranking of vendors
- During process, procurement team will clarify targets with potential suppliers
- After award procurement will ensure contract clauses are in contract to ensure fulfilment of commitments

Measurement + Evaluation

- Suppliers required tracking of key performance indicators (KPIs)

10.2 | SOCIAL PROCUREMENT BOOKLET

Social Procurement *State of Practice*



Dustin Lupick MCRP
City of Vancouver

- What is Procurement?
- Social Procurement?
- How is Vancouver doing?
- Identified Goals
- Vancouver Examples
- Approaches
 - Identify Opportunities*
 - Revise Approaches to Procurement*
 - Apply Social Impact Criteria*

What is Procurement?



- The purchasing of goods or services
- City spends \$200 million annually
- Purchasing is done through a centralized department called Supply Chain Management (SCM)
- City evaluates bids on criterion including: economic value, technical ability, environmental sustainability, and social sustainability

Social Procurement?



- Represents the clear choice by an organization to support social goals through their purchasing of goods and services
- Aims to embed the delivery of social and sustainable outcomes within tenders and processes
- Acknowledgement that 'best value for money' is achieved by evaluating how procurement affects the overall result and may not always come from the cheapest bid

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How is Vancouver doing?

- 2005
Ethical Purchasing Policy + Supplier Code of Conduct
- 2010
Procurement Policy
- 2011
Sustainable and Ethical Procurement
- 2015
Healthy City Strategy Action Plan



Identified Goals

- Provide Opportunities for People with Barriers to Employment
- Support Social Enterprises
- Promote Aboriginal Opportunities

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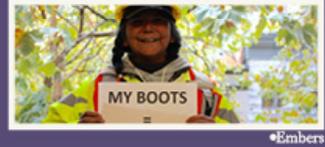
Identified Goals

- **Increase Local Supplier Participation**
Australia, Cumberland, Gold Coast, London (UK),
Manchester, Victoria
- **Increase SMEs Participation**
Cumberland, London, New South Wales, Scotland,
Wales
- **Promote Supply Chain Diversity**
Australia, Cumberland, Seattle, Toronto
- **Promote Supply Chain Innovation**
British Columbia, New South Wales, Scotland



- **Provide Opportunities for People with Barriers to Employment**
Barcelona, Cumberland, Gold Coast, Toronto, Wales
- **Support Social Enterprises**
Australia, BC, Cumberland, Gold Coast,
London, Scotland, Victoria, Wales
- **Promote Aboriginal Opportunities**
Australia, Manitoba, Procurement Strategy for
Aboriginal Businesses (PSAB)

Vancouver Examples



•Embers



•Goodbye Graffiti

- **Street Micro Cleaning**
Awarded through City grants program
- **Compost Kitchen Containers**
Attempts to use social enterprise but was not
successful
- **HEAT Shelters**
EMBERS awarded contract
Lowest bid
- **Graffiti Removal**
Specific number of hours done by graduates of
Coast Mental Health employment program

Approaches

- Identify Opportunities
Social Impact Opportunity Analysis
Contract Weighting



- Revise Approach to Procurement
Simplify RFP Process
Directory of Certified Suppliers
Meet the Buyer Events
Advanced Notification
Contract Unbundling

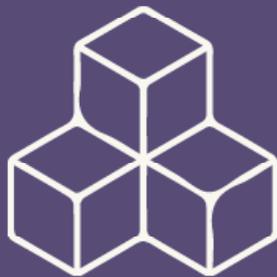


- Apply Social Impact Criteria
Set Aside program
Direct Awarding
Solicited Bid from Target Supplier
Targeted Employment
Subcontracting from target group



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Identify Opportunities



- Social Impact Opportunity Analysis
BC, New South Wales, Scotland, Toronto



- Contract Weighting
Gold Coast, Manchester (UK), Toronto, Wood Buffalo (Alberta)

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Social Impact Opportunity Analysis



- Conducting an opportunity analysis entails looking at the spend categories within an organization and identify opportunities for social procurement
- Opportunity analysis will be done by a social procurement expert in collaboration with others to ensure opportunities make sense
- Conducting a SIOA early in process will help insure success of social value
- Contracts that are up for renewal may provide opportunities to apply a social procurement lens

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Contract Weighting



- Contracts will be weighted on a number of factors, generally including price, technical specifications and increasingly sustainability
- By introducing, and increasing the weight placed on social value, suppliers are incentivized to focus their bids on social value objectives
- Social aspects of a proposal are generally given a small number of points plateauing at 5%.
- It is currently not likely that the points awarded for social value will be the determining factor in a contract

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Revise Approaches to Procurement



- Simplify Procurement Process
British Columbia, Manchester (UK), Wales



- Certified Supplier Directory
Manitoba, Toronto, Cumberland, Wood Buffalo



- Meet the Buyer Events
London, Manchester (UK), USA, Wales



- Contract Unbundling
BART, London, Manchester, UBC

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Simplified Procurement Process



- Submitting a RFP can be quite burdensome
- Although good or service may fit supplier capacity the application may be a barrier
- Simplifying RFP will allow businesses to bid on contracts without draining resources
- The *Department of Aboriginal Affairs and Northern Development Canada* found that a lack of practical knowledge and capacity represented a significant barrier for Aboriginal businesses trying to bid on government contracts

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Certified Supplier Directory



- Municipalities can use a directory of certified suppliers to achieve social value
- Approaches to certification range from an internally created list to third party certification
- Certification can provide assurance to Supply Chain departments that suppliers will be able to provide service required
- Certification often used for: Aboriginal Businesses, Social Enterprises, Diverse Suppliers

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Meet the Buyer Events



- Allow business, in an informal setting, to learn about the potential for future business with the City
- Businesses are able to present their goods and services to potential buyers, who may not have considered their proposals in the past
- Should occur prior to a tender and can give suppliers an opportunity to interact with the City
- Events can introduce potential contracts that a City may have in the future, or highlighting goods and services that suppliers can provide

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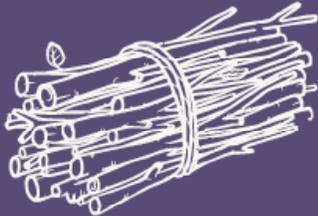
Advanced Notification



- For suppliers, having a 'heads up' to what an organisation will be procuring in advance can enable them to bid on a future contract by developing appropriate programs
- Toronto's pilot project identified need for suppliers to know about upcoming projects so they can develop appropriate programs

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Contract Unbundling



- Unbundling entails the division of a large contract into smaller ones
- The unbundling of contracts balances the savings from economies of scale versus the diversity that multiple contracts may provide, which can enhance competition and increase efficiency
- Generally done to support small businesses that do not have the capacity to bid on larger contracts
- There must be assurance that unbundling is not done to have contracts fall below contract threshold

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Apply Social Impact Criteria



•Contract Set Asides

Australia, Canada (PSAB), Manitoba, BART, USA



•Solicit Bid from Targeted Supplier

Toronto, London (UK)



•Targeted Employment

Metro Vancouver's Evergreen Line, New South Wales



•Subcontracting

Barcelona, Canada (PSAB), Australia, Victoria (AUS)

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Contract Set Asides



•When a procurement process is directed at only targeted suppliers it can be viewed as a 'set aside' contract

•Within Canada this is often used for Aboriginal Procurement, while elsewhere it is used for Social enterprises, local businesses, and SMEs

•Organisations may use smaller contracts as potential opportunities to set aside contracts for targeted suppliers

•Ensures that social value outcomes will be accomplished

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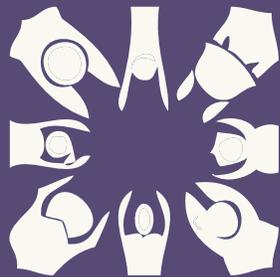
Direct Awarding

A → B

- Under certain circumstances, a contract can be direct awarded without a competitive process
- Policy may allow direct award for contracts from another government organization, when only one qualified vendor is available, or emergency, confidentiality or other shared cost arrangements
- Direct awarding is different from a set aside program that will still have a competitive process

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Solicit Bid from Targeted Group



- Requirement that organizations solicit a bid from a targeted group (often diverse business)
- Generally they are utilized within specific price thresholds
- Different from a set aside program because it does not ensure targeted group will be awarded contract
- Once a bid from targeted group is accepted the normal procurement process commences with no privileging of any vendor

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Joint Venture



- Joint Ventures are when two or more businesses decide to bid on a contract together
- Different than subcontracting because both businesses are working directly with the procuring organization
- Organizations may not promote joint ventures as it involves dealing with multiple suppliers instead of one
- If a contract requires a bid from a targeted group, joint ventures will allow main stream businesses to still bid

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Targeted Employment



- Within a contract there can be a stipulation that a contractor hires people from a targeted group
- Within some guidelines there will be explanation of how people will be targeted (e.g. employment agency) while others do not clarify
- United Kingdom study found that targeted recruitment and training requirements do not add extra cost, nor does quality of service suffer

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Subcontracting



- Subcontracting involves a supplier employing another business to complete a portion of an awarded contract
- Social value businesses and social enterprises, who are unable to bid on large City contracts, may find opportunities to work with large contractors
- Requirements can be placed within a contract that asks a supplier to subcontract part of their work to a targeted group

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