



## Social Procurement: A Framework for Institutions

### **Introduction: Create Social Value through Procurement**

Balancing value for money, process efficiency, and social outcomes can seem like contradictory goals to purchasers. The procurement processes used by municipalities and broader public sector organizations<sup>1</sup> (collectively referred to as ‘anchor institutions’) are designed to “achieve value for money while following procurement processes that are fair and transparent to all stakeholders.”<sup>ii</sup> Institutional purchasers are increasingly being asked by senior leaders and key stakeholders to consider social outcomes related to procurement—a request that current processes may not be designed to deliver in a fair, transparent and systematic way.

This brief is primarily designed to support purchasers with the implementation of an existing social procurement policy. The brief will clarify some of the terminology and key issues in the emerging field of ‘social procurement’ and provide strategies for purchasers to achieve both economic and social goals.

### **What is ‘Social Procurement’?**

Social procurement is the practice of using some or all of existing procurement budgets to buy goods and services to generate measurable social and economic benefits. Proponents of social procurement describe it as a promising method to generate inclusive economic development in communities, ultimately reducing poverty and improving wellbeing.<sup>ii</sup>

Each anchor institution will define the desired outcomes differently based on the strategic focus of the anchor institution, its procurement habits, and the needs of its key stakeholders. In the case of the City of Toronto, social procurement was implemented in 2016 to address recommendations made in the City’s Poverty Reduction Strategy. [Learn more about social procurement at the City of Toronto.](#)

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<sup>1</sup> Defined by the Broader Public Sector Accountability Act, 2010 as (1) hospitals, (2) school boards, (3) colleges, (4) universities, (5) community care access corporations, (6) children’s aid societies, and (7) organizations that receive \$10 million or more of public funds in the previous fiscal year of the Government of Ontario.

## What does social procurement look like in practice?

- A municipal housing corporation can contract a non-profit that hires individuals with employment barriers to complete drywall repairs or landscaping duties. See the box below for the example of [Building Up](#), a Toronto-based social enterprise construction contractor.
- A municipal sports arena or university cafeteria seeking a private business to operate a food stall can select a firm owned by individuals from historically equity seeking communities (e.g. LGBTQ+, Indigenous). See social purpose catering in action at the [Raging Spoon](#).
- Large non-profits (e.g. emergency shelters) can pool laundry contracts to provide employment for people facing multiple barriers. See social purpose laundry in action at the [Salvation Army's Gateway Linens & Disposal Services](#).

## The Case of Building Up

“Building Up was developed in Toronto to improve our city’s environmental efficiency, affordable housing stock, and most of all – to create a real pathway for individuals experiencing barriers to enter apprenticeships and careers in the trades.

“We give housing providers an opportunity to connect work that needs to get done in their buildings with the people in their buildings that need the work. We help construction unions meet their need for skilled labour by supplying them with individuals from the community that are looking for sustainable careers.”

[Continue reading about Building Up.](#)

### Establishing a Social Procurement Policy

For anchor institutions early in the process of a shift to social procurement, it is important to take the time to develop a robust policy to define the boundaries in advance. Purchasers in anchor institutions that already have established social procurement policies report that they are able to implement social procurement policies without conflicting with trade agreements.<sup>iii</sup>

To begin, consult the Canadian CED Network and Accelerating Social Impact's [Primer on Trade Agreements for Social Purchase](#), review existing social procurement policies (e.g. [City of Toronto](#)), review your organizational strategy (e.g. mission, priority outcomes) to guide social procurement focus, speak with your peers to understand their approach, consult system capacity builders (e.g. [Buy Social Canada](#)), and engage key community stakeholders and local businesses to understand their capacity and specific social needs.

## **Strategies for Overcoming Challenges to Implementing Social Procurement Policies**

For anchor institutions with established social purchasing procurement, the work of purchasers is to move beyond policy-writing and tackle the challenges of implementation, including internal behaviour change and supplier partnerships. Purchasers must manage new forms of risk, costs, and timelines.

The authors of this document conducted a series of interviews with purchasers in Ontario, and experts on social procurement. The interviewees shared three key challenges that are experienced when implementing a social procurement policy, and low-cost and high-impact approaches for overcoming these challenges. The challenges are:

1. delivering value for money,
2. achieving process efficiency, and
3. creating positive social outcomes through a procurement process.

### **Challenge #1 - Delivering Value for Money**

The Challenge Purchasers report (1) a lack of suitable suppliers that offer a range of goods and services, (2) inaccessible supplier lists and the need for community-level supplier lists, and (3) that suppliers may lack technical and business competencies or size to meet demand. The resulting concern is that suppliers may offer an inferior product or service, and that a lack of supply means that there are either no suitable options or a lack of competition to limit price premiums connected with the social mission of the supplier.

Strategies **Plan Ahead and Engage Community**  
Many purchases are recurring or are planned well in advance. Where permissible, share this information with existing suppliers and community partners. A 'reverse trade show' allows the community partners to support the launch of a new supplier, or an existing supplier to expand its capacity to fulfill the opportunity.

#### **Engage Existing Supplier Lists and Coordinate with Local Organizations**

Consult with supplier diversity councils (e.g. [Canadian Council for Aboriginal Business](#), [Canada Gay and Lesbian Chamber of Commerce](#), and [Certified Women Business Enterprises](#)) to access existing supplier lists, and coordinate with other anchor institutions in your geographic area to build custom lists.

#### **Split Large Contracts**

Splitting up large contracts allows small suppliers with limited capacity the ability to bid directly on part of a larger project. Where this is not feasible, consider adding a requirement into the request for proposal that the winning bidder subcontract part of the work out to a small supplier that meets the objectives of your social procurement policy.

- Get Started
- [The Supplier Diversity Alliance](#) is comprised of national supplier diversity organizations that specialize in certifying diverse suppliers.
  - [Akcelos](#) is a marketplace for accredited social enterprises to sell their products and services online.
  - [Buy Social Canada](#) maintains searchable directories of social enterprises.

## Challenge #2 - Achieving Process Efficiency

The Challenge Social procurement may require purchasers to engage a larger number of small suppliers, which can add time and process costs. Obtaining detailed quotes from suppliers can be burdensome, especially for small purchases or where suppliers are not experienced in submitting bids. Anchor institutions are large in scale, which can make it difficult to change processes.

### Strategies **Simplify Bidding Process**

A small project (e.g. less than \$25,000) may be suitable for a small supplier, but they could be deterred by a complex bidding process. Work with small suppliers to simplify the process and engage relevant local associations (e.g. Small Business Centre) to provide training to potential suppliers to improve the quality of their bids, or to pre-screen.

### **Prioritize Payments and Provide Predictable Volumes for Positive Cash Flow**

A small project for an anchor institution may represent a major project for a small supplier. Implementing shorter payment periods and predictable volumes allows the small supplier to manage their cash flow and build capacity.

### **Start Small and Prove that it Works**

New processes typically require experimentation and learning which comes with a higher time cost until systems can be formalized. Focus early efforts on 'easy' wins that demonstrate the benefits of social procurement and build internal capacity.

### **Recognize Cost Savings and Value Creation**

[University of Winnipeg's Diversity Food Services](#) provides students with high quality meals that are environmentally, socially, culturally, and economically sustainable. Nearly 80% of staff self-report as belonging to a traditionally marginalized group, and 65% of ingredients are purchased from local businesses and small independent farmers around Winnipeg.<sup>iv</sup> Local purchasing and a focus on food waste reduction have reduced costs, while the social values have helped to fuel growth into new restaurant locations, catering, and wholesaling to grocery stores.<sup>v</sup>

*Get Started* [MaRS Discovery District](#) worked with AnchorTO and post-secondary institutions in the Toronto area to develop [Buying with Impact: Social Enterprise Procurement Playbook](#), which provides strategies and processes for social procurement implementation that are useful for anchor institutions both inside and outside of the post-secondary context.

### **Challenge #3 - Creative Positive Social Outcomes**

*The Challenge* To demonstrate the outcomes of the social procurement policy and allow for adaptive management, it is important to (1) identify metrics, (2) set targets, and (3) monitor results. Financial performance is relatively straight forward (e.g. dollars in, dollars out) but measuring social impact can be quite challenging and time consuming.

*Strategies* **Metrics that are Meaningful to the Anchor Institution and Community**  
Establishing metrics, collecting data, and setting targets is an iterative process. Begin with the existing impact metrics tracked by the anchor institution (e.g. strategic plan). Engage key community stakeholders to arrive at metrics that are meaningful to both the institution and the community (e.g. [local living wage initiative](#), [Vital Signs](#) report of local community foundation). By aligning social procurement goals with institutional and community goals, it is more likely that other departments within the anchor institution and other community organizations will see mission-benefit in offering support (e.g. identification of suppliers and capacity building).

#### **Focus for Early Wins**

During the formative years of an anchor institution's social procurement policy, it can be beneficial to focus energies on a specific impact area, type of supplier, and/or geography. This is related to 'start small and prove that it works' under 'process efficiency'. Focused impact allows for deeper partnerships to be developed with aligned community partners and suppliers, and allows the purchaser time to develop expertise in measuring one type of social impact before growing into a more comprehensive approach (e.g. starting with a focus on local/direct employment in the supply chain, and then growing into a more comprehensive local economic inclusion strategy).

*Get Started*

- [Common Approach to Impact Measurement](#) is an emerging set of guiding principles for measuring impact that can help institutions follow best practices for impact measurement and performance monitoring, with a particular focus on stakeholder engagement.
- Existing social impact report tools, including [BCorp's Sustainable Development Goals Action Manager](#), [Sametrica](#), [SocialSuite](#), or other SaaS products may help cut down on paperwork and data entry associated with impact measurement.

## Going Forward

For each challenge, the suggested strategies seek to balance the purchasing priorities of value for money, process efficiency, and social outcomes. The suggested strategies share a focus on engaging community partners to leverage existing expertise, relationships, and resources. The strategies highlight the need to start small, take the time to learn and develop internal comfort with social procurement, and set metrics that are meaningful to the anchor institution and the community. Communicating future procurement needs to the community and prospective suppliers in advance allows new suppliers to be launched and existing small suppliers to add capacity to meet the product and price needs of the anchor institution.

Social procurement offers the opportunity to invest existing procurement dollars into creating positive social impacts within the community that the anchor institution and its employees call home. Thoughtful pilots and genuine community connections can build more equitable local communities, with anchor institution leading the way.

## Recognition

The development of this research was generously supported by the knowledge and experience of the following individuals. Their input and feedback have enriched this guide both in its content and format.

### **Tracey Robertson**

Ontario Trillium Foundation

### **David LePage**

Buy Social Canada

### **Jenn Miller**

Anchor TO, Atkinson Foundation

### **Hanifa Kassam**

Anchor TO, City of Toronto

### **Wayne Chu**

Anchor TO, City of Toronto

### **Erin Mackie**

CCEDNet

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