

# The Social Procurement Intermediary

The State of the Art and its Development  
within the GTHA

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# Executive Summary

**S**ocial procurement is a process that targets social impact as a desired or required quality in goods or services to be purchased. It is commonly practiced by individuals, businesses and governments around the world. Less understood, especially in Canada, is the potential of social procurement to effect positive change in communities and vulnerable populations.

This paper investigates a means of unleashing this potential in one area: by connecting the purchasing power of businesses, governments and nonprofit organizations with the productivity of social enterprises in the Greater Toronto and Hamilton Area (GTHA). In particular, the presence of a **social procurement intermediary** - a broker or matchmaker between suppliers and purchasers - could greatly benefit both these parties, and the wider community.

## Research

- This report is based on a literature review and interviews with key experts in the field of social procurement and social enterprise internationally. The legislation, policy, and procedures of governments and corporations were examined, as were the most successful models of social procurement intermediaries.

## Global Practice

- Studies by a United Nations Task force demonstrate how **Sustainable Public Procurement (SPP)** can balance social, environmental and economic benefits.
- In the United States, **Supplier Diversity Programs** ensure that federal spending encompasses suppliers from marginalized populations. Nation-wide social procurement practices and frameworks are essential, over and above regional ones.
- In the United Kingdom, the principle of **Social Value** encourages public services to consider how their purchases improve economic, social and environmental well-being. When applying this principle, the governments of Scotland and Wales have added **Community Benefits** as a target.
- Scotland has discerned how to keep community benefits in compliance with **free trade agreements**. Scottish social procurement intermediaries have had notable success connecting social enterprises with government and corporate purchasers.
- In Canada, social procurement enjoys the greatest momentum in Quebec, Manitoba and Ontario. Co-ordination and leadership is generally lacking at the national and provincial levels, however.
- In Ontario and the GTHA, social procurement opportunities possible through the Pan Am Games, Metrolinx, and the City of Toronto have been recent subjects of excitement, debate, and innovation. The collaborative **Social Purchasing Project** has effectively performed some of the functions of an intermediary.

## The Role & Structure of the Intermediary

Research affirms the huge potential impact of social procurement, especially when it involves social enterprises and social procurement intermediaries. The absence of such an intermediary is a strategic gap in current Canadian infrastructure. Why is this so?

- The intermediary has a strong grasp of the existing and potential capacity of social enterprises. It therefore can connect social value suppliers with purchasers for their mutual benefit.
- The intermediary facilitates the accreditation of social value suppliers. Accreditation defines for suppliers and purchasers the capacity, quality and social impact required to enter this marketplace.
- The intermediary increases the capacity of social enterprises. It offers them professional development, advice, and expertise in business management, costing, pricing and market research.
- The intermediary raises awareness of social enterprise and social procurement, and advocates policy and legislation that support them.
- The intermediary measures and describes social outcomes and impact, for the information of purchasers, suppliers, and the general public.
- The intermediary is financially sustainable. This usually is achieved through multiple revenue streams, like brokerage fees, commissions, corporate sponsorship, and government funding.
- The intermediary's ownership and governance allow it to act consistently in support of genuine social innovation and change.

## Challenges & Recommendations

To establish such a social procurement intermediary in Canada, we face significant challenges.

- A specific target is needed around which to formulate cohesive goals, strategies and an enabling ecosystem for social procurement.
- It must be recognized that, internationally, many legislative barriers to social procurement already have proven more apparent than real.
- Social procurement goals must be introduced early in the planning of major events and projects. This will give suppliers and purchasers time to prepare for the bidding process.
- Social enterprises have to integrate one another into their respective supply chains. This will strengthen the sector's overall capacity.
- Working definitions of 'social impact' and 'social value supplier' must be established, and by an inclusive process.
- We must develop an ecosystem supportive of the needs of social enterprises for capital, expertise, and leadership.
- Multiple funding streams are required to ensure the longevity of the intermediary.

It would be a mistake to wait upon government to lead social procurement and move it to the next level. **It is the recommendation of this report that the social enterprise sector, in collaboration with others, takes the lead to establish a fully functioning social procurement intermediary in the GTHA.**

# 1.0

## Introduction

“Social procurement may sound complicated, but it is practiced by individuals, businesses and governments around the world. It is becoming more and more common for people to consider the social implications of their day-to-day purchases. Examples include organic and local food, fair trade coffee and tea, and sustainably-sourced or recycled wood and paper products. While Canadians are becoming more selective consumers, social procurement remains an untapped force in this country.

In this paper we address one specific area of procurement: the leveraging of the purchasing power of businesses, governments and nonprofit organizations to increase positive social outcomes for communities and vulnerable populations. We focus on purchasing from the nonprofit social enterprise sector in the Greater Toronto and Hamilton Area (GTHA). How might this purchasing progress, were a social procurement intermediary to act as a broker or matchmaker?

This report has been completed by The Learning Enrichment Foundation (LEF). It is just one of many organizations and individuals that have been exploring the potential of social procurement as a tool for community benefit. Social enterprise is often seen as a logical early adopter and starting point for this work. But first the sector requires a broader understanding of the concepts and issues involved, and the potential points of entry. Thanks to the generous support of the George C. Metcalf Foundation, this report identifies some cutting-edge knowledge, thinking, activities and resources in this regard.

Social procurement and the potential role of an intermediary are challenging issues to explore. Over the last nine months, we have conducted interviews and gathered case studies and research from around the world. All the while, new players, policies and examples have been emerging. The field is in a state of flux and rapid evolution. New experiences regularly afford fresh and unique insights. Consequently, it has been no simple process to identify one commendable course of action and set of best practices. Nevertheless, the need and desire for further supports and infrastructure for social procurement has been unmistakable.

The interviews conducted with key individuals in the social procurement sector identified common themes and places for growth. No question, Canada’s social procurement landscape remains subject to rapid and drastic change. With that caveat, we hope that our recommendations and insights will benefit efforts to develop a social procurement strategy and intermediary, and to improve the social procurement ecosystem, well into the future.

# 2.0

## Methodology

Research for this report began with a literature review and interviews with key experts in the field of procurement or social procurement, and social enterprise.

The literature review encompassed academic articles on social procurement practices, as well as reports from social procurement intermediaries, nonprofit organizations, social enterprise networks, and governments and other public service bodies. The legislation, policy, and procedures of governments, public services, and corporations from around the world were examined, with a focus on Australia, the UK, the USA, and Canada. Likewise, we investigated models of social procurement intermediaries from around the world. We focused our attention in this regard on the most successful. (Although many insights are to be gained from failure, little material of this nature has been published.) Much of our primary research came from:

- Community Enterprise in Scotland (CEIS)
- Social Enterprise UK
- Social Firms Australia
- Social Enterprise Alliance (SEA) - USA
- Enterprising Non-Profits (ENP) - Canada

The interviews were with people who are or have been active in social procurement and/or are knowledgeable about the social enterprise landscape. We sought interviewees who would be able to provide a range of perspectives on social procurement. We therefore included people working in nonprofit organizations, social enterprises or enterprise networks, and in the public sector. We started with people who we already knew or knew of, and then used their recommendations and those of subsequent interviewees to expand our list.

A list of the questions we asked our interviewees is found in **Appendix A**. The list of interviewees is found in **Appendix B**.

**Section 9** of this report lists all our sources, as well as a selection of resources for further reading.

# 3.0

## Key Concepts

“Social Procurement is really choosing to buy goods, services and social value... It’s a business-to-business kind of relationship... What social enterprises really need are contracts.” (Social Traders, 2013)

- Mark Daniels, Social Traders, Australia

Definitions are a matter of much debate in the field of social procurement and enterprise. The following concepts structured our work and this report, although we appreciate that there are many other accepted definitions.

### Community Benefit Agreement (CBA)

“... A legally enforceable contract, signed by community groups and by a developer, setting forth a range of community benefits that the developer agrees to provide as part of a development project” (Gross, LeRoy & Janis-Aparicio, 2002, p. 1). The CBA has been deployed in Scotland, the US and recently in Toronto as a means to increase social procurement and social outcomes. Also referred to as a Community Benefit Clause when used in tenders.

### Social Enterprise

Businesses with a clear and specific social impact, achieved through trading in the marketplace. As such they are uniquely situated to function within a social procurement context. Many social enterprises provide employment and training opportunities to people from historically disadvantaged communities and equity-seeking groups. The latter is also commonly known as a Social Purpose Enterprise. The majority of social enterprises are small businesses. Many are owned by nonprofit organizations.

This report uses the following definition of social enterprise: “A social enterprise is a business operated by a charity or nonprofit organization that sells goods and/or services in the market place, for the dual purpose of generating income and achieving a social, cultural and/or environmental mission.” (Toronto Enterprise Fund, 2014)

### Social Enterprise Networks

Member-serving bodies that provide supports specifically to social enterprises. These supports may include professional development, sharing of best practices, public education, and capacity building. Many of these networks collaborate closely with social procurement intermediaries or perform this role themselves. Networks play a critical role in building a robust environment for social enterprises and, by extension, more inclusive, local economies. A network can strengthen the sector internally through relationship-building and member-driven professional development.

As member-serving bodies, social enterprise networks often play a role similar to that of a chamber of

commerce. They make it easier for members to find ways to purchase from one another. Networks can also lead and participate in action-based research, provide public education, and play an advocacy or policy role. Networks are to be found building collaborative relationships at the municipal, regional, and national levels.

## Social Procurement

A deliberate procurement process that targets social impact as a desired or required quality in goods or services available for purchase. This can be achieved by widening the concepts of 'value' and 'quality' when purchasing. Social procurement (like sustainable procurement) has the potential to reshape how the economy benefits people and the planet. Social procurement is not limited to social enterprise.

## Social Procurement Intermediary

A person or body that acts as a matchmaker or broker, connecting qualified suppliers with socially minded purchasers. The nature and architecture of these intermediaries varies according to local and strategic context, needs and goals.

## Supplier Diversity

Stemming from the American Civil Rights movement, supplier diversity was intended to ensure that businesses owned by minorities would be able to compete for and win federal government contracts. Over the last 50 years, supplier diversity requirements in US federal purchasing have expanded in scope, intent and compliance. Mandatory targets are set and monitored. They include specific targets for small businesses, and small businesses owned by people from disadvantaged and diverse backgrounds. Each state is responsible for its own interpretation and compliance with the federal requirements.

## Supplier Diversity Certification

A means of distinguishing businesses owned by individuals who face barriers to full integration into the labour market. These include service disabled veterans, visible minorities, women, and people with disabilities. Typically the certifiers will contract an independent third party to verify that businesses meet the requirements of a given certification. Certifiers often also act as intermediaries, connecting suppliers and purchasers for potential contracts.

## Sustainable Public Procurement (SPP)

The United Nations has gone to considerable effort to research and pilot ways for countries to achieve more sustainable production and consumption. One strategy identified by the UN is Sustainable Public Procurement: "a tool which allows governments to leverage public spending (between 15 to 25% of GDP) in order to promote the country's social, environmental and economic policies. SPP contributes to create markets for appropriate technologies and innovative solutions." (United Nations Environment Programme, 2003) This 'triple bottom line' allows governments to add value through their spending, and to play a leadership role in the promotion of more sustainable production.

# 4.0

## Social Procurement Around the Globe: An International Movement

**"I think social procurement is a way to mainstream the production of social value."**

Marilyn Struthers, John C Eaton Chair of Innovation and Entrepreneurship, Ryerson University

**S**ocial and sustainable procurement are growing trends around the world. The forms, goals and drivers vary considerably. But numerous examples hint at what social procurement, grown and nurtured, could achieve in Canada. The following are brief descriptions of some of the most visible procurement policies and programs world-wide. This is by no means a comprehensive listing. Still, these represent countries or bodies that are similar to Canada in many ways and can inform our decisions." Many of these best practices feature among our recommendations for a social procurement intermediary to serve Toronto or the whole country.

## 4.1

### The United Nations and Sustainable Public Procurement

There has been a movement within the United Nations to encourage more sustainable practices in both production and consumption among member states. The Johannesburg Plan of Action (United Nations Department of Economic and Social Affairs, 2008) was launched at the 2002 World Summit on Sustainable Development. It includes the Marrakech Process, an initiative spearheaded by the United Nations Environment Programme (UNEP) and the United Nations Department of Economic and Social Affairs (UNDESA, 2008). Most of the goals of the Marrakech Process focus on building more environmentally sustainable practices and greener economies, a slightly different focus than that of this paper. Notwithstanding, it has led to the development of a task force on Sustainable Public Procurement, headed by Switzerland. Starting in 2006, seven Marrakech Task Forces have worked to support Sustainable Public Procurement processes through research, pilot projects and toolkits. They also have clarified the legal issues that arise from the World Trade Organization (WTO), free-trade agreements and country-specific trade laws in relation to sustainable procurement practices.

Task Force initiatives have commenced on most continents, in both developed and developing countries. Marrakech Task Force activities have generated greater capacity for sustainable public procurement practices in Mauritius, Tunisia, Costa Rica, Colombia, Uruguay, Chile and Lebanon. Procurement experts in 50 countries have received training in sustainable procurement practices. The Task Force has also documented and studied the impacts of a wide range of projects and practices in Sustainable Public Procurement. These studies have demonstrated its economic, social and environmental benefits around the world. Some examples are support for local industries in Costa Rica, for small- and medium-sized enterprises in Scotland, and aid for low-income populations in

Brazil (United Nations Environment Programme, 2012).

These well-intended projects have grown awareness and understanding of current global practices. Yet it is difficult to measure the actual impacts of the Marrakech Process and its Task Forces on national policies regarding public social procurement.

There are two important lessons that Canada can draw from this work. First, working towards sustainable production and consumption is eminently possible; and second, it ought to be a priority. Business, industry, government and citizens all have roles to play in building an economy that is sustainable both environmentally and socially. Sustainable public procurement offers government a way to play a profound leadership role while getting greater value for taxpayers' money.

## 4.2

### The United States

The United States has developed procurement practices in a distinctive way, although with the same intent of many other countries: to achieve greater equality in the distribution of public purchase contracts. The US has a long history of developing and supporting supplier diversity programs. American models are the basis for many such programs in Canada. They often have originated in the desire of Canadian companies to meet supplier diversity criteria stipulated by the federal or state governments in the US.

Supplier diversity programs in the US date back to post-WWI legislation. It required governments to purchase from enterprises that supported men injured in the First World War. Even at that time these programs targeted social outcomes, particularly greater equality and opportunities for veterans. With the rise of the civil rights movement, affirmative action programs were introduced to lend support to African American populations. Over time such programs have been extended to a variety

of traditionally marginalized or underrepresented populations. Supplier diversity-type programs are now very common at the federal level (McCrudden, 2004).

The Social Enterprise Alliance (SEA) also has been instrumental in attempting to build and embed social procurement practices in public procurement. SEA, a champion of social enterprise in the US, has been second to none in its lobbying and advocacy of these practices. Active since 1997, SEA currently has 13 chapters across 11 states. While the US has put policies into place, many of the greatest gains in social procurement are the work of organizations or individuals. Overarching federal or state policies and practices represent symbolic support from governments. But the heaviest impact upon actual practice has been made by champions in procurement departments or by highly-motivated and proactive social enterprises and intermediaries.

In 2009, Obama signed the Edward M. Kennedy Serve America Act. It showed his support for social enterprises and social innovation in general by providing funding to nonprofits that serve low-income communities in innovative ways (Thé, 2012). That year also saw the introduction of more stringent environmental procurement rules. They complement those initiated by Executive Order in 1993, which required consideration of ozone depletion in federal procurement requirements and policies (Clinton, 1993). The 2009 rules require that environmental impacts be considered during the procurement process, alongside traditional factors of price, quality, and risk mitigation (LePage, 2014). Once again this demonstrates support and leadership at the government level for increased social procurement.

One major challenge experienced in the US context is the absence of a single set of unified, federal policies. Each state has its own guidelines and expectations of supplier diversity. As a consequence, networks and intermediaries like SEA have undertaken notable struggles to build nation-wide social procurement practices and frameworks. Their experience affirms the wisdom

of developing a single, federal social procurement framework in Canada, rather than attempting to negotiate frameworks with each province and territory. If provinces insist on having their own programs, Canadian social enterprise advocates should take heed from the American experience. Such an approach likely would be more onerous than a federal framework, as other jurisdictions have shown.

## 4.3 United Kingdom (UK)

The government and civil service of the UK have created a robust environment in support of social procurement. Note, however, that only some initiatives and legislation apply to all parts of the United Kingdom. Others are specific to a jurisdiction or region. England, Scotland, Wales and Northern Ireland have some elements in common, and some that are distinct. To say that something is “practiced in the UK” therefore can be inaccurate and misleading. In the following description we try to be as specific and clear as possible.

The Public Services (Social Value) Act 2012 laid the groundwork of support for social procurement practices in England and Wales. It enshrined the principle that government purchasing authority must “...consider how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area and how, in conducting the process of procurement, it might act with a view to securing that improvement” (Lewisham Council, 2012). This legislation simply asks that purchasers consider social procurement principles. It does not make social procurement obligatory. Nevertheless, it is a significant acknowledgment that such principles be considered across the public sector for the benefit of communities.

The UK government has gone on to fund a number of other initiatives that further social procurement. Two are Trading For Good and the Mystery Shopper

Scheme. Trading For Good is a digital nonprofit service. It encourages small business and SMEs to be more socially responsible. It also helps small business grow their reputation and sales through recognition of their social impact (Trading For Good, n.d.). Trading for Good encourages SME social responsibility in several ways: charitable giving, environmental impact, hiring youth, working conditions, and better relations with suppliers.

The Mystery Shopper Scheme was launched with the Social Value Act to verify the implementation of social procurement principles. Mystery Shopper provides independent investigation of concerns and carries out random spot checks in the public service. Mystery Shopper works across the UK and refers matters to appropriate jurisdictions. It also investigates complaints that social procurement principles have been neglected in a given public procurement process (Cabinet Office and Efficiency and Reform Group, 2014). A February 2014 progress report describes trends in 270 cases of questionable public procurement practices that Mystery Shopper investigated. Most concerned the bureaucracy of the process, contract management, and technology and systems.

A number of intermediaries have been active in the UK, among them Social Enterprise UK. SEUK is a member-based organization that advocates across the UK on behalf of social enterprises. SEUK conducts research into social procurement. It also acts as an advocate for the development, adoption and advancement of social procurement policies and practices to both government and the private sector (Social Enterprise UK, 2014a). Its members are certified with the Buy Social brand. This serves as a guarantee of their social impact, and connects potential purchasers with these certified social enterprises (Social Enterprise UK, 2014b). This system resembles certifications by US bodies, and will be discussed later in this paper.

The social procurement measures in the UK are perceived to be highly encouraging of social enterprise expansion. They are a product of the political environment, however. The current

Conservative government under David Cameron has implemented a ‘Big Society’ policy. This amplifies the role of the nonprofit sector in providing social services. As well, it emphasizes organizations which, through revenue generation, are better able to support themselves. This connects with much more elaborate, targeted support of that sector by government, in order to enable nonprofits to become more successful service providers (C.W., 2013). Arguably, ‘Big Society’ can be seen a catalyst for social procurement and social enterprise expansion. But the downloading of responsibilities onto the nonprofit sector is not without its challenges. This policy has been severely criticized for consigning social support to the Third Sector, and allowing governments to take a secondary role in this regard.

## 4.4 Wales

The governments of Scotland (see next section) and Wales have taken more concrete measures to expand and formalize social procurement policies. The Principles of Welsh Public Procurement Policy (2012) emphasize “Economic, Social and Environmental Impact” and “Community Benefits.” These are two of nine key principles of government procurement, which must be taken into account during each government procurement process (Welsh Government, 2012). Community benefits is one strategy within a broader framework of sustainable procurement. The primary focus of community benefits is workforce and supply chain initiatives. The policy also encompasses workforce retention; training and recruitment of the economically inactive; supply chain initiatives; environmental benefits; education; community initiatives; and the promotion of social enterprise and supported businesses (Welsh Government, 2014). The community benefits policy is integral to the Welsh Government’s Tackling Poverty Action Plan. Its aim is to decrease poverty and its effect on individuals, families and communities.

Like others, Wales has been careful to ensure that community benefits in procurement comply with the terms of European Union Free Trade. EU Procurement Directives support using procurement to address local social or environmental issues. On one hand they allow procurement practice such as the award of extra points to socially-inclusive companies that hire disadvantaged people, but disallow exclusive hiring of local people or people of a specific nationality. That said, when criteria specify that disadvantaged people are to be hired for the construction of a hospital, for example, in all likelihood those jobs will go to local people (Welsh Government, 2014).

The majority of businesses in Wales are SMEs with 10 or fewer employees. It is extremely difficult for them to set aside the staff or time to compete for public tenders. Community benefits supply chain initiatives therefore use a variety of strategies to promote participation by SMEs and third sector businesses, and to ensure fast and timely payment. Fifty-two percent of Welsh public sector procurement expenditure is won by Welsh-based businesses (Welsh Government, 2014). In addition, the Wales Cooperative Centre hosts Social Enterprise Networks Wales. It provides business supports specific to social enterprises: peer-to-peer mentoring, business-themed workshops, resources, information, and consortia building.

## 4.5 Scotland

**Sustainable procurement can be defined as: "A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits not only to the organisation, but also to society, the economy and the environment"**

- The Scottish Government, 2013

Scotland's social procurement environment resembles that of the UK, by and large. But a variety of additional, unique steps have been taken. Scotland's Procurement Reform Act 2014 goes further than the UK's Public Services (Social Value) Act. Purchasing authorities not only have the duty to consider how a purchase can "improve the economic, social and environmental wellbeing of the authority's area", but also how it can "facilitate the involvement of small and medium enterprises, third sector bodies and supported businesses in the process", and "promote innovation" (UK Legislation, 2014). Additionally, the Scottish government has a Sustainable Public Procurement Action Plan. It recognizes "there are three strands to sustainable procurement - Social, Economic and Environmental," and stipulates how these practices are to spread across the public service (Scottish Procurement Directorate, 2009). All government departments are charged to develop measures and report publically on the success of sustainable procurement plans. They are to include a 'sustainability test for suppliers.' Its purpose is to encourage the interest of smaller and third sector suppliers (Scottish Procurement Directorate, 2009). To encourage adoption, the government set up Centers of Expertise as well as a website, "Buy Sustainable – Quick Wins." It features best practices and specifications for building sustainability into procurement criteria.

Scotland's growth in social procurement stems from two developments in Glasgow. The first was one of the highest unemployment rates in all of Europe. The second was winning the bid for the 2014 Commonwealth Games. The government saw social procurement as a possible economic driver for the city. With more purchases from socially- and community-minded organizations and businesses, it was hoped that unemployment and social ills would diminish as well. Intermediaries in Glasgow worked with corporations, governments, nonprofits and social enterprises to build collaborative purchasing opportunities. The intermediaries raised the profile of the social enterprise sector and supported the insertion of community benefit clauses in major tenders city-wide.

**“The actions of the public sector have a huge impact on society, the economy and the environment and in no area is this more obvious than how we spend public funds. Procurement is a key means of delivering this Government's priorities and underpins the achievement of the social, economic and environmental benefits that sustainable economic growth demands.”**

**- John Swinney, MSP, Cabinet Secretary for Finance and Sustainable Growth, Scotland (Scottish Procurement Directorate, 2009)**

Intermediaries in Scotland have been particularly successful in two regards. They have fostered relationships between social enterprises and government and corporate purchasing departments. What's more, they have encouraged social procurement practices within these bodies. Ready For Business (RFB), Community Enterprise In Scotland (CEIS), Just Enterprise and Social Enterprise Scotland (Senscot) are four such intermediaries. All provide professional development services to social enterprises. This can involve preparing them for public tendering processes, offering legal advice, or developing their marketing capacity. Some also train the staff of purchasing departments so they have the expertise to engage in social procurement. The Glasgow Social Enterprise Network (GSEN) is a one of over 20 regional networks of social enterprises. Senscot is a network of such networks that provides the sector with services, peer connection and an independent voice. Senscot also operates Senscot Legal, which offers the sector legal support. The success of these intermediaries and networks certainly derives in part from strong government support. RFB, Just Enterprise, GSEN, and Senscot for example, are funded at least in part by the Scottish government (Ready For Business, 2014; Just Enterprise, 2014; Glasgow Social Enterprise Network, 2014; Senscot 2014). Aggressive social procurement policies and legislation have created a market for more intermediaries. They often take the form of member organizations (Glasgow Social Enterprise Network, 2014; Social Enterprise Scotland, 2014).

Much can be learned from the Scottish experience. One notable contribution concerns the wording of community benefit clauses to keep them compliant with European Union Free Trade. Free trade agreements often prohibit the term 'local' in procurement. Scottish Community Benefit clauses simply state that community benefits must be 'related and proportional' to the tender (The Scottish Government, 2008). Community benefit clauses could become more widely adopted in Canadian public sector procurement. But much learning still has to occur in regard to the role of intermediaries. Scotland has dedicated a wide range of supports to purchasers and suppliers. So there is a broader understanding of how to build strong relationships with government and the corporate sectors. Likewise, actors are aware of the types of support that enterprises require to become 'tender-ready,' and the public education required to increase community awareness. The Scottish model of social procurement is among the most cited and seems to be very successful. It will be invaluable as Canada thinks through the intermediary role.

## 4.6 Australia

**T**he Australian social procurement environment combines what we find in North America and the UK. Australia has aspects of American supplier-diversity programs and the more direct government intervention seen in the UK and Scotland.

In Australia, procurement policies focus on the desired outcomes of social procurement, rather than on specific supplier groups (Burkett, 2010). For example, the federal government initiated the Indigenous Opportunities Policy in 2010. It incentivizes the employment of Indigenous peoples in construction contracts (Burkett, 2010). Certainly, supplier diversity programs are not unknown. For example, the federally-funded Australian Minority Supplier Council encourages government and private companies to contract with majority-owned and

-managed Indigenous enterprises (Burkett, 2010). The governments of New South Wales, Victoria, Tasmania and Western Australia have followed suit (Burkett, 2010).

State governments or departments have also inserted social procurement guidelines or policies into their procurement processes. The Australian Capital Territory requires that procurement officers consider social benefits when awarding contracts (Burkett, I., 2010). The 2008 National Partnership Agreement on Indigenous Economic Participation is another example. It has pushed state governments to adopt procurement policies that take into consideration a bid's positive impacts on local Indigenous populations (Burkett, 2010). The Commonwealth Procurement Guidelines, which govern procurement practices in federal government departments, take a different tack. In certain cases they afford an exemption from the public tendering process to social enterprises that employ people with disabilities (Burkett, 2010). Numerous local governments – such as Brisbane, Parramatta and Yarra City Councils – have piloted social procurement in their jurisdictions (Burkett, 2010).

Australia has seen some real gains, thanks to this engagement of governments in social procurement policy development and processes. As with Scotland, a closer relationship with government has advanced social outcomes. Australia also has seen procurement disseminate across the country and take root in a number of territories and cities. Similarly, Canada could develop national strategies that kick start implementation at the municipal, regional and provincial level. This may be a way to craft an overall policy that is easier to implement, and welcomes the regional nuances so necessary for success.

# 5.0

## Social Procurement At Home: Canadian Progress

**“It makes no sense that government supports suppliers that do not impact their communities in a positive way.”**

Caroline Arcand, Executive Director, Groupe Convex



Canada has been slow to adopt social procurement in a coordinated way. This is despite several instances that demonstrate the profound impact that social procurement can have upon individuals and communities. Across the country there are a number of policies that have the potential to support social procurement practices. There are also some that can hinder or delay such processes. Nationally and provincially, Canada seems to lack the unifying and driving force that has taken social procurement to greater scale in other countries.

## 5.1 Federal

Within Environment Canada, the **Sustainable Development Office** has developed the 2013-16 Federal Sustainability Strategy. It includes laudable goals, like targets for environmental purchasing (e.g., recycled products such as paper). These targets are in place for federal departments across the country. The strategy has the potential to be linked to social procurement, yet fails to target social goals, such as poverty reduction. It does create a window through which social procurement can be introduced to these policy areas, however.

The support of the federal government extends beyond Environment Canada. Jason Kenney, Minister of **Employment and Social Development (ESDC)**, addressed the 2013 Social Enterprise World Forum in Calgary, Alberta. He used the occasion to pledge federal support to the social enterprise sector (Government of Canada, 2013). ESDC provides some funding to social enterprises. This money is available primarily through programs for the homeless and a few pilot projects. ESDC is also examining social finance tools. But rather than create a strong social enterprise ecosystem or strategy for social procurement, such programs are scattered and largely disconnected. Where ESDC has shown support for social procurement is in its funding contribution to the Social Purchasing Project. (See Section 5.3 below for more details about this GTHA-based project.)

“...I’m here to state clearly, on behalf of the Government of Canada, our enthusiastic and unqualified support for the entire drive towards social enterprise, social finance and social innovation and to work with you in finding solutions to make this growing sector a vital part of solving problems in Canada.”

- Jason Kenney, Minister of Employment and Social Development (ESDC)

The purchasing criteria for the **2010 Winter Olympics** in Vancouver included consideration of social and environmental sustainability. This has helped to pave the way for CBAs that encourage bidders to include social enterprises in their supply chains. While a provincial/regional event, the Olympics had national and international partners. There were tenders from across the country and the world. The Olympics gave rise to one CBA that “provided for 100 construction jobs for inner-city residents on the site, \$750,000 in training to prepare them for these jobs and \$15 million in goods and services purchased from inner-city suppliers.” (Torjman, 2012) Overall this was considered a successful precedent. Still, it was noted that, since a framework was not in place pre-bid, impacts were limited. Other purchases from social enterprises and with social benefits occurred (including the flowers awarded to winning athletes). The experience increased the profile of the social enterprise sector and their business and contract acquisition beyond the lifetime of the games. Though the contracts won could be considered relatively small in number and value, the Olympics established an important precedent for Canada.

The **Social Purchasing Portal** also made its start in Vancouver. An early model of social procurement, the Portal leveraged purchasing to create employment opportunities. Replication in a number of cities occurred, including Toronto. Currently, only Winnipeg’s Portal is still in operation.

Occurring country-wide, although not directly supported by government, is the **Buy Social Canada** movement. In June 2014, Buy Social Canada launched at a summit in Vancouver. In time it aims to offer the first national certification program for Canadian social enterprise suppliers and purchasers. The organization is structured as a partnership and community contribution company based in British Columbia. Regional offices are being established in Manitoba, Ontario and Atlantic Canada. Buy Social Canada is affiliated with Buy Social UK. The two share branding and some structural aspects, although criteria have been slightly modified for

the Canadian context. Buy Social Canada will offer branding and a national marketplace to social enterprise suppliers. Supports to suppliers and purchasers will also be on offer. Social procurement has been identified as a key goal and strategy for Buy Social Canada. A second set of criteria for 'tender-ready' enterprises is to be announced at the 2015 Canadian Conference on Social Enterprise in London, Ontario (Strutzenberger, 2014).

In summary, movement on social procurement is slow nationally, but there are surges of innovation and action. As momentum grows, we can look forward to more examples, policies and perhaps greater cross-national coordination.

## 5.2 Provincial

A scan reveals that social procurement is slowly taking hold in many places, often at a municipal level. Small scale and early-stage examples are scattered across the country. Lacking strong public sector adoption and political leadership, their work has to proceed with limited resources and coordination. Despite these challenges, there is some movement provincially in Manitoba, Quebec and Ontario. Efforts are also being made in British Columbia, particularly to catalyze national action.

Provincially, **Quebec** appears to be far ahead of other provinces in establishing a broad social economy movement. There, the Chantier de l'Économie Sociale acts as a 'Network of Networks.' It unites many social economy actors, including social enterprise, co-ops, funders, social finance, and research and policy development. In June 2011, the Quebec government invited municipalities and public institutions to sign declarations of their commitment to purchase from social economy enterprises. Montreal and Longueuil have signed on, among others, and the province is crafting its own declaration. Commerce Solidaire, an initiative of the Chantier, is an intermediary between purchasers (including the general public) and

social economy suppliers. Work is also underway to insert social clauses into public procurement policy. They would stipulate purchasing from social economy enterprises, local job creation, or hiring members of marginalized communities, for example (Strutzenberger, M., 2014).

**Manitoba's** current provincial government is a long-standing supporter of the community economic development (CED) sector, including social enterprise. A Community Economic Development Policy Mandate affirms that social enterprise support and social procurement are provincial priorities. Manitoba Housing contracts with social enterprises for a variety of goods and services. The value of these contracts totals approximately \$10M a year (Strutzenberger, M., 2014). A Sustainable Development Act passed in 1998. Its procurement guidelines were ratified in 2000 (Manitoba Government, 2000). The Aboriginal Procurement Initiative (API) earmarks certain tenders for businesses that are certified as 51% aboriginal-owned. The API also promotes aboriginal-owned business to other purchasers (Province of Manitoba, 2009). Currently, Manitoba is working with the CED sector to identify and grow social procurement opportunities, including the adoption of community benefit clauses (Strutzenberger, 2014).

In 2013, **Ontario** established an Office For Social Enterprise within the Ministry of Economic Development, Employment and Infrastructure (MEDEI). Under the leadership of Dr. Eric Hoskins, Minister for MEDEI, the Office released "Impact: A Social Enterprise Strategy For Ontario." It introduces some new initiatives – a demonstration fund and impact investing. But it also highlights existing commitments to social finance tools, social impact bonds, social entrepreneurship programs and hybrid corporate structures. The strategy's primary investment in social procurement has been contributing matching funding for the Social Purchasing Project. The purpose of this pilot project is to integrate social enterprises into purchasing for the 2015 Pan Am Games. (See Section 5.3 below for more details.) This shows Ontario has shown leadership on Ontario's part in the area of social

enterprise and social procurement.

So there is positive momentum. Still, procurement officers in the Ontario government are concerned about two pieces of legislation. The Broader Public Sector Purchasing Directive and the Discriminatory Business Practices Act both mandate how purchasing decisions are to be made. They may present barriers to the selection of social enterprises or other public benefit suppliers. Alarm may be unfounded, however. International bodies indicate that such concerns are common. They can be overcome through creative language and a strong knowledge of legal frameworks. This is particularly the case where there is political will and support for these initiatives.

As this report was being completed, we were made aware of new developments. Staff from several provincial ministries, in conjunction with City of Toronto staff, have begun a process of stakeholder consultation. Its intent is to explore opportunities for social enterprise in public sector procurement.

## 5.3 Greater Toronto and Hamilton Area (GTHA) Regional

In terms of social procurement, the 2015 **Pan Am and Para-Pan Am Games** are a landmark. They are one of the first major investments of federal and provincial funds in a supplier diversity program. Many stakeholders hoped for more. They wanted these games to build upon the success of the 2010 Olympics, and integrate purchasing from social enterprises. However, the mechanism of supplier diversity differs significantly from the CBAs used in 2010. The following language is used in the “Supplier Diversity” section of the Toronto 2015 website:

**“TO2015 is committed to embracing diversity and celebrating the rich multiculturalism that make up the city of Toronto and the Greater Golden Horseshoe. Opportunities for diverse supplier involvement and the resulting economic impact of these opportunities is an important consideration**

**to the overall success of the Games. TO2015 will also continue to seek out and use social enterprises within the Greater Golden Horseshoe region where it can.”** (Toronto 2015, 2014)

Pan Am has used the definition of social enterprise of the Social Enterprise Council of Canada:

**“Social enterprises are businesses owned by non-profit organizations that are directly involved in the production and/or selling of goods and services for the blended purpose of generating income and achieving social, cultural, and/or environmental aims. Social enterprises are one more tool for non-profits to use to meet their mission to contribute to healthy communities.”** (Toronto 2015, 2014)

In addition to social enterprise, Pan Am is purchasing from businesses owned by members of a diversity of groups and communities. These include women, visible minorities, aboriginal people, persons with disabilities and LGBT persons (Toronto 2015, 2014).

Pan Am’s supplier diversity program has come under fire from many viewpoints. Some point out that it may conflict with legislation like the Discriminatory Business Practices Act. Further, despite frequent outreach to social enterprises, few have bid on contracts. Fewer still have realized any sales. Subcontracting opportunities have also been elusive. Little capacity is available to link social enterprises with private sector bidders.

To date, the most notable achievement was in early 2014. Pan Am listed nonprofit social enterprises as a recognized diversity supplier. This is the first known example of such recognition in North America. Unfortunately, it comes at a time when most of the contracts have already been awarded.

In 2013, ESDC and MEDEI issued a request for proposals. They were looking for a body to help social enterprises connect with contract opportunities at the 2015 Pan Am Games. The contract was awarded to a collaborative formed by the Toronto Enterprise Fund (TEF) and Social Enterprise Toronto (SET). TEF is a member of the

United Way of Greater Toronto; SET is under the trusteeship of The Learning Enrichment Foundation. The United Way of Greater Toronto provided additional funds, and the City of Toronto supplied in-kind support. The collaborative launched in April 2014 under the title of the **Social Purchasing Project**. The work and the funding will proceed into 2016.

The project's mandate is to work with social enterprises to identify and secure contracts and subcontracting opportunities. Its initial efforts to link social enterprise suppliers with interested purchasers have been a major influence upon this report.

## 5.4 Toronto

**A**cross the city of Toronto a number of projects are proceeding that could have an impact upon the future of social procurement. The municipal government has been looking into opportunities for increased social procurement, with a focus on workforce development. Planning and public input regarding all these projects have included social enterprise. Nevertheless, they have realized very few contracts to date.

In Spring 2012, Toronto City Council approved a staff report to develop a social procurement framework. The intention was,

**"...to maximize the City's economic, workforce and social development goals when determining best value for public funds...Social procurement encourages the use of the procurement process for goods and services to advance positive economic, workforce, and social development outcomes."**  
(City of Toronto, 2013)

The framework was designed to meet two bottom lines:

**"...purchasing the best services and products at the most competitive prices; and to leverage limited public resources to achieve strategic city-building**

**outcomes."** (City of Toronto, 2013)

On May 7, 2013, Council approved the framework with three social procurement goals:

1. Increase access to economic activities for under- and unemployed Toronto residents.
2. Promote workforce development and increase the number of employers working with the City.
3. Improve access to City contracts for all businesses and to increase supply chain diversity.

An interdepartmental working group has been formed to achieve the following goals: consultation and engagement, pilot projects and activities, monitoring and evaluation, and reporting. The ultimate goal is to develop an evidence-based social procurement policy by the end of 2015 (City of Toronto, 2013).

Further, in October 2014, the Atkinson Foundation and several "anchor institutions" began to look at strategies to increase local and social procurement. Anchor institutions are typically nonprofit or public institutions. Rooted in a community, they are very unlikely ever to relocate. Examples are universities and colleges, and hospitals and cultural facilities, such as museums and galleries (Dubb & Howard, 2012). The group working with the Atkinson Foundation counts many members of various City of Toronto departments, as well as provincial government representatives.

Metrolinx, an agency of the Ontario government, is responsible for much of the transit development within the GTHA. One Metrolinx project is the City of Toronto Eglinton Crosstown LRT. It is to run from Weston Road in the west to Kennedy Station in the east along Eglinton Avenue. This is a massive construction project. Through the Toronto Community Benefits Network it will create apprenticeship opportunities for young people and other local job opportunities. There are also specific goals for purchasing from social enterprises. Metrolinx has hired a CBA specialist to ensure that

the agency can achieve the targets to which it has committed under the CBA.

Across the city there is interest in procurement. Opportunities for both social enterprises and others are a subject of considerable discussion. For members of the social enterprise community, the city has been in significant flux over the last two years. They are excited about the potential of projects like Pan Am, Metrolinx and the City of Toronto. That said, social enterprises remain nervous about their ability to be part of all of this work.



# 6.0

## Unlocking Potential: The Role & Structure of A Social Procurement Intermediary

“If all procurement processes at every single level of society... actually included social benefit as one of the criteria in terms of their outcome, we could make change in a way that we’ve never seen before.”

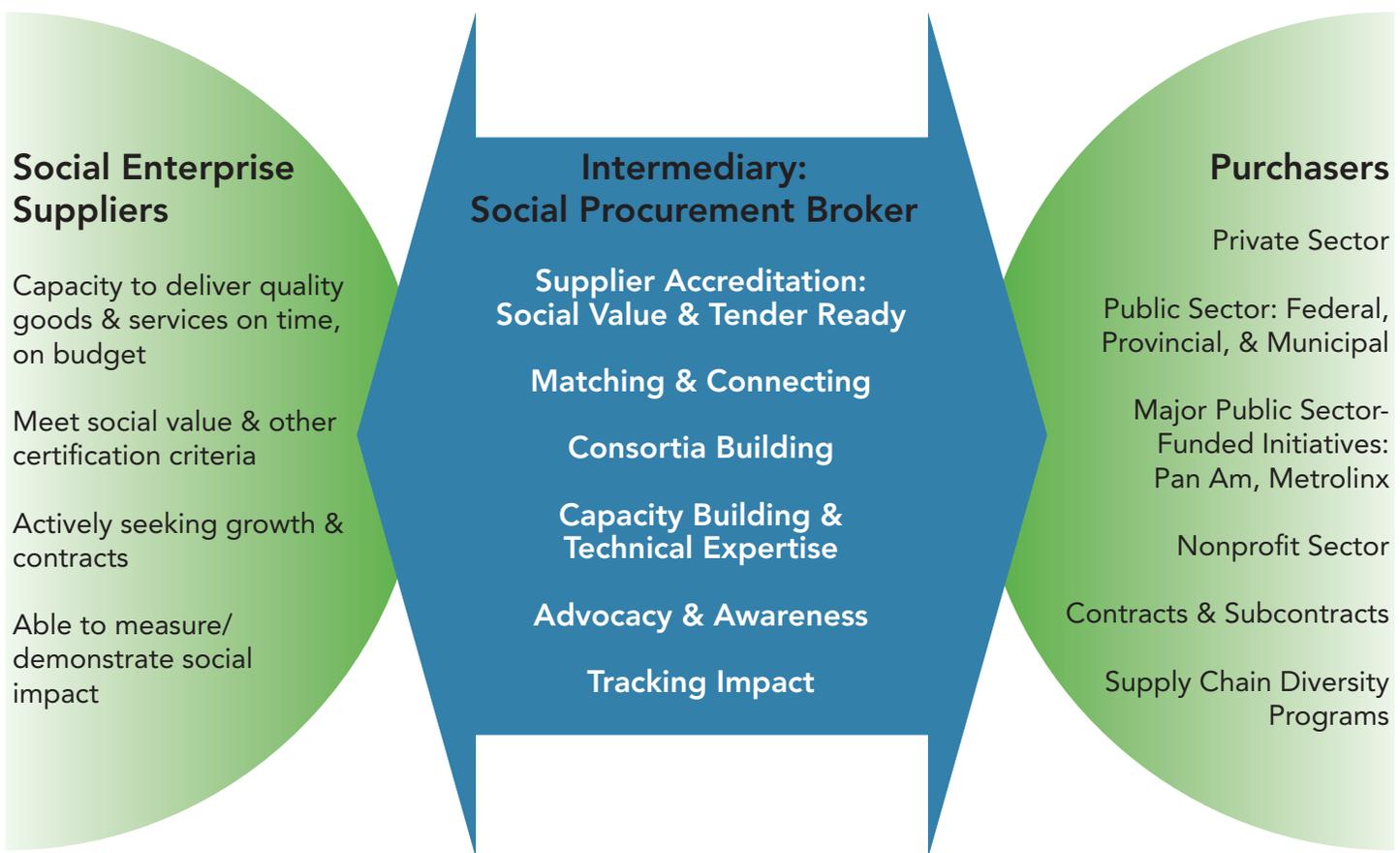
Anne Jamieson, Senior Manager, Toronto Enterprise Fund

The examples of social procurement intermediaries in other parts of the globe demonstrate that they add value in two ways. First, they increase opportunities for social enterprises to engage in larger contracts and tenders. Second, they increase the visibility of the social enterprise sector. Below we will begin to map out the features that are essential in an intermediary. This outline is based on learning and experience, and on the value this role, and social procurement generally, can add for a variety of stakeholders.

Social procurement is about achieving greater value for money. Procurement processes that include social enterprises have a huge potential impact. We see this in the following areas:

Government & Communities	Private Sector	Social Enterprises
Stronger, more inclusive local economies	Benefit to community from day-to-day spending	Access to buyers in the private and public sector who are seeking social impact suppliers
Reduced reliance on social assistance	Demonstrable, tangible social responsibility and investment in sustainability	Increased sector capacity to identify and respond to new market opportunities
Cost-effective workforce development	Increased supply chain diversity and relationships with like-minded social enterprises	Greater organizational capacity to prepare competitive tenders and proposals
Improved social inclusion and reduced poverty	Cost-effective and inclusive workforce development	

**Figure 1: The following figure gives a high level summary of how a social procurement intermediary works with social value suppliers and purchasers.**



**"[An intermediary] needs a number of personalities. It needs the policy wonk, the community builder, the salesman and the technical person."**

**- Peter Frampton, Executive Director, The Learning Enrichment Foundation**

## 6.1

### Matchmaking & Connections

A key piece missing from the environment of Canadian social procurement is that of the broker or 'matchmaker.' This gap was identified through interviews with key experts in social procurement. It also became apparent during our examination of social procurement practices that are flourishing in other countries.

**"On one hand you are dealing with massive corporations who have very embedded processes that they've been using for years and years and years, and on the other hand you have very small social enterprises whose managers are already capped out and there's a need for someone to sit in between them and negotiate all of the finer points of contracts and sales."**

**-Anne Jamieson, Senior Manager,  
Toronto Enterprise Fund**

As a broker, an intermediary's main function is to connect social value suppliers with purchasers, for their mutual benefit. For this, the intermediary requires a strong working knowledge of both the existing and potential capacity of social enterprises. This knowledge and these relationships enable the intermediary to work with purchasers in search of social value suppliers. An intermediary is better positioned than the individual enterprise to build relationships with purchasers. It has the ability and expertise needed to facilitate successful relationships between businesses. At times, no single enterprise may be able to respond to a given demand. In these instances, a broker may take the lead in helping to build a consortium of enterprises. Purchasers could conceivably include the private sector and corporations, procurement officers from all levels of the public sector, and nonprofit organizations. Major public sector-funded initiatives like the 2015 Pan Am Games or Metrolinx represent another distinct segment of purchasing opportunities.

## 6.2

### Supplier Accreditation

**"Social enterprises exist for a social purpose. But they also only exist because they have customers."**

**-Brendan Reimer, Strategic Partner,  
Values Based Banking at  
Assiniboine Credit Union**

The certification of diversity businesses is a familiar and accepted practice in North America, particularly in the private sector. Typically, supplier-diversity certifiers hire an independent third party to verify applicants. The accreditation of social enterprises or social value suppliers is a primary function of a social procurement intermediary. Defining the criteria of accreditation serves both suppliers and purchasers. For purchasers, it provides a guarantee of legitimacy. The supplier meets minimum criteria for social impact, and can deliver the required quality on time and at a competitive price. For suppliers, the criteria specify the baseline of capacity, quality and social impact required to enter this marketplace. Any suppliers who do not initially meet these criteria will benefit from clear direction for the future.

Many certifiers offer multiple levels of involvement. This can take the form of membership or supplier certification. Membership indicates a commitment to a specific set of values, general membership and access to professional development and training. Membership events promote networking, sales, and mentorship opportunities. This involvement helps members be better prepared to grow their business. Typically, suppliers who go through the rigor of certification will do so only when actively seeking large contracts. They will pay for confirmation of their adherence to stricter, higher standards. This approach to involvement may work well for social enterprise certifiers as it can significantly increase the number and type of potential qualified

suppliers. Demonstrating the existence of larger pool of potential suppliers in turn helps the certifier attract potential purchasers.

This type of certification works well with existing social enterprises. However, the potential to launch new enterprises on the basis of emerging opportunities should also be considered. For organizations with the capacity to meet such opportunities, a form of 'tender-ready' certification may be the solution. Defining criteria is no small task, particularly with respect to social enterprises or social value suppliers. Understanding what purchasers want to see in supplier certification will also be important to defining effective criteria.

## 6.3 Capacity Building & Technical Expertise

**T**echnical expertise and capacity building are among the greatest contributions that social procurement intermediaries make to social enterprises. A major barrier faced by both social enterprises and potential purchasers is a lack of knowledge. Neither knows about the legal frameworks and considerations pertinent to social enterprises and to their participation in procurement. Social enterprises with limited experience in large-scale procurement may be tentative about bids, tenders and contracts. Even where social enterprise managers want to proceed, inexperience and risk aversion on the part of the board may get in the way.

Increasing the capacity of the social enterprise sector to respond to new opportunities is vital to social procurement. As key sector interviews showed, when opportunities arise, but no social enterprise supplier can meet the tender requirements, the sector as a whole can be discredited. Purchasers are discouraged from attempting social procurement in future. Professional development, consulting advice and expertise in marketing, business management, costing, pricing and market research can all help

grow a stronger, more competitive social enterprise sector.

Free trade agreements often preclude the language of 'local.' In contracts with the 2014 Commonwealth Games, Community Benefit Clauses required community benefits be 'related and proportional' to the tender. This put the onus on bidders to come up with community benefits that were creative and relevant to pressing social issues.

A social procurement intermediary able to provide or facilitate this capacity building is an asset to suppliers and purchasers alike. Key elements of capacity building and the provision of technical assistance are the following:

- Preparing bids and tenders
- Learning from/documenting both successful and unsuccessful bids
- Interpreting the legislation governing procurement practices
- Providing legal services, including contract law and contract negotiation, and tax law and charitable status
- Supporting consortia building and subcontracting

Social procurement intermediaries in Scotland and England frequently refer to the legal services that they have given to government procurement officers. In particular, they have helped officers understand that many apparent legislative barriers are rarely obstacles at all. This is a prime example of the importance of the intermediary. It is able easily to navigate the policy level, while remaining grounded in an enterprise's needs.

## 6.4 Advocacy & Awareness

“[Social procurement] allows for planning around training opportunities, such as apprenticeships, which will not be a waste of time or money; if the training provided is linked to social procurement, then you know there is a linkage with the market.”

-Cathy Lang, Principal,  
C Lang Consulting

In many international examples, intermediaries help raise awareness about both social enterprise and social procurement. This awareness often extends not just to potential purchasers, but to the general public. Public awareness is a key strategy to leverage support and recognize purchasers who make significant social procurement commitments. Widespread recognition of the certification of social enterprises also helps drive to their doors more and more socially-conscious customers. Consumers flooded with choices will often look for ‘trusted agents’ to avoid the social equivalent of ‘greenwashing’ (Allan, 2005). Across the UK, significant resources and effort has gone into national, regional and local campaigns to raise public awareness about social enterprises. **“[A] Recent report reveals that while three quarters of people support social enterprises, only 21% actually know what they are.”** (Jervis, 2013)

Where social procurement has been successful, the initiative for these practices often has come from champions within purchasing departments or among decision makers. They are the ones who push their organizations to adopt policies and practices supportive of social procurement.

Sept 13, 2014 marked the first Social Saturday in the UK: a day to celebrate and buy from social enterprises.

The BC government named March 27, 2013 as Social Enterprise Day. In 2014 it proclaimed April to be Social Enterprise Month.

Ideally, the intermediary should combine this role of awareness-raising with what other organizations already perform in this vein. SET and ENP are two examples. The intermediary’s role is to complement much of the work occurring within these types of networks.

A social procurement intermediary is an advocate of changes in policy and legislation that assist the social enterprise sector. Moreover, it is able to interpret pertinent new policy and legislation. The Public Services (Social Value) Act in the UK is a case in point. When it was passed in 2012, its implications were not clear to the social enterprises and nonprofit organizations to which it applied. It was up to social procurement intermediaries to provide interpretations to these stakeholders, and in a language they understood. Australian intermediaries do the same. When governments release new procurement policies, intermediaries explain their impact and how social enterprises can maximize their performance accordingly.

Legislative interpretation applies not only to laws specific to social procurement, but also to related policy and regulations. Charity law is an example, or the regulations affecting social enterprises and their place in the market. ENP performs this role with regard to much of the current legislation in Canada. See ENP’s Canadian Social Enterprise Guide, 2nd Edition (Enterprising Non-Profits, 2010).

## 6.5 Tracking & Measuring Impact

The ability to measure and describe social impact is essential to all social enterprises. There is no universal approach for measuring impact. Many different metrics and measures are used to describe outcomes and impact. Outcomes are typically straightforward (e.g., number of jobs created). They can include both qualitative and quantitative measures. Impact is far more challenging to measure. Many metrics are difficult to use due to constraints of time, resources and cost. For example,

Social Return on Investment (SROI) has been used broadly in the UK. But in one case, in which a funder of social enterprises required SROI as the metric to be used, only 30% of the funded enterprises were able to complete their reports (Floyd, 2014).

**“Social enterprises will be under increasing pressure to demonstrate their social impact to other funders and commissioners, but that’s only part of it. The key issue is that, as social enterprises, we need to know what we’re trying to do and whether it’s working.”**

**-David Floyd, Managing Director,  
Social Spider Community Interest Company**

In the context of social procurement, funders and some purchasers can be expected to require proof of social outcomes, and/or social impact. A social procurement intermediary has to be able to set, or to support the setting of clear, realistic, and measurable social goals. They are vital in the successful negotiation and delivery of contracts. The proposed goals have to meet the interests of the purchasers, and match the mission and capacity of the suppliers. Some purchasers may lean towards specific social goals or demographic groups for reasons of corporate social responsibility. In the case of public sector purchasers, existing regional strategies may establish goals (in terms of workforce development, for example). In these circumstances, social enterprises that are aligned to these types of impact may have a competitive edge. This would be a major consideration when the intermediary matched enterprises to contract opportunities.

Every social enterprise has to track and report on social impacts and successes in order to remain responsive to its target population. This ability can become still more important to enterprises that want to enter into larger contracts or bids. For them, proof of and the ability to describe their social impact can be a competitive advantage over traditional businesses.

## 6.6

### Revenue & Sustainability Model

During the interviews conducted for this research, one topic was highly controversial. When building a social procurement intermediary, what revenue model should be used? Our experts differed significantly over how such an intermediary should be funded. International examples exhibit a variety of models, some of which are applicable in Canada.

**“...Charities and social enterprises don’t exist in a political vacuum. If a social organization takes on a public contract, it isn’t just taking on a contract, it’s engaging with the system that produced that contract and the political assumptions and decisions that underpin it.”**

**-David Floyd, Managing Director,  
Social Spider Community Interest Company**

Many interviewees were convinced that the intermediary had to be financially sustainable. They recommended an entrepreneurial revenue model. Many focused on the intermediary’s role as a broker. Like a traditional broker, the intermediary would charge a fee for each successfully brokered deal. Presumably, the supplier would cover the fee with the profits obtained through the contract. Unfortunately, at present relatively few social enterprises (in the GTA, at least) have obtained larger contracts. Most are high volume/low profit margin businesses. They incur both the traditional costs of operating a business and additional costs related to their social mission. Given that most social enterprises require some funding support and still struggle to break even, brokerage may not be a remunerative way to recompense an intermediary. Indeed, with profits already minimal, it may be difficult for social enterprises to pay a brokerage fee at all. A supplier brokerage fee will have to be priced so as not to become a barrier. Alternatively, the fee could be charged as a commission on successful bids.

## 6.7

### Governance & Ownership

An intermediary will likely require multiple revenue streams in addition to a supplier brokerage fee. A base cost for membership, certification and tender-ready certification of suppliers could be one revenue opportunity. Buy Social Canada applies such a model. It offers both social value suppliers and purchasers certification for a fee. To charge brokerage fees to a purchaser, however, that body first needs to feel that the purchase was both worthwhile and unavailable without a broker. This idea seems to be a challenge. Instead, it may be possible to have the corporate sector sponsor the intermediary. This would enable the intermediary to support the sector's efforts to build capacity and prepare for larger contracts. This has worked in several cases of diversity supplier certification. This model would also promote supplier certification aligned to the requirements of corporate supplier diversity programs. Certification that meets federal US requirements for supply chain diversity may be attractive to companies doing business on both sides of the border. Governments in Canada are beginning to adopt supplier diversity programs as well. This too may help to open up public sector purchasing opportunities to social enterprises.

Many examples of social procurement intermediation around the world are grounded in particular events (e.g., the Commonwealth Games, Pan Am, and the Olympics). Government funding also enables them to move their work forward. Such government support is evident across the UK. Its government has identified social procurement as a practice that is good, effective, and to be encouraged. Various levels of government therefore have decided to fund social procurement intermediaries. This will encourage the growth of an ecosystem supportive of social procurement and facilitate additional opportunities. All the while, it will also address such broader issues as unemployment, poverty and discrimination.

In Canada, the political environment for social procurement is at best uncertain. Strategically, it therefore makes sense for the intermediary to be as financially independent as possible of any government program or jurisdiction. The intermediary that generates its own revenue will be able to evolve over the long-term, free from political cycles and influence. Many in the UK warn that both social enterprise and social procurement both can be co-opted by government. The innovation and social impact that drive them can erode in the rush to secure contracts. Great intentions and efforts can give rise to mere service delivery agents for government.

Ideally, the ownership and governance structure will allow the intermediary to support genuine social innovation and change. It could be a relatively small, lean operation, with a few staff and a small budget. As such it may fit within an existing organization. Given a larger geographic scope and diverse inputs and stakeholders, the intermediary might operate as an independent organization. Whatever the governance and structure, preservation of the intermediary's social mission will be key. It will be important to the intermediary itself, and equally so to the social enterprises it certifies.

# 7.0

## Social Procurement Challenges & Recommendations

“Anytime you start focusing your purchasing power on local, you are going to, by default almost, create better, more inclusive local economies. Certainly the most effective way that we currently know of to do that is by purchasing through social enterprises that are themselves focused on creating employment for people who are marginalized.”

Anne Jamieson, Senior Manager, Toronto Enterprise Fund

**B**ased on experiences abroad and in Canada, we have identified seven challenges, and make recommendations for addressing each. Some challenges relate directly to the social procurement intermediary. Others represent issues that are crucial to the local sphere in which the intermediary would operate. Challenges cut across many levels, including the broader public sector and the social enterprise sector. The issues and considerations listed in this section are specific to the GTHA.

## 7.1

### No Single Driving Force

Wherever social procurement is advancing internationally, a common thread is evident: efforts are driven by a strong, identifiable goal. Without such a driver, it will be extremely difficult to formulate cohesive goals, strategies and an enabling ecosystem in Canada. Furthermore, the lack of a driver will prevent the development of the tools, mechanisms, resources and policy needed to achieve social goals. Canada's public sector is indeed examining and experimenting with social procurement. How broadly it shall be implemented or to what purpose remains unspecified, however. The public sector has made little firm commitment.

In time we can hope that national, provincial and regional sustainable development strategies will include both social and environmental goals. When such an agenda gains adoption across our systems of public sector procurement, we will be well on our way.

## 7.2

### Legislation

Legislation has a deep impact upon the future of social procurement. Ontario currently has two pieces of legislation that pose both real and apparent barriers. The Broader Public Sector Purchasing Directive and the Discriminatory Business Practices Act each may intervene. Evidently, any purchasing decision based on factors other than price and quality may constitute a discriminatory practice. As can be seen in other jurisdictions, this challenge is not unique to Canada, our provinces or municipalities. Given creativity and innovation, it can be addressed. Strategic policy work will be needed in order to move the public sector towards social procurement. International experience also underscores the importance of clear dialogue and training so that procurement officers, suppliers, and other stakeholders fully understand legislation.

## 7.3

### Time & Commitment

Social procurement is a movement. Taking it to scale takes time. It is a long-term commitment for all stakeholders even when there is clear direction, policy and resources. To work, social procurement goals need to be included in the early stages of planning, especially for events like the Olympics or Commonwealth Games. Purchasing officers need time to consult with the community in order to assess viability of a community benefit application. This is a key feature in UK and Scottish legislation governing social procurement. These jurisdictions have now experienced a decade of substantial investment in the social enterprise ecosystem. Yet even with strong legislation to encourage social procurement, progress has been slow.

Currently, very few social enterprises are able to respond to large tenders. Time is needed to consult with prospective suppliers and to identify opportunities for subcontracting, partnership and consortia. Lead-time on contracts has to be extended so social enterprises can prepare their bids.

## 7.4

### Sector Capacity

**"Why build capacity if you aren't increasing opportunity? Why increase opportunity if you aren't addressing investment? Why grow the size of businesses if you aren't upskilling leaders?"**

**-Gerry Higgins, CEO,  
Community Enterprise in Scotland**

To integrate social procurement within public or private sector purchasing, scale is often a barrier. Contract opportunities are often huge in size. Suppliers require quick access to capital and expertise so they can scale up to the necessary

capacity. In most international examples, a supportive ecosystem boosts the capacity of the social enterprise sector. This is not the case in Ontario, however, where the ecosystem is not facilitated by government funding. So alternatives must be considered. One immediate possibility is for social enterprises to integrate one another into their own supply chains. This will grow the sector's overall knowledge, capacity, quality and solidarity.

Social enterprises need to increase their ability to work together in pursuit of market opportunities. They need to work on a cohesive identity of shared values, purpose and goals. A collective strength and voice will help them to leverage opportunity while grounding social procurement in the needs of communities. This unity also will go far to making social enterprise a credible participant in policy forums.

For capacity to grow over time, people on both sides have to understand the context in which social enterprises work. A first step may be contracts with built-in flexibility to suit vulnerable populations. Such contracts will be able to shrink or grow in size without negative repercussions for the supplier.

## 7.5 Ensuring Certified Social Enterprises Have Social Impact

**H**ow can we be sure that small businesses and diversity suppliers are what they claim? This has been a challenge to supplier diversity in the US, and it will also apply here. How do we ensure that social enterprises have genuine social impacts? Or that they will not alter their social mission without informing purchasers? Such 'mission insurance' will be important to developing confidence and recognition.

Clearly, the definitions of 'social impact' and 'social value supplier' are issues of extreme importance to both suppliers and purchasers. This is particularly the case as the public sector explores its approach

to social procurement. In matters of definition, input from the social enterprise sector and a social procurement intermediary will be vital. An established process and working definition will go far to give the result weight and credibility.

## 7.6 Scaling Up

**M**ost social enterprises are relatively small in scale. Few have the capacity to scale up quickly to take on new business. It is rare for them to enjoy surplus or accessible leadership, expertise and capital. Quick turnarounds in recruitment and training often conflict with the demographic hiring and mission of a social enterprise. So does the potential shedding of staff when a contract concludes.

Research shows that another major stumbling block to scaling up nonprofit enterprise may be the board. It may perceive the risks associated with large contracts to outweigh the benefits. To address this aversion, programs must be developed to raise board awareness and understanding of risk mitigation.

The capacity of the social enterprise sector and the resources available will determine what an intermediary can achieve. The financing and development of a supportive ecosystem is essential to grow the capacity of the sector: to address its access to capital, harness expertise, and invest in leadership development.

## 7.7 Sustainability & Election Proofing

**S**ocial enterprise and social procurement have appeal across party lines and political agendas. Where they succeed internationally, many cautions have emerged about the importance of staying aligned to social change and innovation grounded in community, and not dictated by political parties. This

work requires long-term vision and commitment. The intermediary therefore needs to be able to survive elections and changing agendas. This is the reality of working in this space. Regardless, the intermediary must also recognize how important public sector funding may be in early stages.

Diversity suppliers are able to operate on a relatively lean budget. A social procurement intermediary

should be able to do likewise. Certification alone is unlikely to produce adequate revenue. Commissions on successful tenders may be a possible revenue stream in the longer term. Many diversity suppliers get sponsored by private sector companies and by partners with supplier diversity programs. A similar approach may work for a social procurement intermediary, particularly if it can engage the private sector in mentorship and learning activities.

## 7.8

### Recommendations for a Social Procurement Intermediary

Like the aforementioned challenges, we make the following recommendations specifically in relation to the GTAH. As much as possible, the recommendations focus on the role and structure of a social procurement intermediary. We appreciate that circumstances can and will change quickly. Nevertheless, it is our hope and intent that these recommendations will remain inspiring, useful and relevant. Notably, many of them reflect the work that the GTAH-based Social Purchasing Project currently performs.

- 1. It will take time for the public sector to formalize a social procurement strategy. A social procurement intermediary should be created and engaged to shape and pioneer the process.**
- 2. The intermediary should seek recognition for social enterprise in corporate supplier diversity programs. This is an immediate and long-term strategy for advancing social procurement.**
- 3. A social procurement intermediary needs to be well versed in potential legislative barriers. It must be able to educate suppliers, purchasers and policy makers about obstacles and solutions.**
- 4. Certification should be done by an independent third party. This already is the established practice of many certification programs for diversity suppliers.**
- 5. When defining criteria for social enterprise certification, the input of potential purchasers should be sought.**
- 6. To have broader application, social enterprise certification should address social impact and supplier diversity criteria.**
- 7. The certification of social enterprise suppliers should have multiple tiers. Certification can**

then gain wider adoption, build sector capacity, support those seeking contracts, and identify tender-ready suppliers.

8. The intermediary needs to be expert at matching up suppliers and purchasers. Accordingly, the intermediary must be adept at building strong working relationships with the public, private and third sectors.
9. While requiring initial government funding, the intermediary should strive to diversify its revenue streams as quickly as possible. Private sector sponsorship should be explored.
10. A clear declaration of principles must define the intermediary's work and commitment to social impact and change.
11. Pending the growth of supportive ecosystem, the intermediary must implement strategies to build the capacity of social enterprises and increase their readiness to bid on tenders.

# 8.0

## Conclusion

International, national and regional experiences all indicate that an intermediary functioning as a social procurement broker benefits the social enterprise sector. For this strategy to succeed on a large scale, parallel strategies and resources are required. Intermediaries in other countries have benefited social enterprises, governments and private sector businesses. They have managed to create a supportive ecosystem and raise awareness of the benefits and opportunities of social procurement. Many conversations and initiatives in the same regard are already happening across Canada. We need a body that can pull these together, cut through much of the noise and advance this work to the next level.

In fact, the development of a social procurement intermediary and a more supportive ecosystem puts the onus on the social enterprise sector. It must begin to grapple with its own limitations and hesitancy in taking on larger contracts. This will take a reimagining of how enterprises are built, structured and financed. Such expertise can be built over time. But it also requires that the sector import expertise, particularly in matters of responding to and carrying out tenders. This support and professional development should also be a role of a social procurement intermediary.

Social procurement is taking hold in Canada functionally and conceptually, and in many different forms. Nonetheless, other countries remain ahead of us, with the exception of Québec and its social economy. Rather than chide ourselves for lagging behind, we need to embrace and reflect upon the positive and negative lessons learned by others. Canada's public sector has not been a leader in this work. Rather than wait for government to act, let us take this as an opportunity. It is an opportunity for others, like the social enterprise sector, to assume a leadership role. Let it take the lead in determining how social procurement can improve the communities and the lives of Canadians. An intermediary operating in this space can and will play a defining role, both in envisioning the work and setting the bar for what can be achieved.

# 9.0

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# 10.0

## Further Reading

### Canadian context:

#### **Buy Social Canada**

Buy Social Certification for Social Enterprise Suppliers and Purchasers  
<http://buysocialcanada.ca>

#### **Enterprising Non-Profits newsroom, Social Enterprise Canada**

News and articles on a broad range of topics across Canada relating to social enterprise and social procurement): <http://www.socialenterprisecanada.ca/newsroom>

#### **Exploring Social Procurement (2014) David LePage, Accelerating Social Impact CCC, Ltd**

[http://buysocialcanada.ca/files/2014/05/Exploring-Social-Procurement\\_ASI-CCC-Report.pdf](http://buysocialcanada.ca/files/2014/05/Exploring-Social-Procurement_ASI-CCC-Report.pdf)

### International:

#### **Ready For Business**

Scottish Social Procurement Resources  
<http://readyforbusiness.org>

#### **Community Benefits in Public Procurement**

Scottish Government Report on the use of community Benefits in Public Sector Procurement  
<http://www.scotland.gov.uk/resource/doc/212427/0056513.pdf>

#### **Social Enterprise Alliance: SE Tool belt**

A wide variety of social enterprise resources, toolkits and research  
<http://toolbelt.se-alliance.org/search/resources>

#### **Social Enterprise UK**

Buy Social UK campaign, news, and resources including social procurement and Social Value Act  
[www.socialenterprise.org.uk/](http://www.socialenterprise.org.uk/)

#### **Social Traders**

Information, news and research about social enterprise and social procurement in Australia  
<http://www.socialtraders.com.au>

#### **UK Cabinet Office: Social Value Act**

Information and supports about the UK Social Value Act  
<https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources>

## **Social Procurement Australasia**

Research and Resources around social procurement in Australasia

<http://socialprocurementaustralasia.com/resources/research/>

## **Social Enterprises Sydney: Social procurement in NSW**

A guide for implementing social procurement

<http://www.socialenterprises.com.au/social-procurement-guide>

# 11.0

## Appendices

### 11.1

#### **Appendix A: List of Interview Questions**

1. The following questions were posed to sector experts. Their responses helped to shape the learning process, the breadth of sources reviewed, and the report recommendations.
2. What's your definition and vision for social procurement? (What is the potential?)
3. What are the major pieces required for this to work?
4. How is this a part of your work?
5. What's currently happening around social procurement that you're excited about? (Locally, globally or in your backyard?)
6. What's missing and what are the challenges?
7. Is there a need or role for an intermediary in this work? If so what would or has this looked like?
8. Do you have any tools, literature, policy, or resources you'd like to share?

### 11.2

#### **Appendix B: List of Sector Experts Interviewed**

The Research Team would like to thank and acknowledge the following people for their time, ideas and contributions to this report. Interviews were carried out in person and by phone.

Anne Jamieson, Senior Manger, Toronto Enterprise Funds

Brendan Reimer, Strategic Partner, Values Based Banking at Assiniboine Credit Union

Caroline Arcand, Executive Director, Groupe Convex

Cathy Lang, Principal, C. Lang Consulting

James Lapierre, Manager, Community & Labour Market  
York Humber Employment & Social Services

Jon Harstone, Project Manager, Social Purchasing Project

Marilyn Struthers, John C Eaton Chair of Innovation and Entrepreneurship, Ryerson University

Mehnaz Rahman, Communications Coordinator, Social Purchasing Project

Paul Chamberlain, Ontario Director, Canadian Community Economic Development Network (CCEDNEt)

Peter Frampton, Executive Director, The Learning Enrichment Foundation