

# Guide to Social Procurement

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## What is Social Procurement?

Social procurement (also referred to as socially responsible procurement, social buying, or ethical purchasing) refers, in this guide, to procurements which:

- Result in progressive improvements in the lives of people who contribute to supply chains and are impacted by supply chain decisions
- A means to achieve organisational objectives towards delivering broader social benefits, through procurement of goods or outsourced services with superior social co- benefits

## What Principles apply?

Social procurement will incorporate Ethical Procurement Principles set out in the Ethical Purchasing Guide, and must still comply with all other Procurement Policies including that it demonstrates Value for Money.

The Ethical Purchasing Principles include the following:

- Openness and transparency The process for awarding contracts should be open, clear and defensible
- Fairness Businesses tendering for contracts should be treated fairly
- Simplicity The implementation process should be as simple as possible to minimise tendering and contracting costs for businesses and government
- Opportunity The process should not discourage SMEs and businesses in regional areas from tendering for contracts
- Rule of law The basis of the Government's ethical employment standard is compliance with applicable industrial instruments and legislation
- Current factual information The assessment of whether a business satisfies the ethical employment standard should be based on the most up-to-date information available.

## Elements of Social Procurement

Potentially, analysis of the supplier market and health service requirements could reveal opportunities to procure specific social co-benefits as part of the objectives of a specific procurement.

Alternatively, a weighted evaluative preference could be assigned to social benefits, and tenderers invited to address related criteria within their tender responses for evaluation. This may result in awarding suppliers or purchasing goods that provide superior social co-benefits.

*Table 1* (overleaf) outlines various ways in which social procurement can help public and private organisations achieve important social objectives.

**Table 1:** Social procurement objectives

Social value objectives	How these objectives can be achieved through social procurement
Employment and training	Building into the contract opportunities for employment for people who have been excluded from the workforce.
Social inclusion	Building into the contracts consideration about how suppliers could respond to reducing social exclusion in the place or amongst particular populations by addressing: <ul style="list-style-type: none"><li>• Poverty and low income</li><li>• Lack of access to the job market</li></ul>

Social value objectives	How these objectives can be achieved through social procurement
	<ul style="list-style-type: none"> <li>• Limited social supports and networks</li> <li>• Lack of opportunities in local neighbourhoods</li> <li>• Exclusion from services.</li> </ul>
Diversity and equality	<p>Ensuring that 'minority' businesses have fair and equal access to purchasing and procurement opportunities e.g. indigenous business.</p> <p>Building a diverse supplier base that reflects the diversity of the community.</p> <p>Ensuring that small businesses and social benefits suppliers have fair and equal access to procurement opportunities.</p>
Local suppliers	Wherever possible, be aware of opportunities to support participation from the local community and SMEs, while maintaining opportunities for global sourcing.
Social and service innovation	Procurement can support social innovation and market creation through consideration of how procurement can open new markets and suppliers have the opportunity to test and develop and scale innovation in a market environment.
Fair trade	Sourcing internationally-traded commodities from producers and manufacturers that adhere to fair trade practices can generate social benefits for disadvantaged communities, internationally, and can be seen as ethical purchasing choice.

## Implementing social procurement

### Getting started

When first seeking to implement social procurement, it is important to devise a strategy to prioritise issues and put them in a manageable perspective, as follows:

- Review existing supplier market
- Identify opportunities
- Consult with others
- Get senior management buy-in
- Other practical actions.

### Review existing supplier market

Build an accurate picture of existing suppliers and their subcontractors. Focus first upon your strategic suppliers, but remember it can sometimes be a non-strategic supplier that has the greatest potential to incorporate social co-benefits through procurement.

### Identify opportunities

There may be existing knowledge of current or potential suppliers who provide strong social co-benefits. Send questionnaires directly to suppliers asking for details of manufacturing units and subcontracts.

You may already be contacting your suppliers on health and safety or environmental issues, so widening your enquiry to cover ethical or social issues may not in practice be as large a step as it first appears.

## **Consult with others**

It may be useful to consult others buying in the same area, with a view to pooling information. Consultation with local and international experts may also be helpful at this stage, as well as with other organisations to implement solutions.

## **Get senior management buy-in**

As stated previously there is increasing pressure on businesses, to demonstrate good ethical business practice and many organisations are actively seeking to address these concerns.

If you have identified opportunities from your supplier reviews as above, these can be highlighted to senior managers, together with recommendations for action.

## **Other practical actions**

Social procurement is not fundamentally different from any other procurement, only with an expanded scope of incorporating specific social benefits into either the objectives of the overall procurement project, or incorporating a meaningful evaluation of social co-benefits into the evaluation of tender offers.

If specific social procurement objectives (such as relating to employment and training) are desired, these need to be either set as mandatory requirements, or set as preferences against which responses can be systematically graded and weighted within the procurement decision-making process.

Mandatory requirements will restrict supply to those providers that can meet those minimum requirements, so it is important that all implications, including demonstrating that overall value for money for the purchasing organisation is achieved, are carefully assessed during the setting of the procurement strategy.

## **More information**

Related documents and templates are available on the HSV website.

## **Disclaimer**

The information presented in this document is general in nature and based on HealthShare Victoria's interpretation of the *Health Services Act 1988 (Vic)* and any ancillary legislation and regulations in effect at the time and should not be relied upon as legal advice. Please consider seeking professional and independent advice from your legal representative as to the applicability and suitability of this information and the legislation to your own business needs or circumstances.