

Economic and Social Procurement Guideline

Purpose

This Guideline promotes and explains the key concepts of economic and social procurement and provides practical guidance to public authorities on how to consider these concepts in their procurement strategy. This Guideline is scalable, based on the level of complexity of each procurement, and is designed to establish a consistent and streamlined approach that embeds economic and social procurement into Government's everyday buying activity.

This Guideline¹ aligns with the [South Australian Industry Participation Policy](#) (SAIPP) and the government's commitment to maximising benefit to the community of South Australia is realised through government spending.

What is Economic and Social Procurement?

Economic and social procurement is when public authorities use their buying power to generate social value above and beyond the value of the goods or services being procured. It is the practice of achieving economic² and social impact through normal procurement spending using funding that is already budgeted.

Although economic and social procurement is not new, it is increasingly recognised as an important tool for public authorities to:

- leverage their purchasing power to achieve broader public policy objectives
- increase opportunities and expand markets for 'social benefit suppliers'
- influence "mainstream" suppliers (i.e. suppliers that are not social benefit suppliers) to prioritise social value creation and diversify supply chains to, among other things, drive competition, promote innovation and provide all suppliers with a full and fair opportunity to compete.

Value for Money

Value for money is the achievement of a desired procurement outcome at the best possible price based on a balanced judgement of financial and non-financial factors relevant to the procurement.

The strategic use of the procurement function can deliver broader economic and social outcomes and these factors can be a core component of the value for money proposition.

What does it mean to be a Social Benefit supplier³?

Social benefit suppliers are organisations which have a social purpose or mission at the core of their operations and are often owned or managed by disadvantaged

¹ This Guideline has been derived from the Buying for Victoria, Social procurement toolkit

² assessed in accordance with the South Australian Industry Participation Policy

³ [Who are social benefit suppliers? | For government | Queensland Government](#)

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groups.

Social enterprises are another example of a social benefit supplier. Social enterprises are organisations led by an economic, social, cultural, or environmental purpose consistent with a public or community benefit, social enterprises reinvest the majority of any profit or surplus into the fulfilment of their purpose.

Approaches to Economic and Social Procurement

For practical purposes, economic and social procurement may be grouped into two broad approaches. These approaches are differentiated according to who the public authority is contracting with and the way in which the public authority is delivering an economic or social outcome.

The direct approach to economic and social procurement is where a public authority purchases goods or services from a ‘social benefit supplier’. By purchasing from social benefit suppliers, a public authority is directly delivering economic, social and/or sustainable outcomes.

The indirect approach to economic and social procurement is where a public authority purchases goods or services from a “mainstream” supplier (i.e. a supplier that is not a social benefit supplier) and the public authority uses the market approach and/or performance measurers in contracts to deliver broader economic and social outcomes. This approach includes scenarios where during an evaluation process, a public authority views more favourably a supplier who involves social benefit suppliers through the supply chain (e.g. by way of subcontracting).

The two approaches are not mutually exclusive and both approaches create opportunities to deliver economic and social outcomes, which means that all suppliers can deliver one or more of these outcomes when doing business with public authorities.

Depending on the size, expenditure category, and level of opportunity and risk, there are several best practice tactics that can be applied to drive economic and social procurement. Some of the more common approaches are highlighted in the table below.

Social procurement sourcing tactics	Description
Bundle	Increasing the size and scope of a procurement or contract to enable an economic or social solution.
Unbundle	Decreasing the size and scope of a procurement or contract where local businesses, social enterprises, Australian Disability Enterprises or Aboriginal businesses in the supply market do not have the capacity to meet full scope.
Evaluation criteria or targets for delivering economic and social value	Asking all businesses to demonstrate economic and social impact, to communicate the importance placed on economic and social value.

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Social procurement sourcing tactics	Description
Evaluation criteria or targets for subcontracting	Encouraging suppliers to incorporate local businesses, social enterprises, Australian Disability Enterprises or Aboriginal businesses in their supply chain.
Market Sounding, Request for Information and Expressions of Interest	When there is limited knowledge of how economic and social impact could be addressed or there is a desire to encourage innovation from the supply market.
Partnerships	Creating long-term opportunities for innovation around shared economic and social objectives, including partnering with private sector or strategic matching of local business, social enterprise, Australian Disability Enterprises or Aboriginal business supplier capability with a pipeline of work.
Supplier relationship management	Structured supplier relationship management processes enabling engagement to explore opportunities to strengthen the delivery of economic and social objectives.
Targeted panels	Using panels as an opportunity to encourage and enable market participation by South Australian business, social enterprises, Australian Disability Enterprises and Aboriginal businesses.
Targeted sourcing	Allowing direct sourcing from known local business, social enterprises, Australian Disability Enterprises and Aboriginal businesses with demonstrated capability. *In accordance with the Procurement Planning Policy.

Economic and Social Procurement Objectives and Outcomes

Some examples of economic and social procurement objectives and outcomes are listed below.

Economic and Social Procurement Objective	Broader outcomes sought
Opportunities for South Australian Aboriginal people	Purchasing from South Australian Aboriginal businesses. Suppliers to the South Australian government employing South Australian Aboriginal people.
Opportunities for South Australians with disability	Purchasing from South Australian social enterprises and disability enterprises. Suppliers to the South Australian government employing South Australians living with disability.
Women's equality and safety	White Ribbon Accreditation or adoption of family violence leave by suppliers to the South Australian government.
Opportunities for disadvantaged South Australians	Purchasing from South Australian social enterprises that provide job readiness and employment for: <ul style="list-style-type: none"> • long-term unemployed people • disengaged youth • single parents • migrants and refugees • workers in transition • people in regions of entrenched disadvantage.
Supporting safe and fair workplaces	Purchasing from suppliers that comply with industrial relations laws and promote secure employment.

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South Australian Industry Participation Policy

The [South Australian Industry Participation Policy](#) (SAIPP) establishes the framework for assessment of the economic contribution between competing offers (e.g. quotes, tenders and grants) within a broader value-for-money framework. Public Authorities are expected to actively seek to expand economic opportunities for South Australia when applying the SAIPP.

Public Authorities can work with the Office of the Industry Advocate to develop an appropriate strategy to maximise industry participation, employment and use of supply-chains to achieve economic and social procurement outcomes. For certain procurements, the SAIPP requires public authorities to seek that South Australian apprentices, trainees, Aboriginal workers, and long-term unemployed deliver 20% of all labour hours.

Industry Engagement

A good starting point is to establish whether suppliers have business drivers (vision, mission or strategy) that are aligned to economic and social procurement objectives. For example:

- Does the supplier have a 'buy local' policy or procurement practices that align to the [SAIPP](#)?
- Does the supplier have a corporate social responsibility policy?
- Does the supplier have any social enterprises, Aboriginal businesses or Australian Disability Enterprises in their supply chain?
- Does the supplier offer training programs for disadvantaged South Australians?
- Does the supplier have a gender action plan or disability action plan?

In doing so, public authorities may discover that suppliers are already embracing economic and social procurement within their businesses or are at least familiar with the business drivers for economic and social value creation and have business objectives that align.

Planning

It is recommended that public authorities incorporate an economic and social procurement opportunity analysis in relation to the individual procurement activity that covers both direct and indirect approaches to economic and social procurement.

While the preferable approach will depend on several factors, the economic and social procurement opportunity analysis should consider:

- any economic and/or social procurement objectives prioritised by the relevant public authorities in their own strategic plans
- available information/data about spend patterns and categories, existing

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contracts and supplier profiling, market analysis and complexity assessment, to the extent that it is relevant to the individual procurement activity

- any supply related risks specifically relating to respect for human rights and modern slavery
- the application of specific economic and social procurement sourcing tactics.

Based on this analysis, public authorities can consider any organisational economic and social procurement outcomes and consider whether it is appropriate to set economic and social procurement targets for the individual procurement activity, for example:

- a South Australian regional, small or Aboriginal business procurement target such as supply chain, employment and training opportunities (e.g. by percentage or amount)
- increased economic benefit through investment and capital expenditure in South Australia
- social benefit supplier expenditure targets (e.g., by percentage or amount)
- targets in relation to gender equality indicators and/or proportion of suppliers with family violence leave
- targets for employment outcomes for South Australians with disability
- targets for job readiness and employment outcomes for disadvantaged South Australians and/or regions with entrenched disadvantage.

When introducing economic and social outcomes or targets, it is also important, as part of the planning stage, for the public authority to consider how data relating to these performance measures will be captured and reported.

Sourcing

The following shows how economic and social outcomes can be incorporated into market approaches, evaluation and subsequent contracts between public authorities and the supplier:

- **Supplier attributes** – these focus on the attributes of the supplier, namely whether it is a ‘local’ or ‘social benefit supplier’.
- **Supplier practices** – these focus on the supplier’s business practices, such as the adoption of family violence leave or environmentally sustainable business practices.
- **Supplier outputs** – these focus on outputs of the supplier’s business or outputs of the individual contract, such as the use of South Australian manufactured products or businesses in the supply chain and the employment of South Australians.

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There can be overlap between these areas. For example, if the social outcome of 'employment of South Australians with disability by suppliers to the South Australian Government' were prioritised in an invitation to supply, suppliers may be asked to:

- demonstrate inclusive employment practices in relation to South Australians with disability (i.e. a focus on business practices); and
- set performance standards or targets for employment outcomes for South Australians with disability, such as the number of labour hours to be performed (i.e. a focus on outputs).

Contract Management

Stipulating measurable economic and social benefit expectations and actively managing them sends a strong message to suppliers that government buyers are serious about securing economic and social value alongside the goods and services that are being procured. Wherever possible, measures should be linked to government commitments and priorities, and should be captured and reported in a standardised way.

A supplier's performance and the achievement of economic and social outcomes should be actively monitored in the same way as other contract expectations (such as quality and costs). Actively monitoring and managing these expectations creates opportunities to identify how outcomes and delivery might be enhanced and ensures the contract is delivering the intended economic or social impact.

Reporting requirements should specify the performance indicators for achieving the targets, and the reporting terms.

- Make sure performance indicators are easily understood. It should be clear to the supplier how economic and social targets are related to the outcomes.
- Monitoring and reporting requirements should be proportionate to the size and importance of the economic and/or social benefits being delivered.
- Discuss economic and social benefits with suppliers regularly. Make it clear the economic and social benefits are important to the public authority and work with suppliers to solve any problems or to enhance outcomes where possible.