

the
IMPACT
INITIATIVE

RECOMMENDATION AREA ONE: SOCIAL PROCUREMENT

Strengthening Government Procurement for Positive Outcomes in Aotearoa New Zealand

Recommendations 1.1, 1.2 and 1.3

PREPARED BY THE ĀKINA FOUNDATION
as part of The Impact Initiative

PRODUCED DECEMBER 2020, PUBLISHED APRIL 2021

WHAT IS SOCIAL PROCUREMENT?

Procurement is changing, for good.

Procurement

Acquiring goods, services and works

Social Procurement

Acquiring goods, services and works

Generation of positive social, cultural, economic and environmental **impact**

- **Procurement** covers all aspects of acquiring and delivering goods, services and works.
- **Social procurement** is intentionally using procurement activities as a tool to generate positive impact alongside acquiring goods, services and works.
- **Impact** is a term used to describe the positive social, environmental, cultural or economic changes or *outcomes* that happen as a result of an action (in this case procurement activity).

We use the terms “outcomes” and “impact” in this document.

Social procurement uses the power of marketplace and suppliers to create positive impact from every dollar spent by a buyer. And these benefits can be generated all the way through the supply chain.

Every purchase made has an impact, whether intended or not. Social procurement aspires to have the most positive impact possible and sees procurement as an opportunity, not as a risk.

Social procurement is a way of doing procurement. At its heart, it is simply procurement done properly. It is not a bolt-on.

SETTING A COMMON LANGUAGE

There are other terms for social procurement such as sustainable procurement, progressive procurement and inclusive procurement; these are all used interchangeably in procurement. There is no right or wrong.

We use “social procurement” as the umbrella term to describe procurement delivered in an outcomes-focussed way, acknowledging the wide range of social, environmental, cultural or economic outcomes.

Government procurement is a strategic activity that seeks to achieve Public Value. It takes into account not just price and quality, but also the outcomes of procurement. The definition of Public Value was expanded in 2019 to include Broader Outcomes; these are the environmental, social, economic or cultural benefits generated through Government procurement activity.

IF Government, as a buyer, uses its procurement spend to stimulate demand for suppliers who deliver positive impact

AND Government interacts with the market effectively

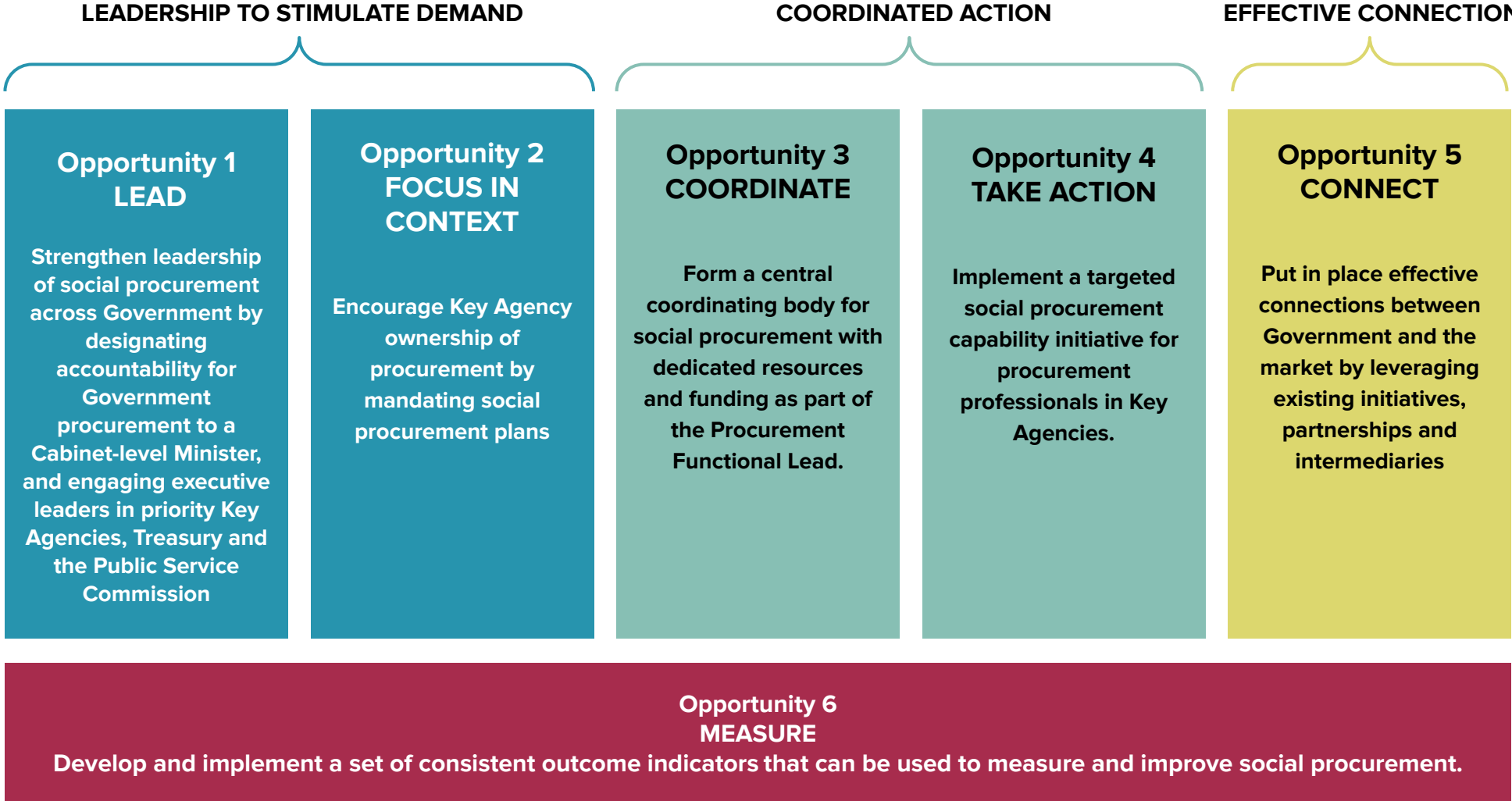
THEN the market, including impact-led suppliers like social enterprises and Māori/Pasifika enterprises, will grow and evolve to respond to increased demand

RESULTING in more positive social, environmental, cultural and economic impact.

EXECUTIVE SUMMARY

There is an opportunity to use procurement to grow good outcomes from Government expenditure through a strengthened approach to procurement. Social procurement should become best-practice procurement across all of Government to fully realise this opportunity.

This paper outlines the current state of social procurement in Aotearoa-New Zealand and defines **six opportunities** that will enable the Government to strengthen its approach to social procurement.



Introduction

Social procurement has found its time in Aotearoa New Zealand. That time is now.

We have an exciting opportunity to achieve greater positive impact by leveraging money spent by all organisations in the public, private and community sectors.

Government has a critical role to play in this opportunity as the first purchaser, as a leader, and as the entity that will benefit the most from increased social procurement activity.

To enable and embed social procurement as best-practice in Government procurement, **we need to move from 'why' to 'how'**. We need to rebalance procurement priorities. Government action on social procurement will drive an impact-focused mindset into the market and supply chains both domestically and globally. This will grow opportunities for impact-led suppliers like social enterprises, often excluded from Government procurement, to respond to the greater demand.

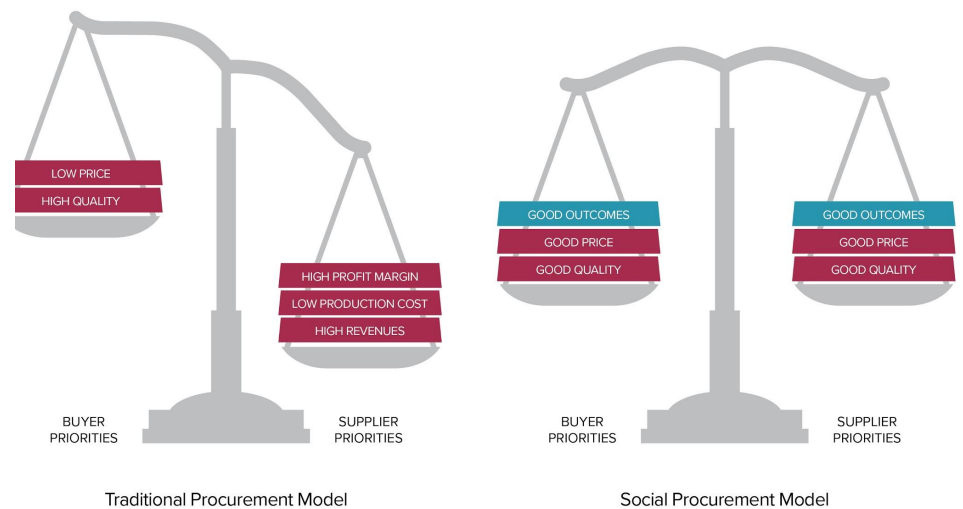
“Social procurement is the greatest untapped tool for social change”

- PETER HOLBROOK CBE, CEO, SOCIAL ENTERPRISE UK

This paper outlines six opportunities to strengthen the Government's approach to social procurement.

It has been informed by conversations, feedback, experience and evidence from the market, from global practice, and from Ākina's work at the forefront of impact development.

It is intended for Government stakeholders. It seeks to provoke thought and discussion around social procurement **to create a step-change in the way we all do procurement, for good.**



Current State

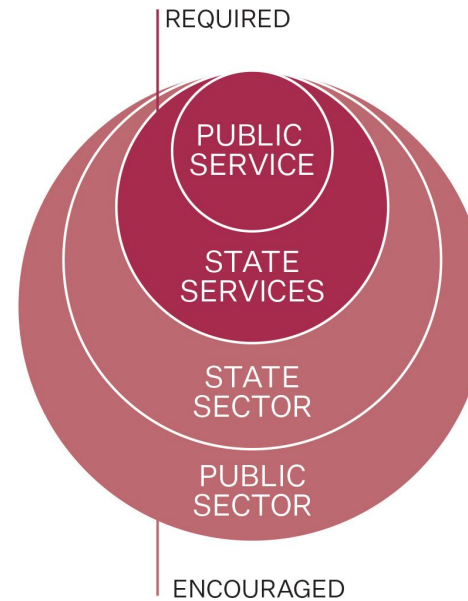
How procurement works in government

The NZ Government spends around \$42 billion each year on the procurement of goods, services and works. Most of the procurement activity is delivered through NZ Government agencies which are responsible for their own procurement initiatives and activity.

In 2012, Procurement Functional Leadership (PFL) was established to create a collaborative centre-led approach across Government to lead improvements in government procurement. The Procurement Functional Leader is the CEO of the Ministry of Business, Innovation and Employment (MBIE), and the PFL is operationalised by the NZ Government Procurement Team (NZGP)¹.

Since being formed, NZGP has been responsible for the policy framework of principles, rules and good-practice guidance, as well as activities to improve procurement practice and make it more consistent across Government. They are the single entity that leads improvements to overall government procurement¹.

Central to the policy framework is the Government Procurement Rules², which are the standards of good practice for Government procurement. The Rules are either required or encouraged to be used across Government agencies, depending on where the entity sits in the wider public sector (see diagram).



The Rules guide the interaction of each agency with the market through its procurement activity.

Public Value and Broader Outcomes

Government has had a long focus on Public Value through its spend to achieve “the best possible result from a procurement taking into account both the total cost of ownership and the contribution to the results sought” as per the Rules.

Public Value is defined in the Rules as including three broad components:

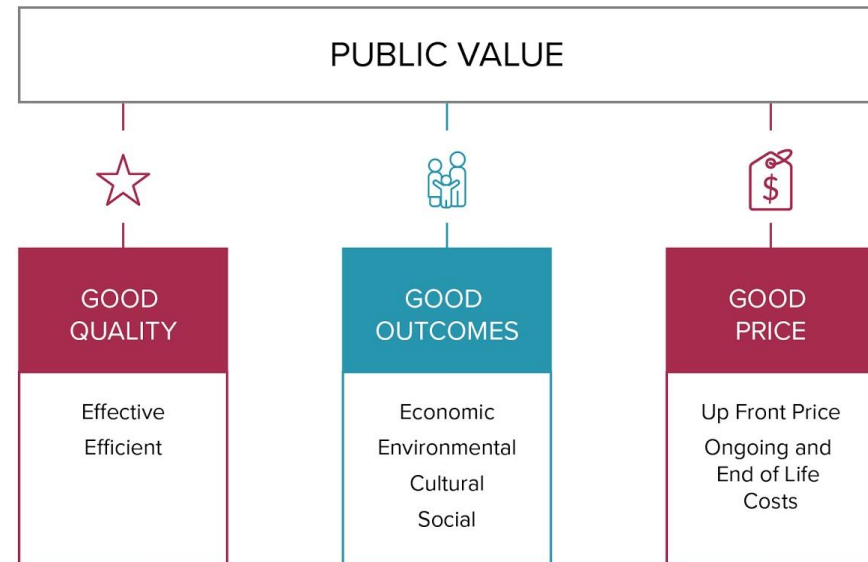
- Good Price - seeks to consider costs across the lifecycle of a contract
- Good Quality - a fit for purpose solution that meets the needs of the project
- Good Outcomes - positive social, cultural, economic and environmental outcomes generated through the procurement activities

Broader Outcomes

The latest 2019 amendment of the Procurement Rules introduced Broader Outcomes (Rule 16), to define good outcomes in the lens of Public Value. Rule 16 states that “each agency *must consider, and incorporate where appropriate, Broader Outcomes when purchasing goods, services or works.*”

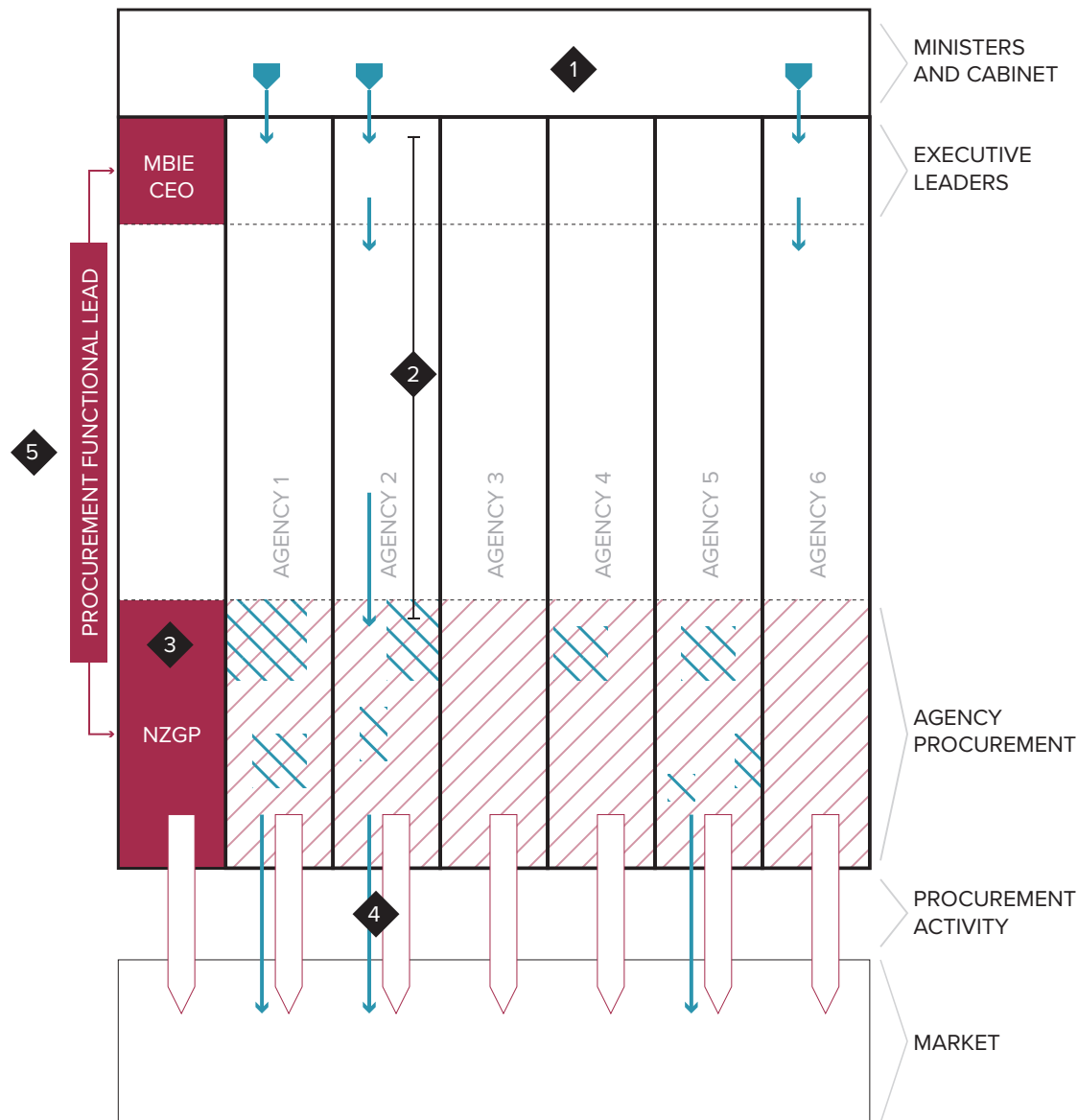
Four priority Broader Outcomes are specifically outlined in Rules 17 to 20, covering NZ business access, construction skills and training, conditions for NZ workers and net-zero emissions/waste reduction respectively. These are intended to reflect Government priorities.

While there are differences in terminology, we use **social procurement** as a term to describe procurement delivered in an outcomes-focussed way, and **outcomes** and **impact** to describe the benefits that form part of Public Value.



Social Procurement within Government

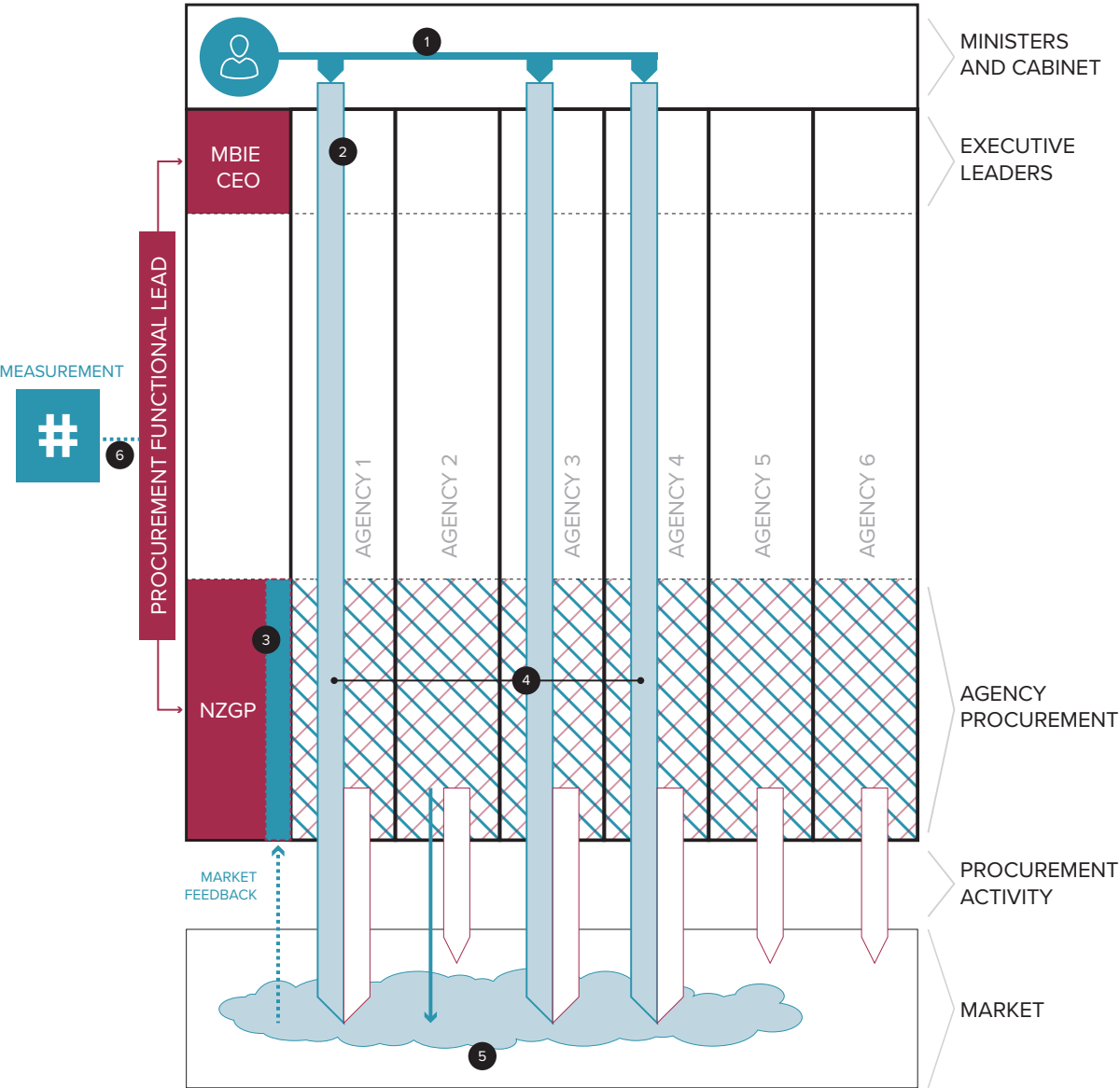
Figure 1: How social procurement currently works in Government



- 1 **Setting priorities.** Procurement is increasingly viewed in a strategic manner as a mechanism for the Government to deliver social, environmental and economic outcomes. Priorities are passed down from Ministers to the individual agencies alongside existing policy and business objectives.
- 2 **Passing through priorities.** Mixed engagement with procurement at the executive leadership level is reflected in agencies. Some of the priorities are passed into the individual agencies and through to their procurement teams, while others aren't.
- 3 **Changed rules.** The 2019 amendment of the Procurement Rules by the PFL introduced Broader Outcomes to the lens of Public Value across Government. This change is operationalised through the PFL and their work, noting the coverage of the Rules and opt-out mechanisms that apply.
- 4 **Mixed market engagement.** Resultant social procurement activity by each agency is dependent on prioritisation, PFL influence and the engagement of the procurement function. There are pockets of social procurement activity with engaged buyers such as NZTA, MFAT and Kāinga Ora. The implementation challenge means that current practice is inconsistent, or sometimes non-existent, in and across Government agencies.
- 5 **Inconsistent reporting of outcomes.** Reporting on progress is qualitative and highly dependent on agency capability. It has been focussed at an 'activity' level, not capturing the outcomes achieved by social procurement initiatives at an agency level, nor in a consolidated way across Government.

The Opportunity for Change

Figure 2: Opportunities for strengthening social procurement in Government



- 1 Strengthening leadership is key.** Designating a 'Minister of Procurement' for Government will enable priorities for social procurement to be identified and coordinated at a Ministerial level, then passed into the leadership of the PFL and Key Agencies.
- 2 Agency Social Procurement Plans to drive action.** Mandate the first wave of Social Procurement Plans in Key Agencies to make social procurement a leadership priority and empower their teams to take action. This will link leadership, procurement teams and procurement activity.
- 3 Form a coordinating body for Government.** A funded and focussed social procurement team that works interactively with Key Agencies will add weight to the PFL and allow practice to be captured and shared between agencies and across wider Government.
- 4 Focus on growing capability in Key Agencies.** Grow the capability of procurement professionals in Key Agencies to give the direct benefit of dedicated resources and more effective social procurement activity at the market interface.
- 5 Connect better with the Market.** Social procurement is already happening. There are a series of initiatives, partnerships and Intermediary organisations that can broker deals, provide expertise and give market feedback to Government.
- 6 Consistent measurement for improvement.** The success of social procurement depends on measuring the outcomes. Developing and implementing standardised fit-for-purpose indicators, and outcomes management capability, will increase the effectiveness of social procurement practice.

- PROCUREMENT ACTIVITY
- PROCUREMENT PRINCIPLES, RULES & GUIDANCE (REQUIRE OR INFLUENCE)
- SOCIAL PROCUREMENT ACTIVITY
- PRINCIPLES, RULES & GUIDANCE INCLUDING SOCIAL PROCUREMENT/BROADER OUTCOMES
- ALIGNED SOCIAL PROCUREMENT ACTIVITY

Opportunity 1: Lead

Strengthen leadership of social procurement across Government by designating accountability for Government procurement to a Cabinet-level Minister, and engaging executive leaders in priority Key Agencies, Treasury and the Public Service Commission.

Strengthening leadership will enable social procurement by mobilising and empowering the key layers of the Executive. This decisive step would enable government procurement to drive positive change and improved outcomes for Aotearoa New Zealand.

Why is this important?

- Government wants its procurement function to contribute to the economic and social recovery of Aotearoa New Zealand post-Covid. A link with Cabinet is necessary to strengthen the visibility and the mandate of the procurement function to drive improvements across Government.
- Government has a leadership role as the first purchaser and a primary influence on procurement practice. By adopting good social procurement practices, Government leadership sets the 'tone at the top' for both public service and the market. It also sends a message

about the Government's intent and priorities (for example, reducing inequality, inclusive employment, zero-carbon public service).

- Government has the most to gain from the benefits of social procurement, because it will enable it to deliver improved social and environmental outcomes through its existing expenditure. It is a great way of spending the same dollar twice.
- Leadership in social procurement sets clear points of ownership within Government. This builds on existing momentum and encourages inter-agency collaboration, while recognising the performance and value benefits for Government as a whole.
- The market is ready to respond if the Government stimulates demand. International market activity in countries such as Australia shows what is possible with a strengthened approach.

KEY AGENCIES

Social procurement, in a cross-Government lens, brings together procurement activity (spending money) with positive impact (social, cultural, economic and environmental outcomes) across the system. Put simply, the Government agencies that have the biggest opportunity to create positive impact through social procurement (*big spender/influencer*) are not necessarily the agencies whose work benefits the most from the impact created (*outcomes*).

This paper uses the concept *Key Agencies* throughout the document as defined on the next page.

KEY AGENCIES

This paper proposes that a group of **Key Agencies** be singled out to step social procurement forwards including big spenders/influencers, outcomes, and key stakeholders. The UK Government has four central departments that account for 82% of procurement spend³; applying a similar lens in NZ would identify the ‘big spenders’ where social procurement should matter.

The **Key Agencies** then report back to the ‘Minister of Procurement’ via the PFL and their respective Ministerial leads through the existing structure. An initial Key Agencies group could be as follows:

KEY AGENCIES

BIG SPENDERS, incl.

Kāinga Ora
NZTA
MBIE
Education
MFAT

OUTCOMES incl.

MSD
Education
TPK
Health
Corrections

KEY STAKEHOLDERS incl.

NZGP, Treasury, Public Service Commission

Insights and Evidence

‘A missed opportunity to deliver social value is a cost that has to be absorbed elsewhere in public services.’⁴

- UK CABINET OFFICE

As Government seeks to strengthen the procurement function and mandate⁵, stronger and more defined leadership is vital. Ākina’s work has confirmed that “engagement is mixed at agency leadership levels”⁶, which impacts the mandate of procurement teams. Clear points of ownership would highlight the strength and breadth of Government commitment to social procurement to agencies and the market.

- Ministerial ownership for Victoria’s Social Procurement Framework (SPF) rests with the Assistant Treasurer (Dept of Treasury and Finance) and Minister for Employment (Dept of Jobs, Precincts and Regions). The SPF is publicly backed by the Ministers of Aboriginal Affairs, Disability, Aging and Carers, Women, Industrial Relations, Regional Development, Energy, Environment and Climate Change, and Solar Homes⁷.

There is a significant untapped high-value social procurement market.

- Social Traders estimates current deal flow between buyers and social enterprise suppliers in their marketplace exceeds AU\$100 million per annum and is projected to grow to AU\$1 billion per annum by 2030.
- The social return on investment (SROI) for every dollar received in revenue by social enterprises in Canada has been reported between \$2 and \$4/dollar⁸.

The potential upside of a NZ social procurement market is considerable and similar in context to Australia. The NZ market is ready to respond to increased demand.

- Social Traders surveyed 170 Australian social enterprises in June 2020, 90% of which trade with business and Government. Even in the context of COVID-19, 75% of the social enterprises said they have *potential to significantly grow employment* if the right government targets, support and policy settings were in place.⁹

Opportunity 2: Focus In Context

Encourage Key Agency ownership of procurement by mandating social procurement plans.

Leadership drives social procurement priorities into the Key Agencies, which produce their own agency-specific procurement plans using a consistent approach. This moves Key Agencies toward ownership and activation of social procurement in a coordinated way that builds social procurement momentum across Government. It also equips agencies with the freedom to focus on the priorities within their unique operating context. Social procurement is a tool that enables individual agencies to meet their own objectives, as well as the objectives of government as a whole.

Why is this important?

- Procurement is a strategic activity for all government agencies. Leadership at an agency level is critical to activate social procurement because each individual agency is responsible for its own procurement initiatives.
- As parts of Government are already engaged and acting with varying degrees of commitment and structure, mandating a social procurement strategy and plan for each Key Agency provides a common approach to take action.

- To address the complexity of procurement change across Government in a manageable way, it is necessary to focus on building social procurement at the agency level so that agency context can be accommodated. Moving from intent to action is critical to substantiate Government's policy drivers. Without this, social procurement will remain aspirational.
- Every Government agency has a different mandate, operating context and spend profile. It follows that every agency will already have a unique set of priorities that will ladder up to Government's overall priorities. It is imperative that agencies' plans are tailored to their own contexts and goals.
- While individual agency context is important, so is consistency. A unifying template for every social procurement plan would guide the agencies and include objectives, planning and opportunities, capability development, engagement, measurement/reporting and potentially formalised targets. Social procurement plans can be prepared in an interactive way that allows for shared learning and development of common language, as well as building collaborative relationships between agencies. It also enables agencies to identify, value and celebrate successful outcomes collectively.

Insights and Evidence

“As a customer, we are one of the largest in the country, which means we have influence to help send a clear market signal with our purchasing decisions. By thinking about our purchasing decisions as a massive market force, we can introduce a new sense of the social and environmental responsibility into the marketplace.”¹⁰

- RYAN TURNBULL, MP FOR WHITBY, CANADIAN FEDERAL GOVERNMENT

Using social procurement plans in Key Agencies is proven to build momentum in a consistent way in Government.

- As a whole of government procurement policy, the State Government of Victoria (Victorian Government) adopted a phased approach¹¹ to roll out the SPF.
 - Phase 1 required 11 core Government entities to submit a social procurement strategy based on common requirements by Sept-18 and to prepare first reporting by the end of FY18-19. For major projects > \$20 million, departments and agencies are also required to develop a social procurement plan. The Dept of Treasury and Finance reviewed and provided feedback on all strategies to improve and ensure consistency across Government. Phase 2 required all other agencies (260+) to submit a strategy for feedback by Sept-19. Reporting requirements applied to all departments and agencies for FY19-20 and will increase in sophistication over time.

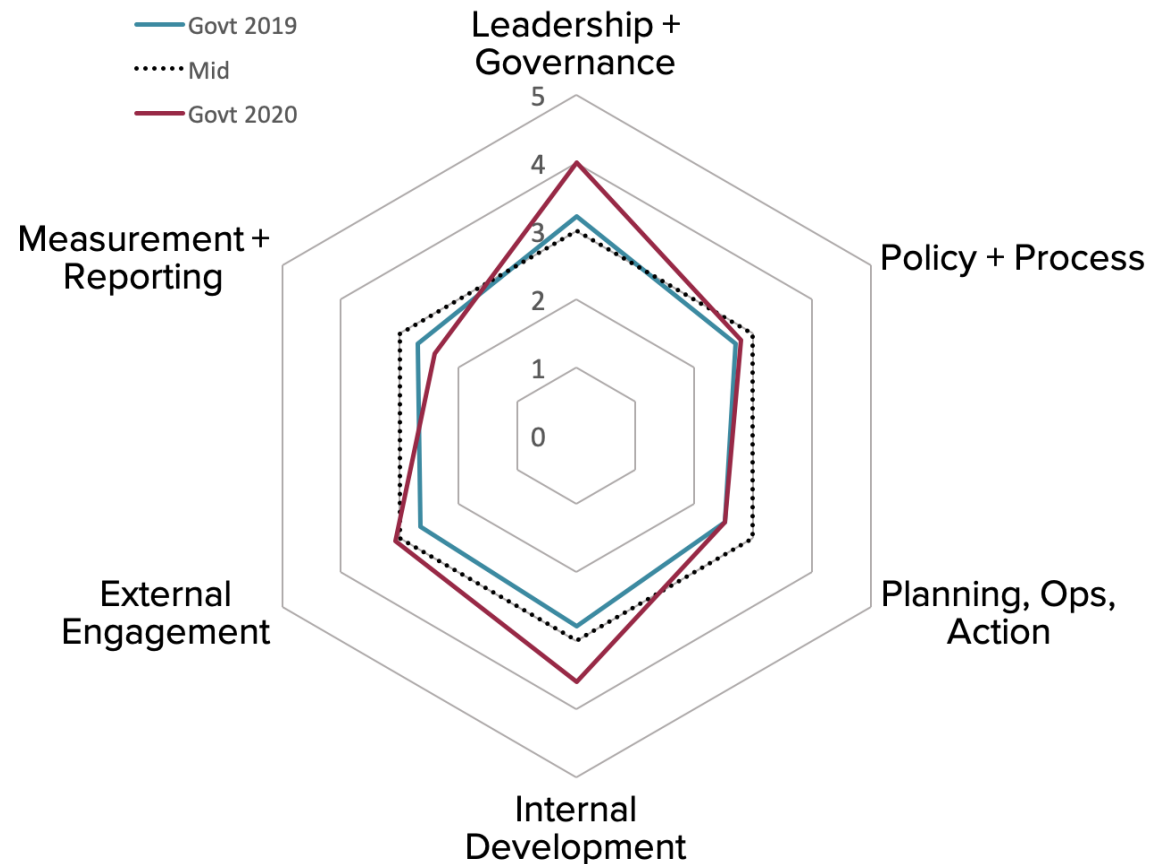
- The SPF strategy templates¹² are consistent and tailored to the size and activity of the agencies. The key focus was encouraging agencies to undertake strategic forward planning and focus on implementation. The phased approach allowed lessons learned to be taken into account for the second phase dealing with wider Government.
- “Government buyers are expected to decide which social and sustainable objectives are to be pursued and prioritised in each procurement. While this permits flexibility for government buyers, the recommended approaches are expected to achieve greater commonality across government.”¹³

A good plan is effective at driving change, while allowing for specific context. Ākina works with several leading organisations that have successfully implemented social procurement plans to guide their strategy and implementation approach. The key building blocks (shown below) are consistent with international best practice. Robust opportunities planning is the most important element of an overall plan.



Government Agency Social Procurement Maturity

Ākina conducted two separate Social Procurement Maturity surveys of NZ Government agencies in 2019 (orange, 12 agencies) and 2020 (blue, 5 agencies). Results are shown, using a 1 (low) to 5 (high) scale. There was no crossover in survey participants. The surveys showed that Opportunities Planning, and Measurement and Reporting are two key areas with potential for improvement.



Opportunity 3: Coordinate

Form a central coordinating body for social procurement with dedicated resources and funding as part of the Procurement Functional Lead.

Government's existing procurement structure, the Procurement Functional Lead (PFL), needs to coordinate social procurement across Government and be resourced to activate the required step-change in practice and outcomes. The goal is that social procurement is simply how the Government undertakes all procurement.

Why is this important?

- The addition of Broader Outcomes in the Rules adds complexity in the execution of procurement.
- It also requires a different mindset because it potentially challenges perceptions about the role of procurement by reframing the concept of value (price versus price+).
- The PFL is a collaborative centre-led approach to procurement across Government. Therefore, any change sought needs to emerge from within the existing PFL structure and be delivered by a coordinating body.
- The coordinating body for social procurement needs the appropriate mandate, resources and expertise/capability to deliver meaningful change.

- The task of embedding change across Government is significant. This is due to the wide range of agency contexts and the typically risk-averse approach to public procurement.
- A coordination body ideally acts as a social procurement centre of expertise across Government. It works with Key Agency teams to collate capability, practice, measurement and reporting within the wider Government context.
- A coordinating body provides a single point of Government contact to market organisations and stakeholders.

Insights and Evidence

Our work with Government agencies (summarised in the Timeline, p24) has highlighted the opportunity to coordinate and build upon the engagement and numerous divergent social procurement initiatives already happening in Government agencies. A collaborative 'outside-in' learning approach would better inform the PFL of effective approaches to the implementation of social procurement that can be shared across Government.

- A review of the PFL in 2019¹ highlighted that “cross-agency work is challenging and complex“ and that the PFL needs to be a strategic partner to agencies, the executive leaders and procurement professionals. The review provides insight into the desirable features of a coordinating body for social procurement in the following statements:
 - “...needs to do more work with executive leaders to involve, inform and influence them.”
 - “...works with public organisations as strategic partners to improve procurement.”
 - “...doing more to identify and promote examples of good procurement practice to reinforce desired changes.”
 - “...evaluating innovative international good practice and encouraging their proper use in NZ.”
- Recommendation 1 of the report was as follows; “we recommend that NZGP identify its stakeholders and revise its approach to stakeholder engagement to work more collaboratively with public organisations and central agencies.” Collaboration is a key tenet to improving social procurement.

International evidence shows that an effective coordination function for social procurement requires ownership, expertise and resourcing.

- Canada: “Social procurement requires concrete measures to encourage and simplify the use of social procurement approaches across the government. This could be achieved through the establishment of a coordinating body; a public service entity designated and funded as the government centre for social procurement expertise. This team would coordinate work across departments, provide training and guidance, develop tools for impact measurement and support intermediaries in building supplier capacity.”⁸
- Australia: The Victorian Government has resourcing dedicated to strategic sourcing and procurement policy and reform. Since the SPF was launched in April 2018, the Department of Treasury and Finance and the Department of Jobs, Precincts and Regions have been jointly responsible for policy administration and implementation, on the buyer and supplier / industry side respectively. This includes central resourcing dedicated to social procurement implementation, and measurement and reporting. In addition, departments and agencies across Government are increasingly dedicating resourcing to social procurement to support internal implementation and change management.¹⁴

Opportunity 4: Take Action

Implement a targeted social procurement capability initiative for procurement professionals in Key Agencies.

Government needs to invest into the capability of the existing social procurement champions present in Key Agencies by providing expert support and capability development. Delivering a targeted social procurement capability initiative will enable professionals to demonstrate that it is possible to meet Government's changing expectations of procurement and more importantly how it can be achieved. There is also potential for greater collaborative action on social procurement between Key Agencies: working across agency contexts builds relationships and a virtual centre of excellence that can be used across all of Government procurement.

Why is this important?

- Procurement professionals in Key Agencies deliver their procurement plans and activities. Identifying social procurement champions and investing into the capability of these professionals creates context-specific expertise to drive outcomes for that particular agency.
- People need to be at the heart of change in procurement. Behaviour and cultural change needs to be front and centre, because perceptions of value are the fundamental barrier to growing social procurement.

- A capability initiative needs to acknowledge the diversity of experience amongst procurement professionals, as well as be fit-for-purpose and informed by current best practice.
- Building capability at the agency level will also deliberately capitalise on the existing engagement, knowledge and experience of people already doing social procurement and working at the market interface. This immediately delivers better outcomes.
- An initiative across agencies will drive collaboration and build productive relationships between agency pockets of excellence. These will inform and benefit wider Government procurement practice and the coordinating body.

Insights and Evidence

“There is an opportunity to double down and build on this momentum in social procurement. Social procurement is not different from procurement and it can't be.”¹⁵

- ĀKINA GOVERNMENT WORKSHOP PARTICIPANT

Social procurement practice is inconsistent, leading to a mixed bag of results including good outcomes, 'happy-accident' outcomes and bad outcomes¹⁶.

- Many agencies have moved to develop their own guidance and tools such as the NZTA Broader Outcomes Framework (not published) and adaptations of the Healthy Waters Toolkit.¹⁷ There remains the challenge of gaining consistency, even in more engaged and capable agencies.
- There are examples of good practice; *MBIE Tender - Project 12722 - RFP for Provision of Cleaning Services* is an example of best-practice that promoted social enterprises, wage floors, environmental considerations and accessibility for SMEs. It had clear scoring criteria, considerations and price was not weighted.

People need to be the focus of change in procurement practice. Change needs to engage, clarify complexity and mitigate barriers to implementation. To achieve this, it is necessary to work in a practical context of agencies and to make time and space for procurement professionals to explore, learn and collaborate with other teams.

Social procurement is a behaviour change challenge¹⁸.

- ĀKINA GOVERNMENT WORKSHOP PARTICIPANT

Driving change in procurement is compounded by competing priorities, the complexity of implementation and well-ingrained procurement practice¹⁹.

- DR SEÁN BARNES, ĀKINA

Ākina through the Social Enterprise Sector Development Programme (SESDP) led a series of 6 social procurement workshops involving over 25 government professionals (see Timeline, p24) that demonstrated a targeted and interactive approach to building capability is both valued and necessary. The community of practice that ended in mid 2020 focussed on implementation and sharing practice, including connection with international experience. Social procurement professionals would benefit greatly from a similar and expanded initiative across Key Agencies focussed on piloting practice, shared learning and collaboration.

- “Pilot programmes are needed to identify gaps in social procurement knowledge and supporting infrastructure, scale successful interventions and to demonstrate the socio-economic benefits arising from government-led [social procurement]”.⁸
- Canada has successfully implemented Community Benefit Agreements and Community Employment Benefits at various levels of Government²⁰; these Canadian initiatives ensure local communities benefit from public and private investment in infrastructure and other large construction projects. These are examples of practice that could be piloted in the Aotearoa NZ context and international expertise is readily available to support this.

Opportunity 5: Connect

Put in place effective connections between Government and the market by leveraging existing initiatives, partnerships and intermediaries.

Effective market connections are essential to Government as the outcomes sought in social procurement are delivered via the market. There is an opportunity to build upon existing activity and initiatives such as supplier certification schemes and capability development that would accelerate the desired changes in Government procurement. Intermediaries provide an internationally-proven model to connect supply and demand, and to connect with local and global best-practice. Having strong market connections will provide important engagement and feedback mechanisms to drive successful outcomes in social procurement.

Why is this important?

- Aotearoa New Zealand has an internationally recognised social procurement marketplace. This can be further enhanced through the Government making strong connections with a wider group of market stakeholders.
- Social procurement relies on the market for success as Government spends money into the market and the positive outcomes and benefits are generated there. Government must, therefore, have

effective connections with the key stakeholders in the market, both in relation to spend and the positive outcomes sought.

- Social procurement adds new market considerations into the procurement equation, including different kinds of suppliers and different stakeholders across the public and community sectors.
- 'The market' no longer simply equates to businesses that offer goods, services and works to the Government. It now includes suppliers that are often marginalised out of Government procurement (such as social enterprises, SMEs, and Maori/Pasifika businesses) and stakeholders who represent the outcomes being sought (such as community sector organisations).
- Government is also not the only buyer interested in social procurement and there are existing initiatives and organisations that provide connection, support and thought leadership to grow social procurement in Aotearoa New Zealand.
- The most effective are delivered via intermediaries who are focused on connecting demand with supply, and that offer a two-way connection between Government and the market and its stakeholders. Local intermediaries use globally proven models and are informed by local and global developments and best practice.
- Government support can bring together the pieces of the puzzle by engaging with the market more effectively and playing a more active role alongside the private and community sectors.

Insights and Evidence

“If you want broader outcomes using social procurement, the people outside Government are the ones who will actually make it happen.”²¹

- DAVID LE PAGE, EXECUTIVE DIRECTOR, BUY SOCIAL CANADA

Social procurement occurs in the market and the Government's primary role is that of an influencer and enabler. Successful social procurement is not simply about increasing the opportunities and spend; it's about taking a long term view on market development and increasing positive outcomes.

- Government as an enabler: “A government-dominated model of public service delivery shifts to one in which government is just one player among many, including not-for-profits, private corporations, social enterprises and ordinary citizens.”²²
- Te Kupenga Hao Pāuaua is a joint Te Puni Kōkiri/MBIE social procurement project team. It has recently commissioned a social procurement initiative focussed on encouraging spend with Māori business and reducing the barriers to Government procurement. This supports the new Progressive Procurement Policy that set a target of five percent of public service contracts being directed to Māori businesses.²³

“For many social businesses we talk to, it’s turning into a ‘sugar hit’ and for some a ‘poison chalice’. We are currently thinking about how we can adjust the social procurement legislation here to build capacity rather than just provide business opportunities in the social economy.”²⁴ - MARK LOOSEMORE, UNIVERSITY OF TECHNOLOGY SYDNEY

Social procurement is already prominent in the market. Ākina’s Fwd procurement programme involves 15 buyer members with expenditure exceeding \$25 billion and has been running since 2018 (See Timeline, p24).

- SAP, one of our Buyers, has recently set a target of directing 5% of its addressable global spend to social enterprises and diverse businesses by 2025. The 5% target is estimated to be valued at USD\$60 million per annum²⁵.

Intermediaries such as Ākina are a globally recognised model that is most successful in partnership with Government. Intermediaries and their connections support social procurement to be more effective and more efficient. They also play a key role in developing and de-risking the supply chain to meet Government needs. The bridging of demand and supply is a critical role to make deals happen.

- Social Traders has grown their social procurement marketplace activity by 5 times to \$100 million in 3 years following their Government partnerships.²⁶ The social return on investment (SROI) from government and philanthropic investment in Social Traders was estimated at \$8.41/dollar in 2019-20.²⁷
- “Most intermediaries struggle to secure sustainably funding that enables them to reach social purpose organisations at a significant scale” and a Canadian Federal Government report⁸ recommended funding support for “online marketplaces, certification processes and capacity-building supports for social purpose suppliers” to grow social procurement.

The NZ Government (through the SESDP) has invested into Ākina's intermediary procurement work over the last three years; this finishes on 31 Mar 2021. Amotai has also recently received TPK/MBIE investment for intermediary services to support Te Kupenga Hao Pāuaua.

Intermediaries such as Ākina and Amotai earn revenue as social enterprises, trading to deliver services using a fee-for-service model to provide buyer advisory services, supplier marketplace development, certification services, and supplier capability support.

Through intermediaries, there are emerging opportunities for innovation and collaboration in NZ Aotearoa-NZ.

- The Government Procurement Charter encourages collaboration for collective outcomes, which is noted to cover agencies, businesses and other stakeholders.²⁸ Collaboration will require new approaches; “It is well-known that small organisations often lack the capacity and capability to become an effective partner, as well as the financial resources and expert knowledge to compete in a formal procurement environment.”²⁹
- Delivery intermediaries that tender and contract on behalf of suppliers, or multiple suppliers, are emerging; Localised³⁰ is an example of a delivery intermediary working in the community waste sector. Buyability³¹ is a prominent example that acts as a head contractor for disability enterprises in Australia.
- There are emerging regional initiatives in Aotearoa NZ that focus on social procurement, such that initiated by HBLASS,³² and collaborating for improved outcomes, such as the Waikato Wellbeing Project³³. Similar international examples such as the Coastal Communities Social Procurement Initiative³⁴ (Canada) work closely with intermediaries to support the partnerships with expertise and delivery services.

Working actively with stakeholders is also critical. Infrastructure is a current case study for social procurement in NZ, with opportunities for improvement.

- The industry describes “inconsistent understanding and practice” with respect to social procurement.³⁵ Similar experiences have also been described in the UK constructions sector.²⁹
- An increasing move towards relationship contracting models (for example, Alliancing) and formation of the Construction Sector Accord³⁶ offer ways that could be actively used by Government to grow social procurement hand-in-hand with a key sector.
- The Construction Sector Accord could also provide a model of a market-integrated mechanism that could be used to engage with stakeholders from the social procurement market to inform and provide feedback to the PFL.

Opportunity 6: Measure

Develop and implement a set of consistent outcome indicators that can be used to measure and improve social procurement.

Social procurement is about delivering outcomes that increase positive impact. Growing outcomes requires a consistent approach to measurement and reporting across Government, and development of a common language for outcome areas, indicators and tools to report. Measurement is important because it enables benchmarking of the current state of Public Value and tracking of progress towards improved outcomes.

Why is this important?

- It is necessary that those involved in social procurement speak the same language when it comes to defining, measuring and reporting positive outcomes. The Government approach should build upon the existing work of Indicators Aotearoa and the Living Standards Framework to create procurement measures that are fit-for-purpose in Aotearoa New Zealand's unique context.
- There are many common areas of outcomes across Government where the ability to align and collaborate is highly valuable. The contribution of social procurement to positive outcomes needs to be expressed in a way that is relevant and accessible to all parties; this applies to both Government stakeholders and the market participants

given measurement in social procurement depends on reporting provided by the market.

- There is an opportunity to build an aggregated measure of Public Value with both financial and non-financial measures. The premise of social procurement is that it is beneficial to increase Public Value. This means it is essential to benchmark and measure procurement activity to monitor progress towards increasing positive outcomes (for example, reducing inequality, inclusive employment, zero-carbon public service).
- Developing the most effective approaches to social procurement needs measurement that is consistent through the full procurement lifecycle from requirements through to delivery, and across different contexts. Measurement then translates into development of the business case for doing social procurement.
- Social procurement is only going to be recognised as a win for Government when viewed and measured in a whole-of-Government way, starting with aligning the measurement and reporting of Key Agencies.

Insights and Evidence

“There is a massive issue with measurement and reporting.”³⁷
- ĀKINA GOVERNMENT WORKSHOP PARTICIPANT

Measurement relies on the market. There are increasing challenges for suppliers who are affected through reporting to inconsistent tendering and contractual measurement requirements across agencies, that is, if positive outcomes are even considered at all during the procurement process. There is a capability and consistency challenge to be overcome.

- “There is a greater requirement on agencies (and their suppliers) to monitor broader outcomes and issues relating to supplier conduct. Currently, few agencies are set up to do this; additional skills sets and resourcing may be required.”²⁸
- “It will...take time for agencies and NZGP to build the capability required to efficiently require and monitor broader outcomes.”⁵ “Risk of fragmentation and duplication in relation to the way the procurement assurance function interacts with other parts of the system” was also highlighted⁵.
- A lack of understanding of social value is described as “one of the biggest barriers” to social procurement in a major research study on the UK construction sector.²⁹

Ākina has found that few Government agencies have visibility of outcomes of their contracting/funding, and many need to adjust their contract terms so that ongoing data collection is possible. Multiple frameworks including Wellbeing Budget, Living Standards Framework and Broader Outcomes are referred to in processes such as Better

Business Case (recently amended by Treasury³⁸) without the necessary guidance or the ability to translate them from the population level (high-level) to the outcomes level (indicators of change) that can be applied in practice.

There has been high interest and demand for a consolidated measurement and reporting framework for social procurement that has been validated across both public and private sector buyers (through Ākina’s Fwd programme), and by impact-led suppliers (social enterprises). Ākina has been working with buyers and suppliers to develop and pilot fit-for-purpose metrics that can be used in procurement to form a common language. Similar initiatives are being explored overseas.

- A Canadian Government report recommended “guidelines to support procurement officers in assessing the social and environmental value of the goods and services they are buying as well as the organizations from which they are buying.”⁸
- The Victorian Government has released a Local Jobs First/ Social Procurement Framework Reporting Solution in November 2020. The reporting solution allows Government buyers to record procurements that include social and/or sustainable commitments, and suppliers to report their achievements against those commitments. This will assist both the government buyer and suppliers to meet their reporting obligations and provide a richer understanding of achievements across all of Government.⁷
- The UK Public Services (Social Value) Act 2012 has been recently updated³⁹ to strengthen the approach to social procurement. Previously authorities needed to ‘consider’ social value; social value is now required to be evaluated in all public procurement with a minimum weighting of 10%. The

Social Value Model sets out the UK Government's social priorities as themes and outcomes, accompanied by reporting metrics. It also outlines the application of the Social Value Model in each stage of the procurement lifecycle.

The 'business case' for social procurement needs to be demonstrated. It is important that processes exist to measure the costs and benefits of social procurement to ensure value for money is achieved and substantiated.

- Social procurement exists in an environment of 'Vote Mentality'. Budget processes incentivise agencies to squeeze the most value from their immediate and finite Budget appropriations. The direct outcome of this project-specific funding constraint is that agencies are not incentivised to

seek opportunities to achieve enhanced public outcomes from their projects⁴⁰.

Measurement is part of the story - impact management is the aspiration.

*"We are seeing an increasing focus on measuring the things that matter most – the outcomes of investments and activities that create social change. But measuring is only one half of the story. Real change comes through building a culture in both service delivery organisations and funders that understands how to use this data to manage to outcomes."*⁴¹

- SOCIAL VENTURES AUSTRALIA

Ākina's Social Procurement Programme Timeline



Fwd Social Enterprise Certification Developed



Fwd Marketplace Developed



Partnership with **SOCIAL TRADERS**

Relationship with **VICTORIA** State Government

Building Blocks of Social Procurement

- Leadership and governance
- Planning, opportunities and action
- Policy and process
- Internal development
- External engagement
- Measuring and reporting



Buyer Group Workshops:

- **March 2019:** Buyer workshop Kicking off the Journey
- **July 2019:** Buyer workshop 2 Sharing Journeys and Progress
- **October 2019:** Buyer workshop 3 Focus on Impact
- **March 2020:** Buyer workshop 4 Buyer/supplier relationships

NZ Govt Procurement Workshops (SDP):

- **6 Sept 2019** - XA Procurement Workshop 1
- **7 Nov 2019** - XA Procurement Workshop 2, Opportunities Planning
- **3 Apr 2020** - XA Procurement Workshop 3, COVID Response
- **1 May 2020** - XA Procurement Workshop 4, Collaboration
- **29 May 2020** - XA Procurement Workshop 5, Lessons from Victoria State Government
- **29 June 2020** - XA Procurement Workshop 6, Impact and Wrap-Up

Social Enterprise Sector Development Programme (SDP - "Impact Initiative") launched. Government-Ākina Partnership

the **IMPACT INITIATIVE**



2018



EY Procurement Excellence Supreme Award - New Zealand Post

Partnership with Buy Social Canada



Foundation Fwd Buyer Group Launched

2019

2020



NZ Govt Procurement Rules (Version 4) Released, including Broader Outcomes



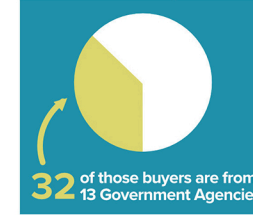
Fwd Buyer Programme Launched

AMOTAI
SUPPLIER DIVERSITY AOTEAROA
Partnership with Amotai

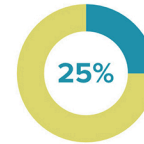


Current State

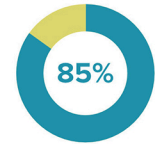
97 buyers in Marketplace from 26 organisations



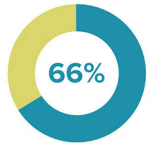
Suppliers:



have revenue exceeding \$1 million



have the delivery of IMPACT embedded in their operation



provide goods and services nationwide



Top 3 Product/Service Categories:

- Professional Services
- Wholesale Trade
- Manufacturing

Top 3 Impact Areas:

- Decent work
- Social Inclusion/Equality
- Strong Resilient Communities

15 Fwd Buyer Members



Late 2020-21 Govt Recommendations - An Impact-Led Aotearoa-NZ

Glossary of Key Terms

- **Buyer** - in procurement, the buyer is the organisation that purchases the goods, services or works and is in the contractual relationship with the supplier.
- **Broader Outcomes** - defined by Rule 16 of the Government Procurement Rules. Used by Government to describe the environmental, social, economic or cultural benefits generated from Government procurement activity.
- **Business to business** - business-to-business (B2B) procurement is where the transaction is between two organisations (compared to business-to-consumer or B2C).
- **Government Procurement Rules (“the Rules”)** - the Government Procurement Rules (version 4) that came into force on 1 October 2019. This is a key part of the procurement policy framework (principles, rules and guidance) within Procurement Functional Leadership.
- **Impact** - the positive social, environmental, cultural or economic outcomes that happen as the consequence of an action.
- **Intermediary** - organisations that provide support, tools and resources in service of other organisations and innovators.
- **Key Agencies** - Used to define Government agencies with significant spend opportunities, who benefit from outcomes generated or who are key stakeholders in social procurement.
- **Māori and Pasifika business (source: Amotai)** - Māori or/and Pasifika-owned businesses are defined as enterprises where Māori and/or Pasifika person(s) own at least 50% of an organisation. Māori are defined as people with Māori whakapapa and who identify as Māori. Pasifika peoples are people with whakapapa to, and identify as descendants of the indigenous Pacific ethnic groups of Sāmoa, Cook Islands, Tonga, Niue, Fiji, Tokelau, Tuvalu, Kiribati, Papua New Guinea, Vanuatu, Solomon Islands and the small island states of Micronesia.
- **Market** - used to describe the aggregate of private, not-for-profit and community sector organisations that provide goods, services or works, and key stakeholders for social procurement.
- **New Zealand Government Procurement (NZGP)** - part of NZ Government Procurement and Property (NZGPP), a unit within the Ministry of Business, Innovation and Employment (MBIE).
- **Outcomes** - the short, medium or long-term change that happens as a result of an action.
- **Priority Broader Outcomes** - defined by Rules 17-20 of the Government Procurement Rules. A priority set of Broader Outcomes where Government has placed greater requirements on agencies.
- **Procurement or procurement activity** - used to describe procurement undertaken by Government and public sector entities to acquire goods, services and works from suppliers.
- **Procurement Functional Leader** - the Chief Executive of the Ministry of Business, Innovation and Employment (MBIE) is the Procurement Functional Leader for the Crown. NZGP operationalises the Procurement Functional Leaders role by working with government agencies.
- **Procurement Functional Leadership (PFL)** - Procurement Functional Leadership was established in 2012 to drive the function of procurement and its performance across Government. The focus of PFL is to lead improvements in the government procurement system.
- **Public Value** - used by Government to describe the considerations of value in procurement including good price, good quality and good outcomes.

- **Social enterprise** - social enterprises are purpose-driven organisations that trade to deliver positive social, cultural and environmental impact
- **Social Enterprise Sector Development Programme (SESDP)** - a three-year partnership between the Department of Internal Affairs, on behalf of the Government, and the Ākina Foundation supported in partnership with the Community Enterprise Network Trust (CENT). The SESDP has a goal of enabling a flourishing social enterprise sector whilst informing the Government's ongoing contribution to the sector, beyond the programme - see [LINK](#)
- **Social procurement** - intentionally using procurement as a tool to generate positive outcomes alongside acquiring the goods, services and works required.
- **Social services procurement** - used to describe Government procurement that focuses on buying or procuring social services

that seek to deliver good social outcomes for people living in Aotearoa New Zealand. This is often between Government and not-for-profit entities.

- **Supplier** - in procurement, the supplier is the organisation that supplies the goods, services or works to the buyer.
- **Sustainable procurement** - can be used interchangeably with Social Procurement. A term sometimes used to describe procurement focussed on environmental outcomes, or the full range of outcomes (social, cultural, economic and environmental).
- **Theory of change** - a comprehensive description and illustration of how and why a desired change is expected to happen in a particular context.
- **Trading activity** - activity in an organisation that generates revenue through the sale of goods, services or works.

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the **IMPACT** INITIATIVE

The Impact Initiative (The Social Enterprise Sector Development Programme) was allocated \$5.5m in government funding over three years. It is delivered by Ākina in partnership with the Department of Internal Affairs and with support from the Community Enterprise Network Trust (CENT).

The programme concludes in March 2021 with the delivery targeted recommendations outlining the next steps for the Government to support the ongoing development of social enterprises, as well as opportunities for the Government to tap into the impact social enterprises create. The recommendations have been developed with government agencies and with consultation from sector representatives.

PROGRAMME PRIORITIES

- Understanding and supporting the conditions for a thriving social enterprise sector in Aotearoa New Zealand
- Making it clear how social enterprise is contributing to government's economic, social and environmental goals
- Working with the Government to articulate what it needs to do to support social enterprises, after the programme.

PROGRAMME PARTNERS



Programme activity highlights

- Uncovering the ways in which social enterprises deliver against the Government's priority areas
- Developing cross agency and public-private working and advisory groups to collaborate on social enterprise
- Uncovering legal barriers for social enterprise and exploring ways to address these
- Testing ways to support and grow social enterprises through place based networks
- Engaging strategically with government to support the development of broader outcomes through social procurement
- Developing and growing Aotearoa New Zealand's first social procurement marketplace (Fwd) and enabling access for government buyers
- Supporting social enterprises to access capital and get ready for impact investment
- Creating and testing business development tools and resources for social enterprises.