



**Queensland University of Technology**  
The Australian Centre for Philanthropy  
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**ACPNS Current Issues Information Sheet 20010/1**

## **Social Procurement and its Implications for Social Enterprise: A literature review**

'Social Procurement and its Implications for Social Enterprise: A literature review', released in December 2009, reviews the available academic and policy literature to identify the possibilities and limitations of social procurement, and the factors that enable its implementation. In doing so, it aims to contribute to an evidence-based approach to social enterprise development in Australia, and to provide practical information of use to both policy makers and social enterprises considering social procurement arrangements. Based on the available evidence, the dominant focus of this review is on social procurement by governments.

Social procurement can be understood as the use of purchasing power to create social value. In the case of public sector purchasing, social procurement involves the utilisation of procurement strategies to support social policy objectives. In recent years, governments in some parts of the world have supported the development of procurement policies that incorporate social factors into their competitive review process. There has been particular interest in social procurement as a mechanism for stimulating markets for social enterprise, as part of a wider policy framework that has involved considerable devolution of public service delivery to social enterprise and the voluntary sector (Carmel & Harlock 2008; Munoz & Tinsley 2008; Kelly 2007). In Australia, there is increasing attention being paid to the potential of government procurement to deliver social outcomes within the context of achieving value for money.

The primary reasons for pursuing social procurement that are presented in the available literature are:

- to stimulate social innovation in response to complex social and environmental issues; and
- to increase value for money by producing social, as well as economic, value through the purchasing process.

Approaches to social procurement include:

- developing an explicit policy framework addressing how, when and why social procurement principles are adopted;
- making efforts to encourage participation in procurement by diverse suppliers, including social enterprise;
- incorporating community or public interest clauses into tender requests;
- use of lead agency models, where a principal provider is contracted to coordinate service delivery through sub-contracted agencies;
- social tendering, where contractual terms are negotiated with social purpose businesses; and
- distributed procurement, where funds and procurement decisions are devolved to a local agency or governance body in pursuit of social policy goals.

The literature review suggests that major barriers to developing coherent approaches to social inclusion include:

- governmental culture;
- lack of purchaser knowledge of social purpose businesses;
- the complexity of measuring and assessing social value;
- limited organisational capacity and lack of experience with public procurement amongst some prospective providers; and
- limited capacity amongst social purpose businesses to articulate their social value added.

Ways that governments can enable social procurement identified in the literature include:

- developing and implementing strategic social procurement objectives;
- educating staff about social procurement and social purpose businesses;
- making procurement opportunities available to a diversity of suppliers;
- involving suppliers in contract design, where appropriate;
- developing longer term contractual opportunities; and
- supporting social purpose businesses' access to finance.

Ways that social purpose businesses can enhance opportunities for social procurement include:

- identifying and building relationships with champions within government departments;
- getting educated about the public procurement process; and
- modelling social procurement through business to business purchasing.

The review of the literature suggests that successful implementation of social procurement requires more than creating (in the case of governments) or influencing (in the case of social enterprise practitioners) the

technical rules for social procurement. Public procurement decisions are variously influenced by: the quality of relationships and levels of social capital between purchasers and prospective providers; the skills, knowledge and levels of influence of procurement staff; the level of coordination and cooperation between different functional areas and levels of government; risk orientation; and the political value placed on different methods of procurement. Any efforts to increase system-wide approaches to social procurement need to address all of these issues if they are to have any notable impact.

The review also identifies that finding effective methods of measuring and articulating social value is a challenge for purchasers, suppliers and the intermediaries that seek to develop businesses in the social economy. Overly onerous requirements in this regard could reduce competitive neutrality by disadvantaging smaller suppliers, while overly prescriptive measures have the potential to constrain diversity and undermine social innovation.

Finally, we note the significant lack of documented evidence or engagement with the question of social procurement by non-government purchasers. Potential learning arising from efforts in social procurement within other sectors is constrained by the lack of available evidence of what works and why in particular contexts.

The Information Sheet was issued on 10 December 2009. Events, policies and laws alter rapidly – you should take independent advice before acting on any matter raised in this publication.

Electronic copies of the complete working paper CPNS 48: Social Procurement and its Implications for Social Enterprise: A literature review' are available from the Publications page at [www.cpnns.bus.qut.edu.au](http://www.cpnns.bus.qut.edu.au) or via EPrints <http://eprints.qut.edu.au/29060/> .

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