Social Value vs. Sustainable Procurement

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Panel

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Defining social value & sustainable procurement

In its simplest form **SV**: “the value that an organisation contributes to society”

Social procurement is defined as a procurement approach whereby social and environmental impact is as decisive as the value of the service and product demanded. The social procurement concept is also referred to as “innovative procurement”, “responsible procurement” or “socially responsible public procurement.”

Source: ILO

**Green Procurement**: “We buy environmentally friendly goods and services by considering environmental performance over the entire life cycle of goods and services purchased, along with other criteria such as price, availability, quality, and performance.

Federal Government of Canada
Some SV context…

The UK government now requires that social value is evaluated as part of the tender process for most of its biggest outsourcing contracts — some of which are worth billions of pounds. Under the Public Services (Social Value) Act 2012, when scoring bids, government awards up to 10% of marks for social value — a margin that can make the difference between success and failure.

EU Policy: Public authorities can engage in socially responsible public procurement by buying ethical products and services, and by using public tenders to create job opportunities, decent work, social and professional inclusion and better conditions for disabled and disadvantaged people.

With the following principles and definition of SRPP in the EU buying guide:

- to promote employment opportunities (for example, youth employment, gender balance, long-term unemployed, migrants, people with disabilities);
- to promote decent work;
- to promote compliance with “social and labour rights”, including collective agreements;
- to support social inclusion and equality;
- to support universal access, and;
- to take into account ethical (fair) trade.
“Our analysis included identifying definitions of sustainable procurement, shown in Table 1. Looking across the countries, 12 countries (40% of OECD countries) do not offer a definition in the documents we identified. Amongst the countries where we identified definitions, 10 countries (33%) refer to green purchasing or procurement (GP). However, 8 countries (27%) refer to social, environmental and economic issues in their definitions, providing a more rounded view of sustainable procurement beyond green purchasing. This suggests that for those countries that do offer definitions of sustainable procurement, it is still relatively common to focus on green purchasing, rather than specify social or ethical issues as part of the definition”.

Some sample definitions…

**Netherlands**
“Sustainable Public Procurement is defined as taking into account environmental and social aspects in all phases of any procurement or tendering process financed by public money. With regard to environmental aspects, it concerns the impact on the environment, for example from using energy, reducing waste during the production process or using recyclable materials. With regard to social aspects, it concerns issues like child labour, human rights and fair trade”.

SEE

**New Zealand**
“Sustainable public procurement means Government agencies must consider long-term economic viability, minimizing environmental impact and being socially responsible when procuring goods, services or works at all stages of the project. Instead of considering only the Day One price, they must consider the comparative costs and benefits of products and services throughout their operational life”.

SEE, LC

**Canada**
“Social procurement is the practice of leveraging purchasing power to realise socio-economic objectives by including socio-economic measures within procurement processes. These objectives can include enhancing market competition, job creation, and economic and social advantages stemming from purchases from small and medium enterprises, social enterprises or social purpose organisations. They can also include encouraging the conduct of socially responsible business and advancing diversity and inclusion”


Federal Government of Canada
## Sustainable Procurement Framework

<table>
<thead>
<tr>
<th>Dimensions of sustainability</th>
<th>Level of focus</th>
<th>Organisational</th>
<th>Buyer–supplier dyad</th>
<th>Supply chain/network</th>
<th>Market/society/stakeholders/NGOS</th>
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</thead>
<tbody>
<tr>
<td>Social/societal</td>
<td>Individual</td>
<td>Integration of sustainability criteria in calls for tender</td>
<td>Supplier selection and qualification criteria (acceptable labour practices, etc.)</td>
<td>Managing/balancing the supplier portfolio</td>
<td>NGO practices and impact on fair trade</td>
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<td>CSR purchasing policies</td>
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<td>CSR functions are integrated with purchasing</td>
<td>Supplier training in sustainable practices</td>
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<td>Government policy and standards on sustainable purchasing</td>
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<tr>
<td></td>
<td>Organisational</td>
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<td></td>
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<td></td>
<td>Supplier training in sustainable practices</td>
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<tr>
<td>Environmental</td>
<td>Changing end-user consumption patterns for reduced consumption of resources</td>
<td>Management of the Purchasing Interface with other functions (with Marketing, R and D)</td>
<td>Buyer and supplier collaborating to reduce packaging, CO₂ emissions, energy and water consumption</td>
<td>Pollution in sub-tier suppliers</td>
<td>NGO impact on scarce raw materials</td>
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<td>Policy and practices relative to sourcing/use of restricted products (red tuna, palm oil, etc.)</td>
<td>Buyer and supplier collaborating to increase resource productivity and reduce waste</td>
<td>CO₂ effects across supply chain</td>
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<td>Environmental policy Recycling strategies</td>
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<tr>
<td>Economic</td>
<td>Reduction in fuel consumption</td>
<td>Development/optimising of the sustainable purchasing function in the firm</td>
<td>Supplier/buyer cooperation (R &amp; D, new product design/redesign, etc.) for cost reduction and sustainability Bribery and corruption</td>
<td>Innovation via design and management of the supply network (multi-partite technical collaboration, etc.)</td>
<td>Supporting disadvantaged sections of society through buying from SMEs, minority owned firms etc</td>
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<td></td>
<td>Qualities and characteristics of the individual members of the responsible purchasing function in the firm</td>
<td>Purchase vs. rent strategies and practices (e.g. retailers and consumers)</td>
<td>Fair price practices down the supply chain</td>
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<td>Purchasing staff skills development, awareness and training</td>
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<td>Fair profit issues</td>
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Guidance - Sustainable Procurement in World Bank Investment Project Financing

View of SP from the World Bank

1. INITIAL CONSIDERATIONS
   - Borrower’s sustainability policies, strategies and priorities
   - Community needs and expectations
   - Naturally arising environmental risks
   - Environmental and social impact assessments
   - Prioritization of sustainability needs

2. MARKET RESEARCH + PLANNING
   - What are the expected sustainability benefits?
   - What relevant sustainable products/services are available in the market?
   - Is the market able to deliver new or customized sustainable solutions?
   - What are the anticipated costs and what is the VFM proposition?
   - How will the procurement strategy address sustainability?
   - Develop Project Procurement Strategy for Development (PPSD)

3. PROCUREMENT PROCESS DESIGN
   - RFQ, RFB or RFP Selection Method?
   - Use Prequalification, or not?
   - Specifications: conformance or performance?
   - Identify relevant sustainability standards and classifications
   - Assess sustainability priorities throughout the life-cycle
   - Develop sustainability criteria, including rated criteria and weightings, if applicable
   - Check contract terms reflect sustainability priorities, as appropriate

4. SOURCING PROCESS
   - Advertise the opportunity to attract interest from suitable vendors
   - Evaluate bids/proposals
   - Assess quality of sustainable solutions
   - Asses bidder’s/proposer’s sustainability credentials and track records
   - Assess and compare whole-of-life costs
   - Evaluate VFM including quality and cost of sustainable solutions
   - Select the Most Advantageous Bid/Proposal
   - Agree Key Performance Indicators
   - Contract terms: bonus/penalty incentives and value engineering clause

5. IMPLEMENT
   - System to monitor delivery of sustainability priorities
   - System to report against delivery and outcomes being achieved
   - Assess delivery against KPIs sustainability measures
   - Value engineering to improve sustainability outcomes

6. CHECK
   - Assess sustainability outcomes and benefits achieved
   - Assess VFM over the whole-of-life
   - Review usefulness of sustainability KPIs
   - Review effectiveness of sustainability monitoring and reporting
   - Identify lessons learned
   - Share learning

Figure IV - Stages in Procurement: Key sustainability considerations at each stage of the procurement process

Social Value Conference 2023

World Bank: Sustainable Procurement
An introduction for practitioners to sustainable procurement in World Bank IPF projects
April 2019
Social Value & Sustainable Procurement are not the same but have many common direct and indirect attributes…
Time to ask some questions of the panellists...
A few questions?
Thank you
<table>
<thead>
<tr>
<th><strong>Social Value Procurement</strong></th>
<th><strong>Sustainable (Public) Procurement</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong>&lt;br&gt; Social value is defined through the Public Services (Social Value) Act (2013) which requires all public sector organisations and their suppliers to look beyond the financial cost of a contract to consider how the services they commission and procure can improve the economic, social and environmental wellbeing of an area.&lt;br&gt;Definition obtained from Local Government Association website</td>
<td>Sustainable public procurement is a “process whereby public organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life-cycle basis in terms of generating benefits not only to the organization, but also, to society and the economy, whilst significantly reducing negative impacts on the environment.”&lt;br&gt;Definition: UNEP Task Force on Sustainable Public Procurement 2017</td>
</tr>
<tr>
<td><strong>Logic</strong>&lt;br&gt; Public Value Logic – The Market-Shaping Role of the State</td>
<td>Economic - Market Logic</td>
</tr>
<tr>
<td><strong>Focus</strong>&lt;br&gt;Social – adding environmental dimensions&lt;br&gt;People and Place - Services and Works&lt;br&gt;Addressing inequalities at the individual and community level.&lt;br&gt;Valuing what matters most to people and planet&lt;br&gt;&lt;br&gt;<strong>Social Value is the enduring and systemic change that happens to individuals and communities that improves their quality of life and wellbeing</strong></td>
<td>Green – Net Zero - adding social dimensions&lt;br&gt;Global Value Chains - Manufactured Goods – Clean Production&lt;br&gt;Stimulating and rewarding socially responsible business conduct and clean, green production in Global Value Chains</td>
</tr>
</tbody>
</table>
World Bank Sustainable Procurement 3 pillars

**Economic**
- Economic regeneration
- Sustainable economic development
- Emerging markets
- Development of SMEs
- Total cost of ownership and life cycle costing
- Value for money
- Poverty reduction

**Environmental**
- Environmental resource management
- Urban planning
- CO2 reduction
- Alternative energies: e.g.: solar, wind
- Water management
- Sustainable agriculture
- Marine resources management
- Protection of ecosystems
- Pollution and waste management

**Social**
- Human rights
- Clean drinking water
- Food security
- Fair pay and labour law protections
- Anti-child labour and forced labour laws
- Fair trade
- Health and safety
- Gender equality including universal education
- Child mortality and maternal health
- Healthy lives and well-being for all

The triple bottom line of sustainable procurement

Environment
- Circular resources
- Carbon footprint
- Energy efficiency
- Waste & land use
- Hazardous materials

Society
- Health and safety
- Rights of the employees
- Self-empowerment & learning
- Diversity, equality & inclusion

Economy
- Fair business conduct
- Local economic impact
- Consumer wellbeing
- Anti-bribery
- Money laundering
Social Procurement

- **Public Sector Outcomes**
  - Inclusive Economic Development
  - Supply Chain & Hiring Diversity
  - Jobs for Local Residents
  - Poverty Reduction
  - Accessible Public Sector Markets

- **Business Outcomes**
  - Improved SME Access to Contracts
  - Fair, Open, Transparent Process
  - Recognition of Community Contribution
  - Innovative, Entrepreneurial Growth
  - Socially Innovative Leadership
  - Standardised Process
  - Simplified Bidding

- **Healthy Communities**
  - Poverty Reduction
  - Income Stability
  - Indigenous Reconciliation
  - Increased opportunities for disadvantaged populations
  - Inclusive, sustainable development
  - Skills Training for Priority Groups
  - Local Socio-Economic Development

- **Non-Profit Sector**
  - Social Impact
  - Capacity Building
  - Revenue Diversification
  - Supply Chain Partnerships
  - Supportive Employment for Multi-Barrered Individuals
  - Labour Market Development

Social Procurement Potential Target Outcomes

- Advancing Sustainable Government Procurement

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<table>
<thead>
<tr>
<th>Classification term</th>
<th>Primary purpose</th>
<th>Key authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community benefits</td>
<td>Community engaged regeneration in major infrastructure projects</td>
<td>Lynch et al. (2019), Zuo et al. (2012)</td>
</tr>
<tr>
<td>FAIRTRADE® and fair-trade</td>
<td>Securing price premiums for small producer cooperatives</td>
<td>Hughes et al. (2019), Caranta (2019), Yarmouk (2019)</td>
</tr>
<tr>
<td>Local procurement* under GPA thresholds</td>
<td>Place-based economic development, progressive procurement, community wealth building and anchor institution strategies</td>
<td>Walker and Preuss (2008), CLES (2020), 2018a, 2019b, 2015</td>
</tr>
<tr>
<td>Policy-led procurement</td>
<td>Build linkages to specific public policy objectives</td>
<td>Grandia and Meehan (2017), Harland (2019)</td>
</tr>
<tr>
<td>Sustainable public procurement</td>
<td>Combines both green and SRPP outcomes</td>
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</tbody>
</table>

*Permitted under WTO-GPA thresholds only; not permitted above GPA thresholds
Social Procurement

Examples of Global Leadership among WTO GPA members

Frontrunner Nations: The Netherlands, Japan and the UK

Japan, 2001: Mandatory green public procurement (GPP) resulted in 70% GPP country-level implementation. The highest level achieved by any nation. Central government achieved 96% GPP across 21 priority categories (Barrow, 2016)


UK, 2018: Mandatory social value procurement policy (UK Gov, 2021). The UK is the first country in the world to mandate that central government procurement must be fully leveraged to maximise social value, aligning government procurement with five policy objectives: (1) achieving recovery, (2) tackling economic inequality, (3) fighting climate change, (4) providing equal opportunity and (5) improving wellbeing.

Social value criteria must receive a minimum 10% weighting. No minimum weighting is provided to the policy. For contracts over £500k, to qualify to bid firms must have a carbon reduction plan in place committing to not exceed emissions by 2020.

The EU currently advances a category-specific approach to green public procurement. The EU Green New Deal proposes a mandatory minimum green weighting in high priority categories.

City-level examples: the cities of Manchester, UK and Oslo, Norway, mandate a 30% weighting be applied to social and/or environmental criteria.

3 Knowledge hubs

Knowledge hubs are essential to capacity building, supporting process innovation and peer-to-peer learning.

It is important for national knowledge hubs to support multi-level implementation.

Global collaborations building cross-border capacity

Examples of Global Leadership among WTO GPA members

Frontrunner Nations: France, Germany and Norway


The German Duty of Care Act: Proposal for fines ranging from 1% to 10% of annual turnover (Bausch, 2014)

Norwegian Due Diligence Act: Public procurement in Norway maintains a high-risk category list (Avocatus, 2021)

Finland is a leader in rewarding full supply chain transparency, with additional points awarded to suppliers providing full disclosure of factories and final assembly locations (OECD, 2021, p. 42)

Austria: Demands full supply chain transparency in public procurement

EU Commission: In advance of anticipated sustainable corporate governance legislation, guidance has been issued to help EU businesses address the risk of forced labour in their operations and supply chains (EU Commission, 2021)

OECI International Guidance: Due diligence guidance for responsible business conduct (OECI, 2019).

Frontrunner Nations: The Netherlands, Germany, UK, Canada and the USA

Netherlands: Dutch Expertise Public Procurement Centre serving all levels of government (PIANA, 2019)

Germany: German Competence Centre for Sustainable Procurement (Kompetenzzentrum für nachhaltige Beschaffung), serving all levels of government (OECD-KBN, 2013)

UK: Commissioning Academy serving all levels of government (UK Gov, 2018)

The Circular and Fair ICT Pact: Co-leads – the Netherlands and Belgium; eight-country collaboration. International procurement led partnership to accelerate circularity, fairness and sustainability in the ICT sector (EVTI, 2022)

The Greening Government Initiative: Co-leads – Canada and the USA; 30-plus country collaboration. First-of-its-kind initiative for like-minded governments to enable formal and informal international cooperative opportunities, including information sharing, technical exchanges, working groups, data stewardship, strategic partnerships, workshops and communications, to address climate change by using cleaner energy sources, moving to zero-emission vehicles, greening their procurement and pursuing green and resilient infrastructure (Gov of Canada, 2021)

Responsible Business Alliance and Electronics Watch: A collaboration to improve working conditions in publicly funded supply chains (RBA, 2021)
Q&A

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