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| **Developing social enterprise through social procurement – learning from the Scottish experience**This is the fourteenth fact-sheet about recent international peer-reviewed social procurement research. This fact sheet differs from previous fact sheets in that it is about research undertaken outside UTS. It summarises an interesting research project undertaken in Scotland into the effectiveness of policy-makers’ attempts to better engage social enterprises in the Scottish economy. Scotland has led the way in the recent revival of social procurement and social enterprise development from a policy perspective. There is broad consensus that there is a highly supportive policy environment for the involvement of social enterprises in delivering public services in Scotland.This research into the effectiveness of these policies will therefore be of interest to Australian Federal and State policy-makers. Like Scotland, Victoria has shown international leadership in developing its highly ambitious and progressive Social Procurement Framework and Social Enterprise Strategy, Queensland has also build a strong social enterprise strategy and recognises the power of social procurement in its Queensland Procurement Policy (2023). New South Wales is now developing its own procurement framework and social enterprise strategy and other states will likely follow suit as the untapped power of procurement to help address social challenges in partnership with industry and the third sector becomes apparent.The article which is the basis of this summary is cited in the footnote of this factsheet for those who want to dig deeper.Please feel free to distribute this factsheet to anyone who may be interested.Professor Martin LoosemoreUniversity of Technology Sydney<https://profiles.uts.edu.au/Martin.Loosemore> |
| **Why the study*** Many social challenges faced by governments are wicked problems which cannot be solved by governments working alone.
* By engaging a range of actors from the business, social and community sectors, the wickedness of the problems can be addressed through effective cross-sector collaboration.
* While businesses can play a key role by adopting the creation of social value as a key goal, the effective integration of social enterprises into public sector supply chains (either directly or indirectly) is particularly important because social entrepreneurs specialise in creating social value in ways that mainstream businesses cannot achieve.
* Social enterprises are uniquely placed to create social value by virtue of their deep knowledge of their client group’s needs which traditional ‘for profit’ organisations frequently lack.
* However, while there is a recognised need for the development of policies and support mechanisms to encourage greater and more effective social enterprise participation in public sector supply chains, there is considerable debate about the effectiveness of governments in devising and implementing such policies and support measures.
* Concerns exist around distorting markets, unfair competition, negative impacts on industry incumbents, favouritism towards certain types of providers and cohort groups, policy instability undermining investment confidence and certainty, encouraging market exploitation by scam providers (black cladding) and producing an unhealthy over-dependence on artificial market support and subsidies. Critics of social procurement also see it as a rhetorical smoke-screen for neoliberal orthodoxies which seek to roll-back the welfare state and outsource social policies to the private and third sectors under the guise of efficiency and risk management rather than enhancing public value.

**Aim*** The aim of this research was to explore how effective Scottish policy-makers have been in increasing socioeconomic benefits by better engaging social enterprises in public sector supply chains.

**What they did** * The authors undertook a survey of 53 social enterprises and procurement officers involved in the delivery of health and social care services in Scotland. Health and social care provide 28.4% of the total income earned by social enterprise in Scotland.
* The survey explored whether the aims of Scottish Government model for public procurement, which was intended to open market opportunities for Social Enterprises, is being achieved in practice
* The survey tested this perceived success against 15 identifiable social enterprise development measures in the Scottish Government model for public procurement. These are summarised below:
1. Develop a single portal to give public sector purchasers an overview of social entrepreneurs who are operating in their area.
2. Develop, and deliver free of charge to third sector organisations, training on bidding for and winning public contracts.
3. Facilitate local ‘meet the buyer’ events to bring public sector purchasers into contact with service deliverers from across the third sector.
4. Improve collaboration and joint working across the public, private and third sectors.
5. Increase the knowledge of procurement officers of third sector providers operating in their area of activity.
6. Measure, and publish public sector spend with the social economy.
7. Provide training for public sector procurement officers to ensure that they have appropriate training in the use of community benefit clauses, the benefits of market engagement involving all sectors and the use of Supported Employment Contracts.
8. Support the development of a measure to assess Social Return on Investment through a process of audit.
9. Implement formal ‘Public Social Partnerships’ involving one or more organisations from the public and third sectors, and potentially from the private sector.
10. Involve the third sector earlier and more deeply in the design and commissioning of public services.
11. Develop the implementation of The Light Touch Regime (LTR) for certain service contracts and for certain social and other services that are generally of lower interest to cross-border competition.
12. Ensure that public authorities routinely consider the views of social enterprise when conducting service reviews.
13. Ensure that public contracts are awarded based on both quality and price using MEAT criteria (most economically advantageous tender) applied through the projected life of the contract.
14. Reserve agreed contracts for Supported Businesses.
15. The embedment of Community Benefit Clauses more widely across public contracts.

**What they found** * Although there is recognition that the 15 development measures have been implemented, the results indicate that progress has been limited and that a question remains as to the effectiveness of these measures to increase the socioeconomic benefit accrued through public sector supply chains.
* The Scottish Government encourages cooperation between the public sector and the third sector. However, such developments have been met with considerable resistance within the sector because they are perceived to be associated with the forced marketisation of social care delivery. While the willingness of the public sector to engage SEs may well help, it can be difficult to sustain robust collaboration in a turbulent public sector environment that enforces strict rules of accountability.
* Little progress has been made to develop Public Social Partnerships within the sector. The apparent reluctance of SEs to engage in formal consortia appears to signal that SEs remain unconvinced regarding the potential benefit of collaborating with third parties through the establishment of formal supply chain relationships.
* The findings argue that it is reasonable to question whether Public Social Partnerships are a viable prospect in the context of delivering social benefit. SEs face the challenge of attempting to reconcile the interests and values of inter-organisational stakeholders and of dealing with multilevel systems of governance. SEs are also concerned regarding threats to their independence if operating in formal partnership arrangements, and some perceive that that direct contracting is likely to be financially more rewarding.
* In relation to the provision of training by the public sector, which is intended to assist SEs engage in the public procurement process, it is apparent that a wide gap exists in the level of implementation as perceived by the SEs compared with that of those responsible for the procurement of social services. This gap suggests that while such training opportunities are being provided by the public sector, they are failing to engage SEs. One potential cause for this lack of SE engagement is that the training offered to suppliers frequently suffers from being narrow in scope and formal in delivery. If SEs are to learn to compete with the private sector they must develop the appropriate commercial skills and understanding of procurement rules and public sector contract opportunities.
* More encouraging is the implementation progress made on measures intended to increase procurement officers’ knowledge of capabilities of third sector providers and procurement officers understanding of technical areas such as the use of community benefit clauses and supported contracts. Both SEs and procurement professionals indicate that the relevant measures are in place and agreed to be operational.
* The promotion of measures such as meet the buyer events and attempts to promote collaborative working across public, private and third sectors signals government intent in this area. However, policymakers have a limited span of direct influence and should therefore better engage social entrepreneurs in order to unlock the socioeconomic benefit they bring to the public sector through engagement in the supply chain. The survey results indicate that there is evidence of SEs engagement in these areas.
* The use of publicly funded web portals appears limited in Scotland, and the implementation of innovative IT solutions to facilitate SE engagement is an example of innovative thought that needs to be further leveraged.
* The lack of a reliable social impact metrics does little to address the problems that SEs have in emphasising their additional social contribution when attempting to secure public sector contracts. However, concerns exit as to the practicality of the use of social return on investment as a useful metric with concerns that it can be seen as a very subjective measure, which therefore undermines the confidence in decisions taken.
* There was disappointment regarding the extent to which the third sector was being involved in the design and commissioning of public services. SEs have consistently viewed with some disappointment their lack of involvement in this aspect of the procurement cycle, and have criticised the public sector for canvasing their input only on an ad hoc or informal basis. There is a failure to benefit from the tacit, knowledge held by SEs and thereby to maximise their potential contribution in suggesting novel approaches which benefit public sector supply chains.
* There was perceived to be limited progress in creating potential opportunities for procuring organisations to add social value through the use of Supported Contracts.

**What this means*** This research offers little insight into ‘why’ there has been so little progress in many of these 15 policy dimensions after 15 years of policy development and implementation.
* The challenges are likely to be even greater for the procurement of construction and infrastructure products and services where there is a far less mature social enterprise sector and strong institutional resistance to social procurement policy implementation (see earlier fact sheets).
* However, the research does indicate the implementation of social procurement policy is easier said than done.
* It offers a number of useful warnings and insights for policy-makers in other countries to effectively manage the potential risks and opportunities of social procurement in leveraging their spending to maximise the social impact of public sector procurement on the communities which governments serve.
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