

**ACHIEVING SOCIAL AND COMMUNITY BENEFITS
THROUGH THE CITY OF VANCOUVER'S
PROCUREMENT POLICIES**

by

Shelagh Hayes
Bachelor of Commerce, University of Alberta, 2001

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APPROVAL

Name: **Shelagh Hayes**
Degree: **M.P.P.**
Title of Capstone: **Achieving Social and Community Benefits through
the City of Vancouver's Procurement Policies**

Examining Committee:

Chair: **Nancy Olewiler**
Director, Public Policy Program, SFU

Jon Kesselman
Senior Supervisor
Professor, Public Policy Program, SFU

Kennedy Stewart
Supervisor
Associate Professor, Public Policy Program, SFU

Nancy Olewiler
Internal Examiner
Director, Public Policy Program, SFU

Date Defended/Approved: March 23, 2007



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Abstract

This study examines methods of incorporating social and community development considerations into the City of Vancouver's procurement policies. The City is currently a leader in environmental and ethical purchasing, yet lacks embedded procedures to reward suppliers that produce positive societal impacts. Social enterprises have social or environmental mandates, but are often small and lack the capacity to bid on large contracts. This study considers data and opinions compiled through interviews with Vancouver social enterprises and a City procurement manager. Results show that, while suppliers and purchasers are eager to work together, multiple capacity and informational barriers still exist. Drawing on international and domestic best practices, this study recommends the inclusion of separate social criteria in the bid evaluation process, as well as the disaggregation of large contracts where possible. It also suggests a targeted training program for social enterprises in order to address access issues and level the playing field.

Executive Summary

The City of Vancouver is regarded as a leader in responsible procurement due to its commitment to purchasing goods and services that are environmentally sound, fairly traded and ethically produced. Yet, the City does not have a policy that incorporates social and community development goals into its purchasing decisions. This represents a lost opportunity for the City to address societal issues with its procurement dollars. The City can achieve these additional benefits by sourcing products and services from social enterprises, which are driven by a social mandate as well as revenue generation goals. These firms offer products at market rates, while generating positive impacts through the employment of marginalized individuals or the provision of low-cost community services. Despite providing this added value, Vancouver social enterprises have difficulties accessing municipal contracts. This study suggests policies to enhance the societal impact of City purchasing decisions and allow social enterprises to compete for contracts more effectively.

In order to identify examples of viable policy options, this study provides an in-depth review of the international and domestic contexts of socially motivated procurement. Next, the research examines social procurement in Vancouver through interviews with local social enterprises and the City procurement manager. Analysis of interview results finds that social suppliers and municipal purchasers are eager to work together, but are hampered due to a number of operational and information barriers. Social enterprises are generally too small to deliver large city-wide contracts and often lack the technical knowledge to prepare successful bids. The City currently has no mechanism to recognize added social value in its contract evaluation process. Thus, there is a disconnect between the City's desire to pursue social procurement goals and its lack of a facilitating policy.

After examining the City of Vancouver's existing procurement policy, this study suggests four alternatives designed to achieve enhanced societal benefits. These alternatives are evaluated using the five criteria of fairness, budgetary cost, political acceptability, administrative feasibility and the potential for social impact. Based on this analysis the study recommends that the City of Vancouver implement the following measures:

1. Incorporate societal benefit considerations into the upcoming City of Vancouver sustainable purchasing policy. This policy will ensure that procurement officials acknowledge and reward the added value created by socially-motivated firms when evaluating contract bids.
2. Unbundle large City-wide contracts to ensure that small business and social enterprise have equal access to procurement opportunities. This approach addresses the capacity concerns that social enterprises identified as a barrier to contract delivery. When contracts cannot be disaggregated, the City should encourage traditional large businesses to utilize social enterprises as sub-contractors. This practice will help bidders fulfil the social criteria of a contract, while preserving any economies-of-scale benefits.
3. Offer targeted training programs for social enterprises that address access issues and informational barriers. Meet-the-buyer events and educational workshops are required to provide social enterprises with the tools necessary to compete equally with traditional business.
4. Allow social enterprises to use their operating name rather than their legal parent name when submitting bids for City contracts. This will eliminate the potential for procurement officials to cast social enterprise bids aside, because they appear to be submitted by the non-profit parent organization.

Dedication

To Derek – you never let me doubt myself, however hard I tried.

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1 Introduction

Despite its leadership in the area of environmental and ethical procurement, the City of Vancouver does not have a policy that incorporates social and community development goals into its purchasing decisions. This represents a lost opportunity for the City to achieve societal benefits by buying products from socially-motivated firms. While traditional business can produce positive community impacts, social enterprises are specifically mandated to address social or environmental issues. These firms offer goods and services at market rates, while producing positive impacts such as the employment of marginalized individuals or the provision of low-cost community services. However, social enterprises face barriers to accessing municipal procurement opportunities, as they are often small and lack the capacity to bid on large contracts. Furthermore, the City does not incorporate social impact criteria into its bid evaluation process. So even if a company does produce societal benefits, it will not be acknowledged or rewarded in the bid evaluation. This study examines social procurement practices in other jurisdictions and suggests options to achieve enhanced societal benefits through the City of Vancouver's purchasing decisions.

This study is organized into seven sections. The first provides an overview of the policy issue, as well as a brief summary of the arguments for and against social procurement. The next section describes the research methodology used to gather data and prepare this paper. The third section provides an in-depth review of the international and domestic contexts of social procurement. The fourth section is a discussion of the results of the interviews undertaken as part of this study. The fifth section provides details of the City of Vancouver's current procurement policies and outlines four policy alternatives to the status quo. The sixth section evaluates and ranks these options using cited criteria and measures; it then offers a recommended course of action to the City based on the results of the evaluation. The final section provides concluding remarks and suggestions for further research.

1.1 Overview

As part of their regular operations, governments in Canada spend billions of dollars each year on a variety of goods and services from outside suppliers. At the federal level, procurement activities account for approximately one-third of government discretionary spending (PWGSC, 2005). As a result, any decisions regarding public procurement policies can affect many sectors of the economy. While it is possible government to achieve multiple goals that go beyond minimizing their costs, most Canadian governments base purchasing decisions strictly on price and value with no specific criteria related to social impact (PWGSC, 2006). The federal government requires that environmental protection and Aboriginal economic development be considered when purchasing (INAC, 2005). However, there is no common model that provides all levels of government with guidance on how to incorporate social and community development issues into their procurement policies. Government authorities need to understand the power that their purchasing dollars can have towards enhancing the social, economic, and environmental conditions of communities.

Despite the opportunity to create social and economic benefits, Canadian governments have been slow to adapt their policies to support and fully utilize the social enterprise sector. The United Kingdom government defines a social enterprise as a business with “primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners” (DTI, 2002, p. 4). There are a range of social enterprise types, each with its own business style and ownership structure. Many social enterprises are created by non-profit organizations as a way to diversify their revenue base. Others are established as training or employment programs for a target population. Still others are charities that have commerce as a core aspect of their purpose (Nicholls et al., 2005). However, all social enterprises have a mandate that is driven primarily by a social or environmental purpose rather than a profit-making goal.

The United Kingdom is currently a leader in the support of social enterprise and social procurement. The senior government has introduced a number of policies that both facilitate social enterprise growth and encourage government procurement that creates positive social and environmental impacts. The European Union has also adopted several new directives that have given more freedom to individual governments to include social, ethical, and environmental issues in public procurement processes (Church and McHarry, 2006). A number of American cities and states are also beginning to change their policies and are encouraging the use of suppliers from underrepresented groups. For instance, California has established a goal of

spending at least 3 percent of annual state contracting dollars with disabled veteran business enterprises (Case, 2006). While Canada has seen increasing discussion of this topic, no explicit policies have been developed to incorporate social or community development considerations into public purchasing decisions.

Although all levels of government have much to gain from incorporating social and economic development goals into their procurement policies, the argument is particularly compelling at the municipal level in Canada. Despite recent economic growth, Canadian cities have been affected by several negative trends, including persistent poverty and homelessness. Due to their limited revenue-generating capacity and lack of jurisdictional control, municipal governments are not equipped to address all aspects of these issues without the assistance of the federal and provincial governments. However, throughout the 1980s and 1990s, the federal government has significantly reduced its involvement in urban issues. Furthermore, provincial governments, suffering from transfer payment cutbacks, have off-loaded a number of their municipal responsibilities to the cities (OECD, 2002). These events have left Canadian municipalities with strained resources to address the growing level of need within their borders.

Social enterprises are well positioned to address these funding gaps by bringing leadership and resources to communities in need (Korosec and Berman, 2006). One way the cities can support social enterprise is by providing increased access to procurement contracts. Municipal governments are often among the largest purchasers in a region and can spend millions of dollars on a range of goods and services every year (SBS, 2004). These contracts are often well-suited to social enterprises, as they are generally on a smaller scale than those at the provincial or federal levels. Thus, if Canadian municipalities allocated a portion of their purchasing budgets to goods and services sourced from social enterprises, they could address a number of persistent urban issues without further straining limited resources.

This proposition applies to all Canadian cities but is especially relevant to Vancouver, which has one of the strongest social enterprise sectors in the country. Furthermore, the City of Vancouver has the reputation of being one of the most socially and environmentally progressive municipalities in Canada. In fact, it has already made advances in the area of public procurement. In 2004, Vancouver became the first municipality in Canada to adopt an Ethical Purchasing Policy (City of Vancouver, 2004). This policy seeks to ensure that goods being purchased by the City comply with International Labour Organization (ILO) standards. Considering the progress already made in this area, municipal procurement policymakers may be amenable to including further social and economic development considerations in the City's purchasing policies. Thus,

the purpose of this study is to develop and evaluate alternative municipal procurement policies that will target Vancouver social enterprises and create economic and social value.

1.2 Policy Debate

An active debate has emerged between those who support the use of public procurement to advance social objectives—most notably through the use of social enterprise—and those who object to the practice.

Arguments for Social Procurement and the Support of Social Enterprise

Social enterprises can provide products and services the government is already buying; shifting the purchasing decision toward these enterprises can affect social change. From a public good perspective, social enterprises offer market-quality products with social benefits. Governments must buy a certain number of goods and services to operate, and they are constrained by their budgets. In 2005, Nicholls et al. developed a guide primarily for local procurement officers in the United Kingdom, explaining why and how they should purchase goods and services from social enterprises. The authors suggest that sourcing from social enterprises can deliver value-for-money benefits to contracting authorities for three main reasons. First, it can meet multiple objectives with a single expenditure. For example, a social enterprise can provide a service at a competitive rate while employing persons from marginalized groups. Second, social enterprises generally have a competitive advantage in delivering particular goods and services to hard-to-reach groups. Since a social enterprise has a unique knowledge and sensitivity to its local community, it may be better placed to work with disadvantaged or displaced groups. Third, since social enterprises are often the offspring of non-profit organizations, they offer inventive and responsive grassroots solutions to the outcomes sought by public authorities (Nicholls, 2005).

One of the biggest challenges faced by many social enterprises is finding steady and predictable markets for their goods and services. Securing procurement contracts can offer social enterprises important sources of income, allowing them to sustain and grow their business. Thus, increased access to government contracts can lead to a stronger, healthier social sector, which will in turn benefit governments in a number of ways. For instance, social enterprises are often used as a way to stabilize and diversify the revenue base of non-profit organizations. As a result, a successful and profitable social enterprise can increase the self-sufficiency of a non-profit and reduce its reliance on government funding. In addition, social enterprises that train and employ

traditionally hard-to-employ target groups (such as mental health consumers, at-risk youth, and ex-convicts) can reduce employee dependency on welfare and other forms of government assistance. By increasing social enterprise access to public contracts, governments will support the strengthening of the non-profit sector as a whole and create far-reaching economic impacts on target groups. In that sense, policies that favour social enterprises do not represent unfair competition for the private for-profit sector. Rather, such policies allow social enterprises to be able to compete in the marketplace without compromising social or environmental objectives

Arguments against Social Procurement

Other groups have argued against the use of procurement to advance social agendas. They feel that government purchasing should be equitable, fair, competitive and cost-effective; anything that detracts from those principles should be pursued elsewhere in public policies (Newman, 2004). Thus, if governments wish to grant advantages to marginalized groups or depressed communities, they should do so through indirect means such as targeted programs that promote training, education and skills development. Any policy that gives one group an advantage in a competitive process will unbalance the level playing field. Garth Whyte, President of the Canadian Federation of Independent Business, embodies this perspective in his statement, “government procurement should be a fair and transparent process that leads to the best value at the best price. Introducing other factors into a government purchase distorts the reason for buying the commodity or service in the first place and unfairly influences the selection of the supplier” (Newman, 2004, p. 14).

Further arguments against socially motivated procurement claim that the practice not only distorts the playing field for a given contract competition, but that it impacts the financial health of the supplier community and the entire marketplace (Brooks, 2000). Procurement is a powerful government activity, and any policy that skews the marketplace can have extensive negative effects on the national economy. Thus, it is argued that procurement should remain a purely economic exercise which should not be driven by the agenda of social development policy. In order to protect the marketplace, any ethical or discretionary considerations should not be part of purchasing decisions (Newman, 2004).

Conclusions

This section has described social procurement’s potential benefits as well as sources of potential opposition. The practice steers procurement decisions toward socially-motivated suppliers, thus supporting a host of positive social impacts. However, it could also steer

procurement decisions away from traditional profit-motivated firms, potentially undercutting their revenue-generating capacity. For this reason, the implementation of a social procurement policy must thoroughly address the challenges associated with it. In particular, governments considering the adoption of social purchasing practices must be careful to avoid policies that exclude traditional business from contract competitions. Policies should work to level the playing field for social enterprise, not place them above traditional business. Regular firms can also increase their competitiveness by incorporating social practices into their operations, or exploring subcontracting opportunities with social enterprises. Once businesses begin to realize that the City will reward them for socially-conscious actions, they may begin to buy into the practice.

2 Methodology

The methodology for this study consists of an in-depth review of international and local sustainable procurement best practices and three separate rounds of elite interviews with City of Vancouver procurement staff, local social enterprises and socially-focused businesses, and follow-up stakeholder consultations with procurement experts.

The first interview was designed to gather information on the City of Vancouver's procurement process and policy environment. I conducted an interview with the City of Vancouver's General Manager of Corporate Service, who is in charge of over \$75 million of annual expenditures on a variety of goods, services and equipment. Opinions were sought on how to best incorporate social and economic development considerations into the procurement process and whether there are any foreseeable barriers to their adoption.

The next round of interviews was designed to test the assumption that social enterprises in Vancouver are not entering bids for municipal government contracts. I conducted interviews with the managers of four social enterprises and one traditional business with a social hiring policy to gather information on their organizations' mandates, revenue and sales figures, as well as their experiences attempting to access government procurement contracts. My interview questions were designed to elicit information on why they have or have not chosen to bid on a municipal contract and their thoughts on how their enterprise fits into the procurement process. I also sought their opinions on how the City of Vancouver's procurement policies could be more inclusive of social values and how they think that city contracts could be more accessible. The four social enterprises (and parent non-profit organizations) that participated in my study are: Potluck Café and Catering (The Potluck Café Society), Starworks Packaging and Assembly (Developmental Disabilities Association), Landscaping with Hearth (Coast Mental Health), and Cleaning Solutions (Canadian Mental Health Association). One traditional business was also included in the study due to a paucity of "pure" social enterprises in Vancouver that have the requisite size and appropriate products or services to qualify for municipal procurement contracts. This business is Mills Basics, a Vancouver-based office supplies company that has a profit-driven model but has also made a commitment to hire hard-to-employ or marginalized individuals from Vancouver's Downtown Eastside. The four social enterprises in the study are also each mandated

to employ hard-to-employ individuals with mental illness, developmental disabilities, and long-term unemployment issues. Thus, the end result of supporting employment among marginalized groups would be achieved by granting a government contract to any of these five organizations, though Mills Basics employs a smaller percentage of its workforce from this group.

The interview participants were first contacted by phone to solicit their participation in the study and to arrange an appropriate meeting time. If requested, a list of interview questions was sent in advance to allow the participant to review and prepare responses. The interviews were conducted either over the phone or in-person, depending on the preference and availability of the participant, and varied in length from fifteen minutes to one hour. The conversations were audio-taped, then transcribed and analyzed to draw out the similarities and differences in the experiences and opinions of the five managers and the City procurement officer. The data and conclusions drawn from these interview responses have been summarized in the Interview Results section of the study; they have also formed the basis of my policy alternatives. These policy alternatives have subsequently been assessed using the cited criteria.

The third round of interviews is designed to test the practicality of these policy alternatives. A series of stakeholder interviews were conducted with various members of the procurement community in order to gain feedback on my policy proposals. These interviewees include several members of Vancouver's procurement and social enterprise community. Once my recommendations had been tested by stakeholders, I made the necessary revisions to the original policy proposals and completed the policy analysis section of my study.

This methodology has several limitations. The main constraint is the lack of social enterprises in Vancouver that are large enough and offer products or services that governments generally purchase. If I had been able to examine municipalities in the UK or the US where the social enterprise sector is more advanced, there would be a sufficient number of social enterprises to attain a much larger sample size for the interviews. The Vancouver social enterprise sector is still young and many of the organizations are too small to consider municipal contracts. However, this may mean that the sector needs the support of the local government to help it grow and strengthen. Another limitation of this study is the scarcity of relevant information on social enterprises and social procurement issues in Canada and British Columbia. Most of the literature is based in the UK where the government is structured differently, and the differing context of those policies and processes must be kept firmly in mind. Thus, it is difficult and somewhat hazardous to apply these findings to the Canadian environment.

3 International and Domestic Context

The use of procurement policies to advance social development goals is not a new practice; examples of such policies abound. In his study, *Using Public Procurement to Achieve Social Outcomes*, McCrudden (2004) traces the proliferation of the practice worldwide over the last two centuries, focusing on the use of procurement policies to address labour standards, unemployment, racial and gender inequality, and human rights violations. The role of procurement has spread both in its geographical range and in the areas of social policy that it was used to promote. The following subsections highlight the growing use of social enterprise and socially-focused procurement in the international and domestic contexts.

3.1 International Best Practices

United Kingdom

The UK has been the clear leader in the field of social enterprise development, with strong senior-level government support and a thriving sector. A survey recently carried out for the UK's Social Enterprise Unit showed that there are around 15,000 social enterprises in Britain, which provide nearly 500,000 jobs and have annual revenues of €27 billion (SEC, 2007). Social enterprise has received political attention under Prime Minister Tony Blair as an alternative response to social, economic and environmental needs. In 2002, the UK undertook several key activities in support of social enterprise: development of a three-year comprehensive social enterprise strategy, establishment of a social enterprise unit within the Department of Trade and Industry, and creation of a national intermediary organization, the Social Enterprise Coalition, which shares best practices and influences policy to create an enabling environment (SBS, 2004). In 2006, the Social Enterprise Unit was moved to the newly created Office of the Third Sector (OTS) and an updated Action Plan was released with the goal of strengthening social enterprise through legal and regulatory issues, business support, financing, and public procurement (OTS, 2006).

The UK has identified public procurement reform as a key part of its support of social enterprise growth and is urging lower levels of government to follow suit. For instance, the 2003-

2006 National Procurement Strategy for Local Government calls for the use of procurement to help deliver corporate objectives including economic, social and environmental goals. Specific guides, including *More for Your Money* (Nicholls et al., 2005) have also been developed for local procurement officers in the UK, explaining why and how they should purchase goods and services from social enterprises. The aforementioned UK Social Enterprise Action Plan (OTS, 2006) builds on the concept, with an entire section devoted to enabling social enterprises to work with governments. The document outlines a detailed strategy aimed to increase the accessibility of public contracts to social enterprises and to incorporate social and environmental considerations into procurement decisions. Specific commitments include the following:

- ◆ Working with sector organizations to address the problems related to the size and scale of public contracts and the capacity of social enterprises to deliver on them;
- ◆ Providing guidance and training for procurement professionals on diversifying suppliers and also for spreading good practice through case studies of successful social enterprise contracts;
- ◆ The creation of a cross-departmental third-sector public service action plan and a £125 million fund to build the capacity of social enterprises and other third-sector organizations to deliver public services; and
- ◆ The consolidation of lower-value contract information from across the public sector into one marketing website portal, in order to ensure that social enterprises are aware of new contracting opportunities

In the Action Plan, the Office of the Third Sector has also committed to examining the use of social clauses in contracts as a way to account for societal benefits in the overall price. Considering the wide range of social issues that could be addressed through the delivery of public sector contracts, this could be an overwhelming task. One potential approach to this challenge is through the development of template social clauses for key social outcomes as tools to enable and focus their use. The OTS is currently working with professionals who have pioneered their use to learn about their experiences and the costs of social clauses. In support of this commitment, the UK Office of Government Commerce released *Social Issues in Purchasing* (2006), a guide to help local procurement officers incorporate social considerations into their contract decisions.

The document begins by stating that the principles of sustainable development—which link social, economic, and environmental goals—can be consistent with achieving value-for-money in purchasing. While most governments have procurement policies that address environmental and economic goals, they have yet to integrate social issues. This document

provides guidance for procurement and policy practitioners to incorporate social factors into each stage of the procurement process. Much attention is placed on the manipulation of contract specifications to allow for the inclusion of social considerations. Governments have a great deal of scope in deciding on their contract specifications, provided they are non-discriminatory and meet the tests of need, affordability and cost-effectiveness. However, the guide urges that if social issues are included, they must be relevant to what is being purchased and not to how the company providing the good or service manages their business. The guide also warns that taking account of additional social or community benefits can add extra costs and bureaucracy. The authors advise governments to undertake a cost-benefit analysis when incorporating these considerations to ensure that they are consistent with the overall goals of efficiency and cost-effectiveness.

As a result of these overall strategies and specific commitments, the British government reports a noticeable change in the priorities and practices of purchasing officials across the public sector (OTS, 2006). It also states that there has been a marked improvement in the profile of social enterprises among policy makers and that there are many examples of social enterprises winning local and central government contracts (OGC, 2006). By linking procurement to key government policy interests, social enterprise has become explicitly connected to the UK public policy agenda.

European Union

Much of the UK's success in the area of sustainable procurement can be attributed to the flexibility of the European Union guidelines around purchasing. Notably, in 2004 the EU's Directive on Public Procurement (2004/28/EC) introduced a framework through which contracts for public services must be specified and awarded in a transparent and competitive process. The Directive provides for environmental and social clauses and gives local authorities the freedom to determine their own contract criteria. Elements that contribute to this flexible environment include:

- ◆ Public procurement rules apply only to contracts over €249,000 for many activities typically provided by social enterprises, including employment search and training, social work, welfare, day care, guidance counseling, family planning and rehabilitation services (Article 7)
- ◆ Contracts for the services specified above are subject only to publication of clear technical specifications and an award notice; this means that the local authority can decide its own criteria for awarding contracts (Article 21).

- ◆ Public authorities are allowed to set a percentage of disadvantaged people who must be included in a contractor's workforce, so long as the provision does not make fair competition impossible (Article 14)
- ◆ Authorities are able to set out special conditions, including social and environmental considerations, provided they are specified in the contract and are not geographically discriminatory. This would prohibit any local preference policies (Article 26).
- ◆ Authorities can evaluate bids using the criteria of "economically most advantageous" or simply the "lowest price". This clause allows purchasing authorities to consider various qualitative criteria (Article 53).

(Summarized from EU Directive 2004/28/EC)

Other European examples of progressive procurement policies include the following:

- ◆ A law under the Austrian National Procurement Act states that government contracting transactions must take into account socio-political and ecological criteria.
- The national Belgian Sustainable Development Plan (2000-2004) requires that 4 percent of the federal government's publicly procured food products be socially responsible and organic.
- ◆ Public purchasing in Italy has been used as a strategy to encourage social co-operatives, which in return have to hire at least 30 percent of their labour force from identified marginalized groups. The Italian law on social co-operatives (Law 381/91) states that public authorities can assign contracts for public services to social co-operatives without going through a tendering process. Social cooperatives are a form of labour co-operative with a mission to provide social or welfare services to "economically weak layers of society" and to create employment. (Chantier de L'Économie Sociale et al., 2005)
- ◆ Section 91 of Poland's law (2004) on government contracting states that contract submissions will be evaluated on price and "other criteria related to the object of the market," including the "impact of the contract on the local labour market and the date of execution of the said contract."

(Summarized from INPSSE, 2005)

United States

In the United States, the federal government has a long history of strategic public procurement policies, which have been used mainly to support small business and minority-owned enterprises. For instance, as part of the Small Business Act, the US government sets aside a portion of all federal contracts for small business, allows them exclusive access to small

contracts, and guarantees access to a percentage of larger government sub-contracts. In 1997, the Small Business Reauthorization Act increased the overall government wide procurement goal for small business from 20 percent to 23 percent. This included a requirement that 3 percent of federal agency contracts are awarded to women-owned business and another 3 percent to veterans. In addition, the US Department of Small Business Administration (SBA) offers two targeted programs to help disadvantaged businesses access federal contracts: the HUBZone Program and the 8 (a) Business Development Program.

The HUBZone Empowerment Contracting Program, created under the Small Business Reauthorization Act (1997), encourages economic development and job creation in depressed communities by providing federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUBZone (Historically Underutilized Business Zone) certification by being located in a designated area or employing at least 35 percent of their staff from these areas. Under this program, a federal contract can be awarded with a price evaluation preference during a full and open competition. This means that a small business in a HUBZone can bid up to 10 percent more than a non-targeted enterprise and still win a contract. Contracts can also be awarded on a sole source basis, if the procurement officer determines that the qualified HUBZone small business is responsible, that the contract can be awarded at a fair price, and has no expectations that more than one qualified HUBZone small business will submit an offer. The Small Business Reauthorization Act sets the annual goal for HUBZone contracts at 3 percent of total federal contracts.

The SBA also administers a business assistance program for small disadvantaged businesses (SDBs) called the 8(a) Business Development Program. This procurement program is designed to assist the government in finding small businesses capable of providing needed services, while helping to address the traditional exclusion of firms owned by disadvantaged individuals from contracting opportunities. Participation in the SDB program is restricted to enterprises that have satisfied the eligibility requirements and have received certification by the SBA through its Small Disadvantaged Business Certification Program. Eligible applicants must be a small business that is at least 51 percent owned and controlled by a socially and economically disadvantaged individual. Under the Small Business Act, the presumed groups include African Americans, Hispanic Americans, Asian Pacific Americans, Native Americans, and Subcontinent Asian Americans. Other individuals can be admitted to the program if they show through a “preponderance of the evidence” that they are disadvantaged because of race, ethnicity, gender, physical disability, or residence in an environment isolated from the “mainstream of American society” (SBA, 2007).

Despite a strong federal commitment to target disadvantaged areas and businesses in purchasing decisions, similar local government initiatives appear limited in the US. Several American cities have adopted sustainable purchasing policies, though they are often heavily aimed at “green” procurement. Also, over thirty cities and towns in the United States have adopted Ethical Purchasing Policies to ensure that suppliers comply with workplace safety standards and labour laws.

3.2 Domestic Context

This section provides an overview of the current domestic context for procurement policies at the national and regional levels.

Canada

Canadian literature on social enterprise and public procurement is extremely limited. The federal government has a program that targets businesses owned by Aboriginal entrepreneurs and requires that environmental protection be considered when evaluating contracts. However, it has not developed a policy to use its procurement practice to benefit social enterprises, nor has it incorporated any social or economic development considerations into its purchasing operations. While Canadian governments have failed to address these issues, there is a growing awareness of the benefits of social procurement among non-profit organizations and social advocacy groups. In its 2005 pre-budget submission to the House of Commons Standing Committee on Finance, the Canadian Community Economic Development Network (CCEDNet) recommends that Public Works Canada undertake a study of UK and US social procurement models to increase social enterprise access to public contracts. In its discussion of the potential benefits of this practice, CCEDNet states the following:

Government procurement of goods and services is a major potential source of growth in social enterprise production, that would meet not only the supply needs of the federal government itself, but also generate public returns on purchasing in social benefits to communities and disadvantaged people (CCEDNet, 2005, p. 7)

This document is one example of a group advocating for a change in federal procurement policies, but additional supporting literature is scarce. However, the existence of a formal submission to Cabinet could signify a growing support for this issue in Canada. Future policy research and increased pressure on public authorities will be required before federal procurement practices are altered. There may be better opportunities for change within the lower levels of

government. Even so, there are no known Canadian municipal or provincial procurement policies that address societal issues.

Greater Vancouver Regional District

In the Vancouver area several initiatives are underway, led by both the private sector and local governments. The following subsection describes specific policies and programs aimed at helping organizations develop more sustainable purchasing practices. Apart from the social purchasing portal, all Vancouver-area initiatives focus on environmental and green purchasing, and they devote their “social” components to ethical considerations such as compliance with labour standards and human rights codes. Nevertheless, they provide insight into the domestic policy environment and offer examples of bid evaluation criteria and purchasing models that could be incorporated into the City of Vancouver’s policies.

GVRD Sustainable Purchasing Policy

The Greater Vancouver Regional District (GVRD) is a partnership of twenty-one municipalities in the Lower Mainland of British Columbia, which together make up the metropolitan area of Greater Vancouver. The role of the GVRD is “to deliver essential utility services like drinking water, sewage treatment, recycling and garbage disposal that are most economical and effective to provide on a regional basis; and also to protect and enhance the quality of life in the region by managing and planning growth and development, as well as protecting air quality and green spaces” (GVRD, 2007, p. 3). As part of its Sustainable Regions Initiative, the GVRD adopted a Sustainable Purchasing Framework in 2006, which went into effect as policy in January 2007. This policy is meant to incorporate the region’s commitment to sustainability into its purchasing practices.

The policy currently applies to all formal GVRD purchases in which bids are required, including Requests for Proposals (RFPs) and Invitations to Tender (ITT). These new procedures have been adopted to ensure that environmental and social criteria are included with the financial considerations for all purchasing decisions. While the policy states that long-term value-for-money remains key in purchasing decisions, it also increases the weight placed on the additional environmental and socially-focused information that is now required from the bidder. In addition to RFPs and ITTs that require information pertaining to pricing, delivery, experience and references, bidders will also be asked to submit a declaration that they comply with all applicable laws and regulations pertaining to the environment and workplace safety, employment and human rights. Information related to any previous convictions for violations must also be disclosed. In

addition, bidders must identify any potential extraordinary positive or negative environmental, social or economic impacts on a particular community or in general.

Within each Request for Proposal, the GVRD will disclose the specific weight that will be attached to the information submitted on the Declaration forms and the extraordinary impacts statements, up to a maximum of 5 percent for each category. Thus suppliers will be aware of how the bids will be evaluated and the value placed on each criterion. Also, although bidders are not required to be free of any violations of environmental regulations or workplace standards, they are warned that tenders may be rejected if their convictions are significant. The policy states that the GVRD will give preference to using environmentally benign products where possible and appropriate. However, it does not grant similar preferences to tenders that demonstrate positive social impacts.

The social section of the policy is mostly concerned with compliance with workplace safety standards, employment and human rights codes, as well as bribery and ethical conduct practices. The GVRD claims that no additional costs are expected with this new policy, but it will be monitoring the budgetary impacts and will report the results to its board of directors.

GVRD Sustainable Purchasing Guide

In addition to implementing a new sustainable procurement policy for its internal operations, the GVRD also designed a guide to help businesses in the region establish more sustainable purchasing policies and practices. Published in 2006, it encourages purchasing professionals to shift spending budgets away from products that negatively impact the environment and society and towards those that are more environmentally sound and socially beneficial. The guide defines sustainable purchasing as the incorporation of environmental, social and economic development factors into the total costs associated with each purchase. As an incentive for regional businesses to alter their purchasing policies, the guide cites a recent survey in which 44 percent of North Americans indicated that they have rewarded a company for being environmentally and socially responsible through their purchasing or investment decisions (GVRD, 2006).

The guide encourages businesses to include sustainability performance criteria in their RFPs and sets out step-by-step directions for creating a sustainable purchasing policy. Purchasing managers are advised to gather baseline performance data, set targets for improvement and measure progress in order to formalize the sustainable purchasing program and firmly embed the new values in their business practices. Next, the guide suggests that purchasers draft a policy statement in order to establish management support for the sustainable purchasing program. Intentions to implement the policy should also be shared with employees and suppliers

to ensure transparency and accessibility and allow for adequate input. Specific goals and priorities can then be set and a formal policy will be finalized, including practical steps to achieve each stated objective. Although the guide does include social considerations in its definition of sustainable purchasing, the examples and guidance are noticeably focused on environmental issues. This oversight is likely due to the relative ease of measuring environmental performance and the difficulty of quantifying social impacts.

Vancouver Social Purchasing Portal

Vancouver's Social Purchasing Portal provides a web-based environment for purchasers to search for local suppliers that have made a commitment to social and local community development. This process helps SPP purchasers to fulfil their Corporate Social Responsibility mandates and stimulate social and economic benefits in the community using existing procurement expenditures. SPP suppliers create these benefits through a commitment to granting employment advantages to qualified persons who are from disadvantaged groups or have been classified as hard-to-employ. Therefore, by choosing suppliers that are SPP members, organizations promote economic development for inner-city businesses and employment opportunities for the long-term unemployed. SPP suppliers benefit from the enhanced exposure to new potential clients on the portal. Vancouver was the first city to establish a Social Purchasing Portal, but the model has been spread to all major cities in Canada (SPP, 2007).

Sustainable Purchasing Network

The Sustainable Purchasing Network (SPN) is a program of the Fraser Basin Council, a BC-based not-for-profit organization. Established in Vancouver, BC, in 2005, the SPN supports organizations in their efforts to develop and improve their sustainability purchasing practices. It provides research, information, networking, and training on sustainability purchasing to businesses and institutions in the Lower Mainland. The Network is advised by a multi-stakeholder Steering Committee including BC Hydro, the GVRD, the City of Vancouver and the federal government, and it is open to any individual or organization with an interest in sustainability purchasing. The SPN defines sustainability purchasing as “a management process used to acquire goods and services in a way that gives preference to suppliers that generate positive social and environmental outcomes, and that integrates sustainability considerations into product selection so that impacts on society and the environment are minimized throughout the full life cycle of the product” (Easton et al., 2005, p 6). Like the GVRD group, the SPN considers the incorporation of environmental and social factors with traditional price and performance considerations to be key in making a purchasing decision “sustainable.”

Prior to its inception, the founders of the SPN conducted a study to assess the level of interest in using principles of sustainability to guide purchasing in the Lower Mainland. As part of the research, the authors spoke to a number of sustainability purchasers and suppliers in the region, as well as representatives from local universities, governments, business networks and non-profits with an interest in promoting sustainability. The study found that there was a potential for the collaboration of sustainability purchasers to use their influence in the market to promote the practice, develop a supply of sustainability products and services and help grow the social and environmental enterprise sectors. Based on these study results, the Sustainability Purchasing Network was deemed to be a viable initiative and was formally launched (Easton et al, 2005).

SPN research revealed a number of public and private sector organizations in the Lower Mainland developing sustainability purchasing programs, whose general purpose is to integrate ethical, social and environmental considerations into their purchasing decisions. In fact, most organizations described sustainability purchasing as one of the key elements of their organizational toolkit” to advance their sustainability agendas. There is a broad range of practices among leading sustainability purchasers in the region from limited one-off efforts to broad sustainability purchasing programs. At the time the research was conducted, most organizations were in the early stages of implementing their sustainability purchasing policies or programs. Without exception, purchasers described their efforts at integrating sustainability considerations into the procurement process and supply as extremely challenging. Furthermore, despite the growing number of sustainability policies in existence, the regional suppliers often saw a disconnection between corporate policies and actions in purchasing sustainability products and services with competitive bidding processes. In essence, many local businesses “talk the talk” of sustainable purchasing, but few actually “walk the walk” to translate the policies into action. Most important to the current study, however, is that many of these organizations tended to be strong only within restricted realms of sustainability such as energy-efficiency, green buildings, or the ethical sourcing of clothing. No purchasers claimed to be strong in the incorporation of social or economic development considerations into purchasing decisions, nor did they claim to have any expertise in purchasing from social enterprises. Overall, the SPN seems to be concerned primarily with environmental issues and green purchasing practices.

City of Vancouver

The City of Vancouver is considered one of the most progressive municipalities in Canada, due to its commitment to environmental and social sustainability. Its procurement activities have also fallen in line with these commitments. In 2005, the City of Vancouver

approved an Ethical Purchasing Policy (EPP) to ensure that all suppliers to the City meet or exceed the performance standards outlined in the Supplier Code of Conduct, which includes core labour conventions of the International Labour Organization (ILO). The policy currently applies to the purchase of apparel items and fair trade agricultural products, including coffee. However in October 2006, City Council ratified a recommendation to expand the EPP to include a broader number of goods and services. Although many Canadian cities have adopted No Sweat Purchasing policies to promote purchasing sweatshop-free products, Vancouver was the first municipality to adopt a comprehensive Ethical Purchasing Policy.

According to the Materials Manager at the City, Larry Berglund, the 2005 Ethical Purchasing Policy is currently evolving into a Sustainable Purchasing Policy that will be recommended to City Council before the end of 2007. The goal of the policy is to acknowledge the environmental, economic and social values within every contract for goods, services or equipment issued by the City. Purchasing officials are taking a very pragmatic approach to the development of the policy, defining the value within their own criteria. According to Berglund, “[the City] won’t buy something that is, say, socially better when we feel that the cost will exceed the value.” When asked if there would be specific provisions to ensure that social enterprises have access to contracts, Berglund said that it had not been specifically considered. Also, when asked about how they planned to incorporate social or economic development considerations, he admitted that these values are extremely difficult to measure and that City staff is finding it challenging to distinguish between purely social benefits and those that affect society through improved environmental practices.

Thus, while the City of Vancouver is one of the national leaders in ethical and environmentally sustainable procurement, it does not have a comprehensive policy to incorporate societal benefits into its purchasing decisions. At present, it does do a small amount of business with social enterprises, but this is the outcome of one-off arrangements rather than embedded policies. Yet, the progressive nature of the City’s past procurement policies suggests that it might be amenable to enhancing its social purchasing practices in the future.

3.3 Summary of Best Practices

Below is a summary of the key points gathered from the examination of international and domestic best practices in social procurement.

United Kingdom

- ♦ Has a national Social Enterprise Action Plan and a number of top-down initiatives aimed at encouraging government purchasing from social enterprise, particularly at the local levels
- ♦ Made a commitment to address the problems related to the size and scale of public contracts and the capacity of social enterprises to deliver on them
- ♦ Is examining the use of social clauses in contracts as a way to account for societal benefits in the overall price

United States

- ♦ Federal Government offers two targeted programs to help businesses from disadvantaged communities access federal contracts:
 - The HUBZone Program allows a price preference of up to 10 percent on federal contracts for small businesses located in, or employing from disadvantaged areas
 - The 8(a) Business Development Program provides procurement-focused business assistance for enterprises owned by socially and economically disadvantaged individuals

GVRD

- ♦ Allows bidders to identify potential positive or negative environmental, social or economic impacts in bid documentation
- ♦ Discloses the specific weight attached to this information up to a maximum of 5 percent for each category
- ♦ Long-term value-for-money remains key in purchasing decision

4 Interview Results

This section reports on the findings from the interviews conducted with the managers or representatives of five socially focused enterprises, as well as the City of Vancouver procurement staff representative. Appendix A offers a full listing of the questions asked during the interviews with enterprise managers. The interview questions were designed to elicit information on why the enterprises have or have not chosen to bid on a municipal contract and their opinions on how the City's procurement policies could be more inclusive of social values. The five enterprises (and parent non-profit organizations) that participated these interviews are: Potluck Café and Catering (The Potluck Café Society), Starworks Packaging and Assembly (Developmental Disabilities Association), Landscaping with Hearth (Coast Mental Health), the Cleaning Solution (Canadian Mental Health Association), and Mills Basics (traditional business). A full description of each participating business can be found in Appendix C. Appendix B lists the questions posed to the City of Vancouver procurement representative. These questions sought opinions on how to best incorporate social and economic development considerations into the procurement process and whether there are any foreseeable barriers to their adoption.

4.1 Enterprise Interviews

In order to gauge the level of interest and determine the barriers among socially-motivated firms in accessing municipal contracts, interviews were conducted with representatives from four self-described social enterprises and one traditional business with a social hiring policy. Questions were devised to gather information on their experience with the City of Vancouver procurement process and their thoughts on how to incorporate the social value created through their business operations.

When asked about their experience accessing procurement opportunities, only one of the five businesses interviewed stated that they had ever bid on a City of Vancouver contract. Two managers indicated that their business does have sales to the City, though the contracts were not secured through a competitive bidding process. Both of these managers pointed out that the overall value of their work with the City falls well below the \$50,000 public competition cut-off. The one business that had bid on a large City contract was Mills Basics, which is by far the

largest organization interviewed, with revenues of over \$15 million and 84 employees. It could be argued that, among the groups interviewed, Mills Basics is the only business with the capacity to compete on a City contract of any significant size. This is generally reflective of the social enterprise sector as a whole in Vancouver.

Considering that the majority of social enterprises in Vancouver are small and have modest revenues, their lack of capacity is a barrier to accessing procurement contracts. When asked to explain why his business had never bid on a contract, one participant revealed that he has not felt that the enterprise had the ability to win a contract and carry through with that amount of work. “It is an issue of having enough people trained to do the job, getting to that kind of capacity is something that has been haunting us for a long time” (Beatty, 2007). Several participants suggested that breaking large procurement contracts into smaller parts would allow smaller businesses to access opportunities that would otherwise be out of reach. One manager also explained that in order to take on the level of business required in a City contract, the enterprise would need to make some quick growth adjustments. It would require adequate financing to invest in additional space and capital equipment upgrades. However, she explains that the upfront investments would more than pay off in the long-term as the steady, reliable income from a larger contract would fuel their business growth and lend a degree of stability to the organization.

When asked if they thought that the social mandate of their business helped or hurt their chances of winning a bid, all participants agreed that it would likely help, but only if all other factors were equal. In other words, the managers acknowledged that under the current procurement policies, the social value created by their businesses would only put them at advantage if they could compete equally with other bidders on the traditional criteria of price, quality, and schedule. One interview participant suggested that the advantage of having a social mandate would also depend on the political will of those in office. Having a champion of social purchasing on the City Council, or a prominent local figure pushing and promoting the ideas, would lend political weight and momentum to the issue.

While all respondents agreed that the social value created by their businesses *should* be acknowledged when evaluating bids, there was some disagreement about how this would be achieved. Two of the managers suggested that social impacts should be a separate criterion in the RFPs, with points awarded for the fulfillment of a social mission. If the social impacts are not included in the RFP, there is no way for socially mandated firms to gain a formal advantage over traditional bidders. One respondent proposed that suppliers should be allowed and encouraged to include a description of their positive social impacts in a bid, even if they were not requested.

This will allow the procurement officer to use their discretion to evaluate the bids based on the additional information. Another manager admitted that his social enterprise no longer advertises its social mission because it changes the way that customers respond to the business. When potential clients learn of the social aspect of the business, they think of it as charity and expect a lower price. So, the business markets its service to the public based on its high quality and competitive pricing. However, the manager states that they would promote their social mandate if it would benefit their bidding. Finally, another participant proposed a different approach, suggesting a local preference policy that would guarantee that local or Canadian-owned business be considered first in a bid, before foreign-owned or multi-national corporations. Thus, if all the bids met the same basic criteria, then a local supplier would be preferred. The manager rationalized this suggestion by stating that although the City has an obligation to purchase top-quality goods and services, it also has a duty to promote local economic development and support businesses in the region.

When asked if their businesses would benefit from any resource or training opportunities offered by the City dealing with bid preparation, all but one participant responded positively. Mills Basics is already an experienced and successful supplier to the City and thus does not require this type of training. However, the remaining enterprise managers were enthusiastic about the suggestion. The representative from Starworks recounted her experience at a presentation given by city procurement officers to the businesses of the Social Purchasing Portal. She said that it was an excellent session that offered basic information about procurement processes and practices. However, she suggested that another session that is more of a pre-beginners course would also be helpful, providing training on even more basic concepts such as the language and terminology used in bids. This would be particularly helpful for enterprises like Starworks that are bidding on labour contracts that use very technical specifications for even the most menial jobs. For instance, in reference to a particular contract for the assembly of street maintenance safety posts, the manager of Starworks noted that the city “used very complicated engineering terms ... you would look at it and go, wow that looks really hard. Of course if you are building a bridge you need to use those technical specifications, but if it is literally stapling orange flags to a post, why can’t you just say that, at least in brackets” (Ziebert, 2007). This language represents a significant barrier for an enterprise that is capable of delivering on basic labour tasks but is untrained in their technical specifications. Thus, some training on the required business terminology would help to put social enterprises on an equal playing field with the traditional firms in their industry.

One final comment and suggestion made during the interviews is worth noting. For social enterprises that are under the corporate structure of a non-profit organization, the application requirements of bids can be a problem. An RFP generally requests the legal name of the business on the first page of a bid. Thus, at first glance, it may look like a non-profit is applying for the contract when in reality it is a business, run under the non-profit structure. In the case of Starworks, which may submit a proposal for a small piece of a construction contract, a procurement officer might be puzzled to see a bid from the Developmental Disabilities Association among the proposals from traditional labour organizations. “So I think there is a tendency for sales and marketing to direct us to the communications or sustainability departments, to put us over in the soft, charitable part.....they think of it as charity” (Ziebert, 2007). A similar situation may occur when Landscaping with Heart submits a bid as Coast Mental Health, or the Cleaning Solution applies as the Canadian Mental Health Association. A policy change to allow a company to register a bid under its business name rather than its legal entity name would remedy this problem.

4.2 City of Vancouver Staff Interview

The City of Vancouver interview participant was Larry Berglund, manager of materials management in the Corporate Services Department. This department is responsible for the acquisition of all goods, services and equipment, other than major public works, which accounts for approximately \$75-100 million a year in expenditures. The Corporate Services Department oversees all aspects of procurements, including the purchasing, inventory and distribution of goods and services. It also works collaboratively with the Vancouver Parks Board, the Vancouver Public Library, the Vancouver Fire Department and the Police Department.

Berglund was asked if there had been any discussion around incorporating social or local economic development criteria into individual contract evaluations. He replied that it was very difficult to identify social values in procurement considerations, but he could certainly point to its progress on environmental purchasing. He also stated that the City avoids any local preference policies as they tend to invite complacency and poor service. He adds that most, if not all, Canadian municipal public service sector purchasing policies avoid local preference or privilege clauses.

Berglund also pointed to the success of the Ethical Purchasing Policy, stating that it has strongly impacted the way the City makes purchasing decisions. For instance, in a number of cases the City refused to do business with a supplier due to its failure to meet workplace safety standards. As part of the EPP, the City’s evaluation team routinely visits suppliers’ premises to

ensure that they are in compliance with safety codes and regulations. The committee encountered workplace conditions at two BC-based supplier locations that did not meet the City's Supplier Code of Conduct criterion. Specifically, one site contained a high level of fumes in the production area, while the other was deficient in its work practices with respect to fire regulations and employee safety. The City advised the suppliers that they needed to correct the respective deficiencies or the contract would be discontinued. To satisfy compliance, one supplier installed an exhaust system while the other improved its fire and safety practices. When the contract awards were made, both suppliers were successful in being awarded four-year contracts (Berglund, 2007). This story demonstrates the impact of the EPP and the City's commitment to enforcing its Supplier Code of Conduct.

City of Vancouver staff also visited the Starworks' packaging and assembly plant prior to finalizing a labour contract with the enterprise, in order to ensure that its employees with developmental disabilities were being treated fairly and respectfully. The evaluation committee was fully satisfied with the workplace conditions and impressed with the capabilities of both the staff and management. The contract was finalized, and Starworks became a service supplier for the City. This relationship was formed during an informational session given by Berglund and City procurement staff to the supplier businesses of the Social Purchasing Portal. Starworks and DDA staff were in attendance at the session and later followed up with the City to enquire about potential supplier opportunities. It was determined that Starworks could fill in a small, but important labour gap at the Manitoba Yards. This facility employs over 200 people, mostly highly skilled and highly paid trades and crafts workers. Thus, there were a number of low-skilled jobs being performed by overqualified staff, such as the task of stapling orange safety flags onto wooden posts to place around road work crews. Starworks, with its staff made up mostly of persons with developmental disabilities, was perfectly positioned to perform these tasks. The City consulted with the labour unions and was granted permission to contract out these specific activities to Starworks. The cost to the City ended up being less than the status quo, as Starworks charged a lower price than what the City had been paying the skilled workers to perform the task.

This successful business partnership came about through a special arrangement between the City and Starworks. However, there is a perception that the City procurement process is burdensome and difficult to break into. Berglund addresses this concern by stating that there are ways to work around the formal bidding process, for instance by pre-qualifying enterprises for certain jobs. He says that the City is doing all it can to advertise to different types of enterprises through business conferences, breakfast meetings, informational sessions (e.g. at the Social

Purchasing Portal), and through a program targeted at Aboriginal entrepreneurs. Yet, there has been little response, and he says he is rarely approached by social enterprises. “It’s a two-way street,” says Berglund. More social enterprises need to come forward in order for the City to work with them.

When asked if he thought that contracting with social enterprise would create additional social value for the City, Berglund replied “totally!” He also added that, based on his experience working with social enterprises, he did not think that it would cost the City any additional money. Furthermore, he could not foresee any resistance from the City’s labour unions, provided that labour-related contracts with social enterprises remained small. Berglund concluded the interview with this remark: “We (the City) should do more business with social enterprises. We buy everything from A to Z and we run social housing programs, so we are very connected. I think the opportunities to work with social enterprise are unlimited.”

4.3 Summary of Key Points

Below is a summary of the key information identified in the interviews with social enterprises and the City of Vancouver procurement representative.

Social enterprises face the following barriers to accessing City contracts:

- ◆ Lack of capacity to deliver on large City contracts
- ◆ The tendency of City officials to view social enterprises as charity rather than business
- ◆ Perception that City procurement process is burdensome and contracts are unattainable

Social enterprises offered the following suggestions to make contracts more accessible:

- ◆ Include social value as a separate criterion in Requests for Proposals
- ◆ Break up large contracts
- ◆ Adopt local preference policies
- ◆ Increase training and education opportunities
- ◆ Allow social enterprises to use business name rather than legal organization name in bids

The City of Vancouver Representative:

- ◆ Believes that sourcing from social enterprise would create additional societal benefits without increasing costs

- ◆ Social values are difficult to identify; environmental harms and benefits are much easier to define
- ◆ The City avoids any local preference policies
- ◆ *The City is* open to flexible arrangements with social enterprises

5 Policy Alternatives

This section will outline potential policy options to increase the social and economic impact of municipal purchasing decisions. These alternatives were formulated to address the key issues highlighted in the interview analysis in the previous section, and they also draw on international and regional best practices. In addition to the status quo, the following policy alternatives have been suggested and are summarized in the following subsection:

- ◆ The inclusion of societal benefits as a criterion in contract evaluation;
- ◆ Reserved contracts for social enterprise delivery;
- ◆ A HUBZone-type program for depressed Vancouver communities;
- ◆ Combination of supply-side development initiatives and City contract disaggregation.

5.1 Status Quo

The City of Vancouver Corporate Services Department has a mandate of fairness and transparency and currently does not have any programs that target small or local business. “Anyone who is qualified to bid is able to bid. Small or large” (Berglund, 2007). According to Berglund, the City typically attracts larger business due to the scale of the contracts and the quantity of products it requires. Small businesses generally do not have the capacity to provide the large number of products requested in most City RFPs. The City has established one targeted procurement program, aimed at helping Aboriginal entrepreneurs access City contracts through a prequalification process, though the response has been much lower than expected. Currently in the competitive bidding process, no evaluation criteria take into account societal benefit or local economic development impacts created through the delivery of a contract. In fact, despite the program targeted at Aboriginal entrepreneurs, if an Aboriginal supplier were to place a bid on a competitive contract apart from the program, it would not be given preference over other applicants. While the City does undertake a small amount of business with social enterprises, these contracts are mostly the outcome of one-off arrangements rather than established policies.

5.2 Societal Benefits as a Criterion in Contract Evaluation

This alternative would ensure that social value considerations are included in the City of Vancouver's Sustainable Purchasing Policy. It is suggested that the City include a measure of societal benefit as a separate criterion to be used when evaluating bids for applicable public contracts. Appropriate weighting for this criterion may vary depending on the contract but should range between 5 percent, as in the GVRD policy, and up to 10 percent for contracts that have direct community impacts. In this policy the City would establish minimum guidelines around the definition of societal benefits, though contractors would describe individual contract-specific impacts when submitting a proposal. Potential societal benefits include: employment of the long-term-unemployed or persons with mental or physical disabilities, reinvestment of profits into a parent charity, or the promise of donating funds, facilities or labour to a community project. Appropriate criteria should measure the potential delivery of these benefits. With the addition of this new criterion, the City should make it clear that it will be awarding the contract to the "most economically advantageous" tender, rather than simply the lowest bid by price.

5.3 Reserved Contracts for Social Enterprise Delivery

This policy option allows procurement officials to select certain products or services that would best be delivered by a social enterprise, and reserve applicable contracts for a pre-qualified group of bidders. For instance, the City of Vancouver is currently preparing a document to invite social enterprises to provide supplemental street cleaning activities and has set aside \$60,000 from the 2007 Street Cleaning Budget for this purpose. Procurement officials plan to meet with several social enterprises to discuss delivery options and pre-qualify them for a contract. Successful enterprises will then be granted a small contract along with an agreement that specifies the service expectations and performance requirements of the job (Berglund, 2007a). This policy alternative would expand the practice to include reserved contracts for a variety of products and services to be determined by the City. Social enterprises, or for-profit businesses that provide social value, could apply to be pre-qualified for their appropriate contract category and subsequently placed on a list of potential suppliers.

Under this option, social enterprises could also approach the City with proposals to take over lower skilled activities currently carried out by unionized City employees.

5.4 HUBZone-type Program for Disadvantaged Vancouver Communities

The HUBZone program in the United States allows the federal governments to grant price preferences to small businesses located in or employing from “historically underutilized” neighbourhoods. Under this policy alternative, the City of Vancouver would implement a similar program to increase its use of small business suppliers from economically depressed areas in the City, such as the Downtown Eastside. Using the same guidelines as the American HUBZone program, this policy would permit the City to grant a 10 percent price preference to certified tenderers located in the designated area or businesses that employ over 35 percent of their staff from this neighbourhood. Businesses that meet these qualifications would have to apply to the City to acquire a certification that allows them preferential bidding status. Once this certification is granted, the businesses would be able to place higher bids in an open procurement competition. The City will also be able to award contracts to a certified business on a sole source basis, provided that it is the only qualified business available under this program, that the contract can be awarded at a fair price and that the certified business is fully qualified and responsible.

5.5 Combination of Supply-Side Development Initiatives and Contract Dissagregation

The practice of breaking large contracts into several smaller parts is referred to as contract disaggregation or unbundling. Considering that contract size and enterprise capacity were highlighted as major barriers to participation for the enterprises interviewed, it was suggested that unbundling contracts, where possible, would increase the accessibility of municipal procurement opportunities. Also, nearly all of the managers interviewed agreed that their enterprise would benefit from informational sessions on the procurement process, or from training programs to increase their competitiveness in completing tender documentation. As another step to engage social enterprises in procurement, the City can host “Meet the Buyer” events where supplier businesses and procurement officers interact and exchange information. The City can also encourage social enterprises to explore subcontracting opportunities for larger contracts, while promoting the use of social enterprise suppliers to contractors as a way to fulfil sustainability or corporate responsibility requirements. For instance in the UK, local governments are encouraged to host “Open Supplier Meetings” where potential prime contractors and sub-contractors can connect.

This policy option encourages the City of Vancouver to disaggregate large contracts into two or three smaller pieces where the work is distributed across a number of geographic regions or among several sectors or activity areas. Thus, unbundling is suggested only when contracts can be separated naturally and without work overlap or duplication. This option also includes the use of several supply-side development initiatives, including the provision City of Vancouver procurement training to social enterprises and other socially-focused small businesses. Advertising of lower-level contracts could be increased, as well as the arrangement of “meet the buyer” events and the encouragement of prime contractors to use social enterprises to deliver sub-contract requirements.

6 Analysis of Policy Alternatives and Recommendations

6.1 Criteria for Analysis

Each of the policy options has been systematically evaluated using five key criteria: fairness, budgetary cost, political acceptability, administrative feasibility, and social impact. The criteria and measures are summarized in Table 1.

Table 1: Policy Evaluation Criteria and Measures

Criterion	Definition	Measurement	Sources
Fairness	Does the policy create a level playing field for all types of business?	<p>Low: The policy places one business at a strong disadvantage or exclude it entirely</p> <p>Moderate: The policy may place one business at a small disadvantage while working to improve the situation of another</p> <p>High: The policy allows all businesses to compete for contracts on an equal playing field</p>	Interview participants, international and domestic case studies, literature review, subjective assessments based on information gathered through the study.
Budgetary Cost	Relative to the status quo, what is the budgetary cost of implementing the policy?	<p>Low: Costs are well above that of the status quo in the short and long term</p> <p>Moderate: Costs are either raised in the short term and level off, or remain moderately above the status quo</p> <p>High: Costs are low and remain unchanged from the status quo</p>	
Political Acceptability	Based on public response, will the City choose to implement the policy?	<p>Low: The policy is expected to receive strong opposition from impacted groups</p> <p>Moderate: The policy is expected to receive mild opposition or indifference from impacted groups</p> <p>High: The policy is expected to receive approval from impacted groups</p>	

Criterion	Definition	Measurement	Sources
Administrative Feasibility	How complex is the policy to implement?	<p>Low: The policy requires the development of new administrative systems or tools</p> <p>Moderate: The policy requires a small amount of administrative changes</p> <p>High: The policy can be implemented within the existing administrative framework</p>	
Potential for Social Impact	To what extent will the policy produce positive social impacts?	<p>Low: The policy has low potential to produce social impacts</p> <p>Moderate: The policy has moderate potential to produce social impacts</p> <p>High: The policy has strong potential to produce social impacts</p>	

Each criterion is discussed in further detail below:

1. Fairness: This criterion will examine whether one group is placed at an unfair advantage or disadvantage in the procurement process due to a particular policy option. A policy may have sectoral distribution effects and should measure whether all sectors are receiving an equitable share of the policy benefits and bearing an equitable share of any costs. In essence, this criterion measures the effectiveness of the policy in creating a level playing field for all types of business to access procurement opportunities.
2. Budgetary cost: This criterion will assess the overall monetary cost of implementing a particular policy, as measured by its effect on the City's public procurement budget. As municipal taxing powers are limited and budgets are already strained, the policy options should seek to minimize costs for taxpayers. Policy options will be evaluated in relation to the budgetary costs of the status quo.
3. Political acceptability: This criterion will determine the feasibility of the option among relevant decision makers in the municipal government, as measured by the anticipated negative or positive public response to policy. For instance, any policy that increases the procurement budget and calls for an increased contribution from taxpayers will likely generate a negative public response, rendering it politically unattractive. In addition, the business community may oppose a policy that appears to affect the level playing field in the marketplace.
4. Administrative feasibility: This criterion will measure the relative ease or difficulty of implementing a policy option relative to the status quo. It will determine whether the

policy can be implemented within existing administrative constraints or if administrative changes are necessary.

5. Potential for social impact: This criterion will measure the degree to which a policy option allows City of Vancouver procurement decisions to affect social and community development issues.

Scaling

The criteria are each assigned a ranking of low, medium, or high and a corresponding numerical score as follows:

- ♦ Low = 1 Point
- ♦ Moderate = 2 Points
- ♦ High = 3 Points

The budgetary cost criterion will be ranked inversely, with a high rank indicating a lower cost and a score of 3, and a low score signifying a higher budgetary cost and a score of 1. The total score for each option will be calculated and compared against a maximum score of 15 (five criteria, each with a maximum score of 3). The option that receives the highest score will emerge as the recommended course of action.

6.2 Analysis of Policy Alternatives

The following subsections evaluate the five policy alternatives on the basis of the five cited criteria. The outcome of this analysis is summarized in the Table 2.

Table 2: Evaluation of Policy Alternatives

Criteria	Status Quo	Societal Benefit as Separate Criterion	Reserved Contracts for Social Enterprises	HUBZone-type Program	Supply-side Initiatives & Contract Dissagregation
Fairness	Low (1)	High (3)	Low (1)	Moderate (2)	High (3)
Budgetary Cost	High (3)	Moderate (2)	Moderate (2)	Low (1)	Moderate (2)
Political Acceptability	Moderate (2)	Moderate (2)	Low (1)	Low (1)	Moderate (2)
Administrative Feasibility	Moderate (2)	Moderate (2)	Moderate (2)	Low (1)	Moderate (2)
Social Impact	Low (1)	High (3)	High (3)	Moderate (2)	High (3)
Total Score (out of 15)	9	12	9	7	12

6.2.1 Status Quo

Fairness: Low

The City's current procurement policies are designed to be fair and transparent, allowing any qualified business to bid on a public contract. Free market advocates would maintain that any change to the current policies would alter the natural market equilibrium and impact the "level playing field." However, it could be argued that the current policies are unfair because small business and social enterprises are not on an equal playing field with traditional larger businesses, and in some cases are not even in the stadium! If this perspective is valid, then the status quo does not satisfy the fairness criterion because it does not provide smaller bidders access to all contracts. Also, the lack of social criteria measures in bid evaluations does not allow suppliers that provide additional social value to demonstrate this at the proposal stage or be rewarded in during the evaluation.

Budgetary cost: High (Low Cost)

This option automatically receives a ranking of high, as there are no cost implications for the status quo. All other policy alternatives will be evaluated in relation to the costs of the current system. Considering that there are usually short-term costs associated with switching from the status quo, all other policies will have budgetary implications.

Political acceptability: Moderate

The City has received a positive public response to its implementation of Canada's first comprehensive municipal Ethical Purchasing Policy and is thus considered a leader in the field. If the City does not continue to progress and show leadership in this area, it may encounter a degree of backlash from the sustainable purchasing community. However, if it pushes the sustainability or social agenda "too far," it may face backlash from traditional business associations.

Administrative feasibility: Moderate

The other policy alternatives will be measured against the status quo to determine their relative administrative feasibility. However, the current situation, characterized by one-off arrangements with social enterprises, may become administratively burdensome if the number of these contracts increases.

Potential for social impact: Low

There is a potential for social impact through the continuation of the status quo. The City has already demonstrated that it will work with social enterprises on a small scale and will certainly not deter businesses that provide an added social value from bidding on contracts. However, under the current policies the potential for significant growth in societal benefits through purchasing is unlikely.

6.2.2 Societal Benefits as a Criterion in Contract Evaluation

Fairness: High

The *UK National Procurement Strategy for Local Government in England* (ODPM, 2003) states that tender invitations should include a requirement for bidders to submit optional, priced proposals for the delivery of specified community benefits, as long as they are relevant to the contract and are consistent with the community development strategies of the procuring authority. Thus, if a business can provide an additional value, it should have opportunity to include this information in a contract proposal and be evaluated accordingly. Any strategy that disallows the full disclosure of a bidder's capabilities could be considered unfair.

One danger of including social benefit considerations, which are inherently more subjective than economic criteria, is the increased potential for corruption or political lobbying associated with the selection process. Procurement decisions based purely on cost are easily justified. Social impacts are more difficult to measure, making procurement decisions more susceptible to political manipulation by City Councillors or other officials. While this specific issue was not raised during the informational interviews, at least one participant did acknowledge the politicization of the procurement process. Thus, there is a small possibility that the inclusion of social criteria could increase political influence in purchasing decisions, but it is unlikely that the practice would regularly pass through the City's system of checks and balances.

Budgetary cost: Moderate

Although the UK document *Social Issues in Purchasing* (OGC, 2006) warns that taking account of additional social or community benefits can add extra costs, the overall monetary impacts are likely to be minimal. This policy is not likely to increase the cost of a contract, since the societal benefit criteria will only account for 5-10 percent of the overall evaluation score. Also, the implementation of this policy does not mean that procuring authorities will trade-off price for other considerations. Value for money would remain the key consideration in a competitive bid evaluation.

Political acceptability: Moderate

This alternative may face opposition from traditional businesses and free market advocates who argue that price and quality are the only justifiable contract evaluation criteria. These groups may view the inclusion of social benefit considerations as government manipulation of market forces, as it could lead to the violation of the economic assumption that the lowest price is preferred, *ceteris paribus*. There may also be a perception that traditional businesses will be at a disadvantage under the new evaluation framework. However, there is no reason that a traditional business cannot provide added social benefits to a contract, either directly or through sub-contracting part of the activity to a social enterprise. Also, the low 5 to 10 percent weighting assigned to the social benefits criterion will only give a social enterprise an advantage in a bid evaluation if it is equal in every other way to its closest competitor. Under this structure, a traditional business is only penalized if it is competing against a social enterprise that offers a product or service that is equal to its own in price and value.

Conversely, the social enterprise community would welcome this option, as would traditional businesses with strong corporate social responsibility mandates. These groups may view the inclusion of the social benefit criterion as a way for the City to acknowledge the added-value they create and reward them for their positive community impact.

Administrative feasibility: Moderate

The British study (OGC, 2006) warns that social or community benefit consideration can add bureaucracy to the procurement process, as standard measures and evaluation guidelines must be developed. Administrative issues may also arise around compliance and enforcement of the social statements made in contract proposals. Thus, the City may have to add to its established monitoring and evaluation procedures if there is a desire for an economic analysis of the added-value created from this approach. The policies could place the onus on the contractor to collect and provide social impact data to the City on a regular basis or upon contract completion. Under either scenario, the City may require additional staff to handle the collection or analysis of the data.

Potential for social impact: High

This policy alternative offers a much higher potential for social impact, as it is inherent in the policy. Thus, a larger number of social firms would be considered for contracts under this option than under the status quo.

6.2.3 Reserved Contracts for Social Enterprise Delivery

Fairness: Low

This alternative could generate the unintended consequence of being protectionist. Because the City would reserve certain contracts for social enterprises, it has the effect of excluding competitors that are not social firms. This practice could also potentially displace contractors or City labourers that traditionally deliver the reserved product or service. The UK Office of the Third Sector (2006) offers one solution to this problem. It suggests that a municipality could run an open competition for a citywide contract but insist on social enterprise delivery in disadvantaged areas. This option, it asserts, could combine the efficiency of bulk buying with the effectiveness of local knowledge (OTS, 2006).

Budgetary cost: High (low cost)

It is not likely that this alternative would significantly increase the overall monetary cost to the City. If the City follows the model used to reserve street cleaning contracts for social enterprise, then it will set out a determined price and allow pre-qualified businesses to deliver the contracts under those constraints. The overall cost of the contract may increase only if it was previously delivered by a larger business that was able to achieve economies of scale through the provision of City-wide services. It is also possible that the effective contract cost could increase if the social enterprise is unable to meet the established quality or quantity benchmark for the good or service.

Conversely, the City could realize cost savings through this policy, as social enterprises can deliver certain tasks more efficiently than through a former arrangement. For instance as part of its contract at the Manitoba Yards, Starworks performs a number of simple yet time-consuming tasks for a lower cost than when previously delivered by overqualified City labour workers. Now free of these relatively mundane tasks, City workers are able to devote more time to jobs that require a higher level of skill and training. This represents a cost savings to the City and a more efficient use of resources. This latter point is of significant interest considering BC's current skilled labour shortage. In this environment, it is particularly unproductive and uneconomical to underutilize skilled employees. Social enterprises that employ persons with mental or physical barriers can fill an important gap in the economy. Correctly utilizing these resources can pay off in the form of lower costs to the City, more appropriate work placements for skilled labourers, and steady revenues for social enterprises.

Political acceptability: Low

The introduction of this policy could be perceived as a reduction in the transparency and accessibility of the procurement process. Given that traditional businesses would be unable to bid on the reserved contracts, it is very likely that they would oppose this policy. In addition, the City unions will undoubtedly resist a longer-term proposition that social enterprises replace

unionized City workers in the delivery of low-skilled tasks. Although the union granted permission for the Starworks contract, it is perceivable that it would try to protect its members in the future. It is one thing to allow a social enterprise to deliver a small contract, but it is quite another to allow an ongoing takeover of City tasks that require little skill, but pay high wages. Thus, union resistance is imminent with this policy.

Administrative feasibility: Moderate

Before setting aside specific contracts, procuring authorities must ensure that there is an adequate supply of competent social enterprise suppliers in the given field. The City might also need to hire additional staff for the delivery of the policy and to monitor social impact results. Quality monitoring requirements should not increase with this policy, as it requires the City to pre-qualify social enterprises for specific contracts. This process should ensure that each approved enterprise meets the quality and delivery requirements of the City.

Potential for social impact: High

This alternative has significant potential to achieve social impacts. It allows the City to select the jobs and tasks that would best suit social enterprise delivery and provides a easier access stream to City contracts for social firms. This policy would eliminate the paperwork burden that goes along with the traditional competitive bidding procedures, thus making it more likely that smaller social enterprises would engage in the process and thereby be in a position to deliver additional societal benefits. Furthermore, reserved contracts allow the City to form relationships with social enterprises, increasing the chance of future partnerships and service delivery. Obtaining ongoing contracts with the City would ensure a stable revenue source for selected social enterprises, allowing them to continue to serve targeted communities.

6.2.4 HUBZone-type Program for Disadvantaged Vancouver Communities

Fairness: Moderate

This policy intentionally excludes all businesses that are not located in a specific area or do not hire predominantly from a depressed community. However, policies targeted at improving disadvantaged communities help to stimulate community-generated economic development. By allowing preferential bidding, this policy would help bring businesses from these areas onto a level playing field with the rest of the business sector. In order not to disadvantage non-local contractors, the City could use the general categories of target beneficiaries (e.g. long-term unemployed people, persons with mental illness) to target businesses rather than geographic areas.

Budgetary cost: Low (high cost)

This alternative could increase the overall monetary costs to the City if the HUB-Zone suppliers routinely submit higher bids. Even if the price submission is within the set 10 percent range, over time this could contribute to a strained budget or force procurement officials to tighten price guidelines for contracts that do not fall under the HUBZone-type program. There would also be costs associated with the development of the program, monitoring of service delivery quality, and reporting on social outcomes

Political acceptability Low:

Given the City's strong resistance to local preference purchasing policies, this geographically focused alternative is not likely to resonate with City officials. It is also likely to spark opposition from businesses from economically depressed communities outside the designated areas, as well as traditional businesses that cannot compete given the new preferential pricing rules. A program of this nature would have to obtain City Council approval, which would be difficult given the strong opposition expected from stakeholder groups.

Administrative feasibility: Low

The administrative requirements of this policy are high relative to the other options. Under this alternative, additional procurement staff would be required to administer the new program, assess business applicants and deliver the certification. Furthermore, the planning and development of the program may require a cross-departmental team to ensure there is no overlap with current City programs targeted at disadvantaged communities. Significant policy and planning work would also be necessary in order to establish the new program guidelines, certification procedures, and rollout schedule. The City may also have to develop monitoring and evaluation procedures if there is a desire for an economic analysis of the added-value created from this program in the designated area.

Potential for social impact: Moderate

The revenue generated from City contracts could allow the businesses in these disadvantaged areas to grow and provide further employment opportunities to community members. Thus, there is the potential for significant social impact, but it will be restricted to select communities.

6.2.5 Combination of Supply-Side Initiatives and Contract Disaggregation

Fairness: High

As long as no individual enterprise gains an advantage in competing for a specific contract, it is fair to provide training and additional information to help social enterprises improve their ability to respond to contract opportunities. Conversely, the disaggregation of contracts

could be viewed as unfair by large businesses that can achieve economies of scale through provision of multiple products or services under uniform contract conditions. However, unbundling large contracts makes them more accessible to all small businesses; informational workshops on bid preparation provide social enterprises with the knowledge and tools to bid on these more accessible contracts.

Budgetary cost: Moderate

From a purely monetary value standpoint, the unbundling of contracts could add cost as it disallows businesses from achieving economies of scale and offering the associated cost savings to the City. Furthermore, the provision of multiple workshops, information session and “meet the buyer” events could become expensive if offered free of charge to participants. If run frequently enough to warrant it, these sessions could be operated on a cost-recovery basis.

Political acceptability: Moderate

If social enterprises are targeted or given any kind of informational advantage, this policy alternative could be met with opposition from the business community. However, the policy does not propose that the City offers workshops only to social enterprise, just that it targets them in its advertising of the training opportunities. Also, while large businesses that traditionally deliver City-wide contracts will be resistant to their disaggregation, the small business community will welcome the policy change.

Administrative feasibility: Moderate

Additional staff members may be required if the number of information sessions and workshops are greatly increased. In the British community of Nottingham, the City Council developed a Social Enterprise Team to broker relationships between social enterprise suppliers and local government purchasers (OTS, 2006). This team acted as a guide for social enterprises to navigate through the often complex bureaucracy of local government procurement. The City Council reported that the initiative was a huge success and was greatly appreciated by local social enterprise suppliers. However, due to Vancouver’s relatively small social enterprise sector and the limited municipal procurement staff, the additional administrative burden posed by this initiative may not be justifiable at this time.

Potential for social impact: High

The perception of an overly complicated procurement process acts as a deterrent to the participation of social enterprises sector in the public sector market. An education and training campaign could dispel this perception and arm social enterprises with the knowledge and tools necessary to enter a contract competition, thus providing additional social value to the City through the delivery of contracts.

6.3 Recommendations

Following a thorough evaluation of the five policy alternatives, I recommend that the City of Vancouver follow a combination of the options receiving the highest ranking in Table 2, along with one additional suggestion:

1. Incorporate societal benefit considerations into the City of Vancouver sustainable purchasing policy. This policy will ensure that procurement officials acknowledge and reward the added value created by socially-motivated firms when evaluating contract bids.
2. Unbundle large City-wide contracts to ensure that small business and social enterprise have equal access to procurement opportunities. This approach addresses the capacity concerns that social enterprises identified as a barrier to contract delivery. When contracts cannot be disaggregated, the City should encourage traditional large businesses to utilize social enterprises as sub-contractors. This practice will help bidders fulfil the social criteria of a contract, while preserving any economies-of-scale benefits.
3. Offer targeted training programs for social enterprises in order to address access issues and informational barriers. Meet-the-buyer events and educational workshops are required to provide social enterprises with the tools to compete equally with traditional business. This policy poses minimal risks to the City and works to develop the capacity of the social enterprise sector through education and training rather than preferential purchasing programs. The City is also encouraged to host “Open Supplier Meetings” where potential prime contractors and social enterprise sub-contractors can connect.
4. Allow social enterprises to use their operating name rather than their legal parent name when submitting bids for City contracts. This would entail a simple rearrangement of the bid documentation to allow an organization to place its business name on the cover page so that it is the first name viewed by procurement officials. The signing authority requirements and statement of legal name within the documentation will remain, but the first page must clearly display the enterprise name. This change will eliminate the potential for procurement officials to cast social enterprise bids aside, because they appear to be submitted by the non-profit parent organization.

These recommendations provide a comprehensive approach to achieving social and community benefits through the City’s procurement practices. The disaggregation of large

contracts levels the playing field for small business and social enterprise, increasing their access to previously unattainable business opportunities. Once access is enhanced, the targeted training and education programs equip social enterprises with the tools necessary to compete equitably. Armed with the access and ability to compete, socially motivated firms can formally express their societal impacts in bid documentation and are assured that this added value will be acknowledged and rewarded. Finally, allowing social enterprises to use their operating name in contract proposals will ensure that their bids are taken seriously and are not mistakenly dismissed.

The adoption of all four recommended policies in combination will allow the City to achieve the maximum social and community benefits with its procurement budget. However, the recommendation to incorporate social criteria is the most essential action that the City can take toward the establishment of an effective social procurement policy. Without the inclusion of defined, weighted social criteria in the bid evaluation process, the City will have no systematic method to measure societal benefits. This step will lend a much higher degree of legitimacy and transparency to the practice. Eventually, social criteria will be regarded and understood in the same way as the current contract criteria of price, value and delivery schedule. However, it must be noted that social criteria will influence a contract decision only when one or more bidders claim to produce positive community impacts. If the supplier pool for a contract is made up of regular profit-driven firms that are not socially-motivated, then the bids will be evaluated on the traditional economic and practical criteria. Thus, this policy may affect just a small number of contracts, but it will allow the City to reward firms that offer added social benefits when applicable.

While the inclusion of social benefit procurement criteria is the most pressing action, the adoption of all four recommended policies would offer the City a more comprehensive and effective approach to social procurement. This approach ensures an enabling environment for social enterprise without substantial organizational impacts for the City or strong stakeholder opposition. The policies do not discriminate against traditional business and avoid granting outright preference to social enterprises. Thus, it is unlikely to upset traditional business associations or labour unions. The policies also require minimal administrative changes. For instance, the City already hosts meet-the-buyer events and training workshops, so it will not need to develop new educational material or train staff to give presentations. The sessions will require additional staff time and implementation resources, but these are minor matters. However, the consideration of social criteria may produce a moderate increase in administrative requirements, as monitoring and evaluation system will need to be incorporated into the procurement process.

The issue of evaluating social impacts is a complex and controversial area. Many methodologies exist to measure the social returns produced by firms, but no single approach has emerged as the common strategy (Goldman Sachs and Rockefeller, 2003). The problem is three-fold. First, social benefit measures are wide in scope, ranging from employment gains to quality of life indicators. Second, social returns are difficult to monetize, and the value assigned to an impact can be easily disputed. This will remain a problem until a common methodology is established and widely accepted. Last, it is hard to attribute societal gains to a particular social enterprise. For example, it would be tempting to credit a social enterprise with all of the social benefits associated with employing a disadvantaged, ex-convict welfare recipient. These societal gains include a decrease in provincial welfare payments, increased tax revenue from income tax payments, and a reduced probability of recidivism. However, it is difficult to prove that these gains would not have occurred independent of securing employment in a social enterprise with an associated life skills program. The City must consider all of these issues if staff are to properly measure the social impacts resulting from the new sustainable procurement policy. While it may appear complex at first, over time the City will develop its own measures and evaluation procedures and incorporate them into its regular contract monitoring process. Staff will need to be trained in these new procedures and guidance may be required from external procurement professionals with expertise in social procurement.

Thus, my recommendation is that the City incorporate societal benefit measures into its bid evaluation process, disaggregate large contracts, and target social enterprise with its training programs. I also recommend that the City allow social enterprises to submit bids under their operating names, rather than the name of their non-profit parents. To facilitate these policy changes the City should begin to build a program infrastructure around social procurement. This infrastructure includes a monitoring and evaluation system, an implementation budget, and staff training in social procurement issues and practices.

7 Concluding Remarks and Recommendations for Further Study

Public authorities in foreign jurisdictions have been using their procurement budgets to address societal issues for centuries. Currently, most Canadian governments base purchasing decisions strictly on price and value with no specific criteria related to social impact. This remains the case despite numerous examples of socially beneficial procurement policies around the world. Canadian authorities must begin to understand the impact that public purchasing dollars can have towards enhancing the social, economic and environmental conditions of communities. All levels of governments can garner these community benefits by purchasing more goods and services from social enterprises. This argument is the most compelling at the municipal level, where governments have limited revenues and jurisdictional control over the issues facing their residents. Targeted procurement offers a way to redirect spending to address social concerns. This study outlines a number of policy initiatives to enhance the societal impact of municipal purchasing. If implemented in combination, they will form the basis of a City of Vancouver social procurement policy.

Considering the limited domestic research on this topic, further study is required to expand the use of social procurement practices in Canada. The current study is focused exclusively on Vancouver and recommends policies that address the unique concerns of city procurement officials and social enterprise operators. Each municipal environment is different, with specific community issues and administrative barriers to consider. Thus, the findings of this study should not be applied to other Canadian cities without an in-depth examination of the local context. Further city-specific research is required to address this gap and produce social procurement policy recommendations for other municipalities. Careful consideration must also be paid to the role of the provincial government with respect to municipal social procurement policies. Future studies may look more closely at the jurisdictional effects of this practice. For instance, the benefits of social procurement may be felt more broadly than at the municipal level. With more sophisticated tracking methods, cities may be able to monetize the amount that their policies are saving provincial governments in the form of reduced social assistance payments. If municipalities actually calculated this figure, they could establish a case for increased provincial

transfers to offset whatever costs are associated with the operation of their social procurement policies. While provincial governments may not be open to subsidizing cities for the societal benefits and savings resulting from the changes in municipal purchasing decisions, they may be amenable to incorporating these practices into their own procurement policies. Research is required at both the provincial and federal levels in order to maximize the benefits of social procurement across Canada

While changes at the senior levels of government may seem far away, the City of Vancouver is only a few simple steps from establishing the first official social procurement policy in Canada. Vancouver is already regarded as a progressive municipality and a leader in responsible procurement. Furthermore, it currently has the staff expertise and interest to implement these policy changes, as well as local socially-motivated firms to provide the needed products and services. The City has the opportunity to set a standard in socially-motivated public purchasing and become a model for other Canadian municipalities. Once the cities catch on, perhaps the provincial and federal governments will take note. It takes only one trailblazer to set a trend, and the City of Vancouver is in a perfect position to assume that role.

Appendices

Appendix A

Interview Questions

Social Enterprise Managers

Part 1: Size and Description of Business

1. Please give a brief description of your business.
2. What is the relationship between the social enterprise and the parent charity/non-profit?
3. How many employees do you have?
4. How many people volunteer with your business?
5. What is your annual sales revenue?
6. When did you launch your business?

Part 2: Experience with Accessing City Contracts

7. Has your business ever bid on a City of Vancouver procurement contract? If yes, proceed to Question 8. If no, skip to Question 11.

If Yes:

8. Did you win that contract?
9. What was the value of the contract?
10. What was your overall experience with the contracting process?

If No:

11. Why not?
12. Do you feel that your business has the resources to participate in the bidding process?

Part 3: Procurement Process

13. Do you feel that the social mandate of your business puts you at an advantage or a disadvantage when bidding on City contracts? Why or why not?
14. Do you think that the City should acknowledge the social value created by your business when evaluating contract bids? How?
15. Are there any resources or training opportunities that you feel would enhance the success of your business when bidding on contracts (or enhance your willingness to bid on a contract if the enterprise has not done so)?

Do you have any further thoughts on the City of Vancouver procurement process?

Appendix B

Interview Questions City of Vancouver Procurement Officer

1. Please describe your position within the Vancouver municipal government.
2. How long have you been in this position?
3. Please briefly outline the steps involved in the Government of Vancouver procurement process.
4. How does the City of Vancouver evaluate the bids?
5. How does the City of Vancouver ensure the participation of small business in the procurement process?
6. Have there been any City of Vancouver policy changes that target sustainable purchasing?
7. Have these been successful?
8. Is there any special consideration given to businesses that create social value, for example social enterprises (provide explanation of social enterprise)?
9. Has there been any discussion around incorporating social or local economic development criteria into individual bids?
 - a) If yes, what has been discussed?
 - b) If no, why do you think that this has not been discussed?
10. Do you have any ideas of how the City of Vancouver could incorporate social criteria into its bidding requirements?
11. Do you think that increased sourcing from social enterprises would create additional value for the City of Vancouver?
12. Do you think that increased sourcing from social enterprises would cost the City of Vancouver more money?

Appendix C

Summary of Participating Enterprises

Social Enterprises

The Cleaning Solutions

Parent Organization: Canadian Mental Health Association Vancouver – Burnaby Branch

The Cleaning Solution is a social enterprise providing market quality, environmentally friendly janitorial services. The goal of the enterprise is to assist mental health consumers to become employed in a supportive structure. By providing quality janitorial services to businesses and organizations, mental health consumers can build skills and capacity in a flexible environment and earn a fair wage.

Landscaping with Heart

Parent Organization: Coast Mental Health Foundation

Landscaping with Heart(LWH) is a full-service landscaping business that provides employment opportunities for people recovering from mental illness. The business began as a Coast horticultural program, and was launched as a business in 2002. Along with revenue generation, the goals of LWH are: to provide a flexible work environment to accommodate people whose mental health can be cyclical, to top up income of those who are on disability benefits, and to demonstrate to customers and the general public that people with a mental illness can participate effectively in employment and deliver quality work.

Potluck Café and Catering

Parent Organization: Potluck Café Society

Potluck Café and Catering was launched in 2000 and is located on the main level of the Portland Hotel in Vancouver's Downtown Eastside. In addition to its café and catering operations, Potluck manages a number of socially-focussed programs. Potluck runs an employment training program for at risk residents of the Downtown Eastside. The Café also provides nutritious meals to area residents and a discounted daily breakfast, lunch and dinner for low-income diners. It currently provides 3000 free meals a month and 600 subsidized meals, in addition to offering market-rate food items in the café. Potluck invests 100% of the proceeds earned through its catering business into its employment and meal service programs.

Starworks Packaging and Assembly

Parent Organization: Developmental Disabilities Association

In 1998 the Developmental Disabilities Association (DDA) responded to new requirements of provincial employment regulation and converted its sheltered workshop into a business, now known as Starworks Packaging and Assembly. Starworks provides DDA clients with opportunities for regular paid employment in a flexible and supportive work environment. Business services include light manufacturing, document collating, packaging and product assembly.

Traditional Business

Mills Basics Office Supplies

Launched in 1949, Mills Basics is a BC-owned and operated business located in Vancouver's Downtown Eastside. It provides businesses with office supplies, computer products and printing supplies. Mills Basics also has a social hiring policy, and employs roughly 15% of its staff from the Downtown Eastside. It is also a purchasing member of the Social Purchasing Portal and donates its used office products to neighbourhood schools and organizations.

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