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Boosting Ontario's prosperity and innovation through social procurement

Nonprofit social enterprises and co-operatives can help optimize Ontario government's purchasing power while increasing economic opportunities for all.

Summary

Traditional ways of public procurement where the focus is limited on the lowest price rather than overall value, quality, and impact are outdated and inefficient in addressing the complexity of challenges facing Ontarians today. A new way that goes beyond "value for money" is necessary.

Ontario's nonprofit social enterprises and co-operatives are well positioned to help the provincial government deliver greater value for taxpayers money. As a vital part of Ontario's supply chain, both as purchasers and suppliers of goods and services, nonprofit social enterprises and co-operatives create jobs and stimulate economic growth, while advancing economic, social, and environmental benefits.

The establishment of Supply Ontario and its mission to modernize procurement for Ontario's public sector presents a timely opportunity to develop a supportive public policy environment that would enable Ontario's nonprofit social enterprises and co-operatives to access more public sector procurement opportunities to grow and scale. In turn, the Ontario government's spending will deliver more for Ontarians as nonprofit social enterprises and co-operatives create green jobs, combat labour shortages, break the cycle of poverty, and mitigate climate impact. This approach meets taxpayers' expectations of financial prudence by leveraging procurement dollars already within the budget to simultaneously fulfill a procurement need, as well as contribute to governmental social and environmental objectives.

Our recommendations:

1. The Treasury Board Secretariat, when developing the Ontario Public Sector Supply Chain Strategy, includes a province-wide social procurement policy that commits to purchasing from nonprofit social enterprises and co-operatives.
2. Supply Ontario includes representatives from the nonprofit sector on its Stakeholder Advisory Council.
3. The Treasury Board Secretariat and Supply Ontario work with the nonprofit and co-operative sector to co-develop a made-in-Ontario social enterprise strategy to sustainably scale up efforts.

Context

Similar to small businesses, nonprofit social enterprises and co-operatives provide goods and services, however with additional public benefits. They do this by:

- Offering meaningful jobs and training opportunities to people with multiple barriers to finding/maintaining employment, such as people with disabilities and people experiencing homelessness, to build economic self-sufficiency and reduce reliance on social programs;
- Hiring and spending locally to ensure dollars are circulating within the local economy, particularly in rural and remote regions;
- Leading clean energy initiatives and ensuring enterprise activities are low carbon, and environmentally sustainable;
- Providing high quality goods and services that are affordable, accessible, and culturally appropriate; and
- Reinvesting surpluses back into their community-based missions.

For example, a construction nonprofit social enterprise like [Blue Door Construct](#), provides renovation and landscaping services while promoting economic recovery, and increasing access to jobs for Ontarians struggling to find work by training and hiring individuals from historically low-income and disadvantaged groups. Other examples of nonprofit social enterprises and co-operatives include caterers ([LOFT Kitchen](#), [DANI catering](#)) and couriers, manufacturers and repair shops, recycling and waste management services ([Bottle Works](#)), daycare ([Kidz Kare](#)), Personal Support Workers, and housing co-ops ([Woodsworth Housing Co-operative](#)).

Purchasing from nonprofits increases the best overall value (economic, social, cultural, and environmental) for public spending as it is much more innovative, inclusive, and fiscally responsible. It also means integrating a new diverse segment of organizations into Ontario's supply chain.

Key issues

There are three key issues getting in the way of nonprofits integrating into public procurement. First, the current approach of only considering whoever offers the lowest price rather than who can also offer the best overall value, is a barrier for nonprofit social enterprises and co-operatives to gain access to public procurement opportunities. In order to provide the lowest price possible to meet the procurement criteria, regular suppliers may lower their production cost by disregarding the potential negative environmental and social impacts of the goods and services produced. Hence, the lowest price does not always equal the best overall value. Unfortunately, this narrow focus on price often leads to social enterprises being overlooked during the procurement process, either because their prices are slightly higher or that the additional social and environmental benefits they deliver are not valued or considered at all.

Second, since Supply Ontario takes a centralized whole-of-government procurement approach, failure to include nonprofit social enterprises and co-operatives in its procurement strategy makes it even more difficult for them to access any procurement opportunities across government and the broader public sector. This barrier also undermines local economic development as some

local municipalities, hospitals, universities, and colleges are ready to procure from local nonprofits but are unable to do so due to the centralized approach.

Third, the lack of an enabling public policy environment. In order for nonprofit social enterprises and co-operatives to reach their full potential in helping the provincial government deliver greater value for taxpayers money, formal public policies that take into account the first two barriers and provide opportunities for the growth of social enterprises and cooperatives is needed. An enabling public policy environment should address both the demand side and supply side of the social procurement ecosystem. For example, on the demand side, formal policies and guidelines are needed to provide principles for the design, implementation and evaluation of social procurement. On the supply side, policies and strategies that support the creation and growth of social enterprises and co-operatives are required.

Opportunity

In the past two provincial budgets, the government has noted that it aims to award at least three billion in contracts to Ontario businesses annually by 2026 through the Building Ontario Businesses Initiative. The province has also reiterated its commitment to support businesses through government procurement. Namely by enhancing the rules and making significant investments in government adoption of Ontario-made solutions with centralized procurement. Additionally, Supply Ontario's Business Plan fiscal years 2023/24 - 2025/26 identified the establishment of a Stakeholder Advisory Council as one of its key priorities for the upcoming year.

As Supply Ontario is just beginning to plot its course, it is the best time to ensure nonprofit social enterprises and co-operatives are woven into its plans. Now is the time to better leverage the expertise of nonprofits, local infrastructure, and community-centred missions to build an Ontario that works for everyone. Nonprofits are accountable to local communities, have higher levels of transparency, and reinvest profits back into their missions, ensuring taxpayer money is used effectively.

Recommendations to leverage current opportunities

1. The Treasury Board Secretariat, when developing the Ontario Public Sector Supply Chain Strategy, includes a province-wide social procurement policy that commits to purchasing from nonprofit social enterprises and co-operatives.

A provincial social procurement policy that commits to purchasing from nonprofit social enterprises and co-operatives will ensure adapted social value criteria and metrics are consistently applied across government and the broader public sector. With social procurement, goods and services will still be purchased through a competitive and transparent bidding process, but new assessments of social value will encourage innovation, and help reach broader policy goals.

The social procurement policy should also include second-tier targets, requiring (or promoting through procurement point systems) its suppliers to (such as construction companies, food services, cleaners, and couriers) increase their own social purchasing by half a percentage point each year.

Local governments and the broader public sector across Ontario and Canada are already adopting social procurement practices to purchase from local, mission-driven businesses, including nonprofit social enterprises and co-operatives, owned by diverse people. While the [City of Toronto](#) and [City of Peterborough](#), [Calgary](#), [Edmonton](#), and Vancouver, already have policies in hand, Ottawa and Brampton are in the process of developing theirs. On a provincial level, the [Government of British Columbia](#) has published a social impact purchasing guidance, the [Government of Nova Scotia](#) also has a sustainable procurement policy in place.

2. Supply Ontario includes representatives from the nonprofit sector on its Stakeholder Advisory Council.

The inclusion of nonprofit representatives on the Advisory Council will ensure the agency connects with and engages partners and stakeholders across the nonprofit sector in various communities across Ontario. They carry a wealth of knowledge and resources, such as where to find existing supplier lists. Nonprofit representatives can also provide valuable input with nonprofit perspectives on business needs, supply-chain supports, and procurement issues to the council.

3. The Treasury Board Secretariat and Supply Ontario work with the nonprofit and co-operative sector to co-develop a made-in-Ontario social enterprise strategy to sustainably scale up efforts.

The success of a social procurement policy implementation hinges on suppliers' ability to create social value. There is no social procurement without the enterprises who deliver social value while selling their goods and services. Nonprofit social enterprises, co-operatives and many smaller businesses often owned by people from equity-deserving communities face barriers accessing patient, low interest capital to test out their ideas, innovate and scale up. Support services such as mentorship and coaching are also lacking for them to grow their ventures.

To accelerate the growth of Ontario's social enterprise and co-operatives, the Ontario Government must prioritize ramping up business development support for nonprofits, and to encourage the availability of new forms of loan financing for nonprofit social enterprises to scale and replicate. This can happen through a made-in-Ontario social enterprise strategy, co-developed with the nonprofit and co-operative sectors so that together we can drive local, inclusive job creation, and support rural, remote, and urban self-reliance.

Conclusion

Ontario is faced with many challenges today, from the housing crisis, labour shortage, to poverty and climate change. Nonprofit social enterprises and co-operatives offer solutions to these complex issues while also generating economic impact. A recent survey by Buy Social Canada found that in 2022 alone, the 132 social enterprises surveyed employed over 9,000 people and

paid \$141.3 million in employee wages¹. Nonprofit social enterprises and co-operatives can boost Ontario's innovation and prosperity, but to do so, they need support from the Ontario government to grow, and to increase their access to procurement opportunities. By creating a supportive public policy environment for Ontario's nonprofit social enterprises and co-operatives to thrive, the provincial government can maximize the impact of public procurement, deliver the best overall value for taxpayers, while solving multiple social, economic, and environmental issues at the same time.

About ONN

ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders, and other stakeholders.

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¹ Buy Social Canada. (2023). Sell with Impact: Stories and Research from the Canadian Social Enterprise Sector.

<https://www.buysocialcanada.com/wp-content/uploads/Sell-with-Impact-Stories-and-research-from-the-Canadian-Social-Enterprise-Sector-Sep-2023.pdf>