

Dr Matthew Butlin
Chair and Chief Executive Officer
Government Procurement Inquiry
SA Productivity Commission



13th February 2019

Dear Dr Butlin,

Please find attached a submission from Social Change Headquarters to the Government Procurement Inquiry.

I was delighted to have been invited to join the Roundtable offered by the Inquiry at Business SA on Tuesday 5th February.

My experience at that event encouraged me to share what I have learned with my peers in social enterprises and prepare a submission. At the event, I was one of only 2 women in the room. This was disappointing and also reflects some of the challenges the SA Productivity Commission will need to address. The [evidence shows from around the world](#) how vital it is for women to be full participants in any economy as a key driver for economic success.

It was also evident to me that you and your colleagues had no knowledge of the social enterprise economy and [the opportunity this emerging economy](#) represents for our state.

The submission I have prepared has been shared with a number of my peers including social entrepreneurs poised to invest in, and scale their businesses once Policy for Social Procurement is adopted in South Australia. Others include Thought Leaders, CEOs of organisations that social enterprises work with to create social impact, and other important activators in the social economy. I am the founder of several social enterprises including the [GOGO events](#), which has been recognised and awarded nationally and internationally for its social impact.

In the spirit of collaboration I have invited my peers to review this submission and they have added their names accordingly.

I would like to take this opportunity to invite you to a co-working space of which I am a co-founder with three other female social entrepreneurs – Collab4Good. We would love to have you visit, so we can introduce you to our work and our part of the SA economy. I will be in touch with your office in a few weeks' time to make a mutually convenient time.

Sincerely

A handwritten signature in black ink, appearing to be 'Sarah Gun', with a circular flourish at the end.

Sarah Gun
Founder and Director
Social Change Headquarters

SUBMISSION

Government Procurement Inquiry
SA Productivity Commission

1. Introduction

The Government Procurement Inquiry terms of reference set an agenda and assumptions around the kind of businesses that exist in SA. The support for small and medium size businesses, not for profits, family businesses and commercial enterprises is supported.

There is, however, a missing part in the business ecosystem which doesn't seem to be captured and that is for-profit social enterprises who trade commercially to fulfil a social purpose, often by creating employment and opportunities for disadvantaged groups of people (such as women, youth, people experiencing mental illness, homelessness, and cultural barriers to employment). This sector of the economy uses innovative commercial enterprises to solve complex social problems, which in turn reduces costs to the government in health, welfare and housing. This social enterprise sector is the focus of this submission.

We recognise this is a small part of the SA economy; however, it is a growing sector being driven by the rise of millennials, desire to do good for purpose and profit, and a general policy move away from charity to self-sufficiency and sustainability.

2. Specific challenges

2.1 Status of Social Enterprises

There is no current explicit legal and tax definition of a social enterprise. They tend to be for-profit companies with a social business model or not-for-profit models with innovative trade offerings. The accepted definition is that social enterprises are organisations (both for-profit and non-profit) which trade to fulfil a social mission. This model which blends for-profit practice with non-profit principles is growing in popularity and we are hopeful in time systems and policies will align with our business practices, however in the meantime we are often caught in between systems, compliance challenges and an inability to compete due to our tax or legal status. For example, as a for-profit social enterprise we aren't able to apply to most philanthropic foundations for investment or grants, and as a social enterprise not-for-profit company we aren't always eligible to apply for government and venture capital investment. Investment and grant making programs that are agnostic about status are valued and appreciated (eg SheEO), however they are few and far between.

A 2018 [report](#) by the South Australian Centre for Economic Studies into the social value of social enterprise used two South Australian social enterprises which helped young people and people with disability to gain employment and workplace training as case studies. The study found that every \$1 invested by these social enterprises in programs that helped young people and people with disability to gain employment and workplace experience generated up to \$5 in social value through improved wellbeing, social integration, and future employment - a 500% return on investment.

The Government has a significant role as a market maker and shaper, and can use this influence to further support economic development and regeneration through targeting procurement towards business that retain wealth and profit locally, and support better staff terms and conditions. It is a policy gap that has been recognised in other Australian jurisdictions (eg [Victoria](#) and [Queensland](#)), and it is this recognition of social enterprise at the Government level which influences and drives the successfully growing supply and demand for the social enterprise sector in these States. Victoria is leading the charge for social procurement under the Victorian Social Enterprise Strategy, with the greatest success seen when social procurement targets (ie. 3%) are embedded into all procurement tenders with financial incentives for those who meet these targets.

Large procurement contracts here in SA should follow this example and be designed to encourage social enterprise to participate in tender exercises, such as the dividing up of large contracts into smaller lots, or by promoting a prime/subcontractor model, whereby Primes must engage with social enterprises as part of their supply chain with incentives (ie bonus) for those who meet their target.

2.1.1 We recommend procurement policy and subsequent practices recognise social enterprises as a sector of the economy and as such, enable them to be eligible to procure regardless of their status as profit or not-for-profit.

2.1.2 We recommend the development of an SA Social Procurement Framework.

2.1.3 We recommend a social procurement targets be set for all SA government tenders of minimum 3% for successful bidders to procure subcontracted services through social enterprise with financial incentives in place to rewards successful bidders for meeting this target.

2.2 Access to information

There is no focus within Government procurement on social enterprise and therefore these enterprises are virtually invisible to procurement staff, often resulting in social enterprises not being invited to participate in procurement opportunities.

The lack of comprehensive market engagement by government agencies with small and medium size business means it is not always easy to stay informed of opportunities that might be available, and this is no different for social enterprises.

A more responsive approach to the promotion of future procurement opportunities and use of multiple distribution channels is encouraged. In particular the use of social media and attendance at social enterprise networking opportunities is encouraged.

2.2.1 We recommend procurement opportunities are distributed through social media channels with appropriate tags for ease of promulgation and to encourage distribution.

2.2.2 We recommend participation by key government officials in social enterprise networking events to develop knowledge, relationships and build mutual understanding.

2.3 Industry Participation Policy

The South Australian Industry Participation Policy (SAIPP) does have a section titled Other Socio-Economic Objectives which is addressed as follows

- *The Government of South Australia may, from time to time, seek to use procurement to drive other socio-economic objectives such as encouraging greater workforce participation or skill development opportunities for particular groups. Often this will be on a case-by-case basis and may entail an increased weighting or tailored industry participation plan requirements to support the objectives of the procurement.*

However, the SAIPP Guidelines for agencies and authorities provides no detail as to how this should occur compared with Aboriginal Economic Participation Policy.

There is a gap but a real opportunity for the State Government to develop a social procurement policy and processes which maximises the opportunities from SA based social enterprise businesses which would then drive enterprising employment opportunities, and subsequently reduce pressures on health, housing and welfare systems.

For example socially procured services for state sponsored festivals or events could include:

- Ticketing services (eg Humanitix)
- Event and design management (Eg GOGO events)
- Graphic design and printing (Eg Blend Creative - part of Minda Inc)
- Catering (eg The Foodprint Experience)
- Hospitality staff (Eg GOGO Labour Hire, KiK Enterprises)
- Packing and packaging (eg Bedford)
- Uniform production (Eg: Mobo Group)
- Post event legacy pieces (eg plants sold via Trees for Life)

While we understand it is the Industry Advocate who has responsibility for advancing the objectives of the SAIPP and for building the capacity businesses to tender or quote for government work we also see the Policy is deficient when it comes to recognising social enterprises.

This view is supported by one of the recommendations made by the Thinker in Residence Report titled Pathways to Global Leadership in the Purpose Economy, which advocates for South Australian Government's Industry Participation Advocate to take a leadership role in driving social procurement in the public sector.

2.3.1 We recommend the SA Productivity Commission in partnership with the Industry Advocate develop a program of support and aligned policies to enable more social enterprises to be procurement ready.

2.4 Thresholds to procurement

Many SMEs including social enterprises need high value insurance in order to tender for procurement. It is well appreciated the need for insurances, however some bids are not commensurate with the amount of insurance required. For example, offering services at locations which already have public liability insurance, yet requiring businesses to hold their own is often costly and precludes or at least does not incentivise submitting a bid.

2.4.1 We recommend individual assessment of clauses relating to insurance in procurement documents.

3. Closing Remarks

The following social enterprises and networks are keen to continue a dialogue with the SA Productivity Commission in this and subsequent inquiries.

The following businesses support this submission:

Sarah Gun
Founder: Social Change Headquarters
Founder: GOGO events
Co-founder: Collab4Good



Amy Orange
Founder: Harvest Fair
Principal: Fourth Sector Solutions
Co-founder: Collab4Good



Maira Were AM
Founder: Chooks SA
Co-founder: Collab4Good



Louise Nobes
Founder and CEO: KiK Innovation & Kik Enterprises
Co-founder: Collab4Good



Theresa Brown
Founder: Play It On



Sam Moore
Board member
Social Impact Investment Network SA
Head of Shared Value
Adelaide and Bendigo Bank



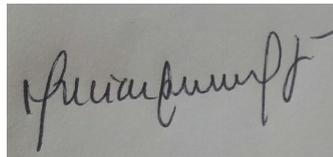
Jane Arnott
Board Chair
Social Impact Investment Network SA



Alissa Nightingale
Advisor - Social Sector
Westpac Foundation and Scholars



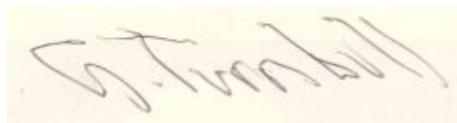
Luciana Qaddoumi
Founder: Cupcake Hero
Business Development: Barkuma



Ian Cox
CEO
Hutt St Centre



Dr Guy Turnbull
Thinker in Residence
Don Dunstan Foundation



Bert Verhoeven
Head of Entrepreneurial Programs
New Venture Institute, Flinders Institute

