

Buying Local

TOOLS FOR
FORWARD-THINKING
INSTITUTIONS



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BUYING LOCAL: Tools for Forward-Thinking Institutions


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> About This Report

There are many opportunities for organizations to benefit themselves, as well as the economies that sustain them, by making minor adjustments to the way that they purchase goods and services. This report outlines strategies and paths that policy-makers, sustainability managers, procurement professionals and others involved in institutional purchasing decisions can pursue to realize this potential.

Around the world, there is a growing movement to support local economies, and various approaches are being taken in different places. Great benefits come from strong, resilient local economies, and many opportunities exist to take small steps that can majorly benefit our public institutions, businesses and communities. If purchasers are ready to take on leadership roles, the tools and solutions detailed here are effective ways to expand local purchasing and strengthen our communities.

Part I outlines the argument for local procurement. It demonstrates the power that institutional procurement has over the economy and highlights opportunities for change by examining the current landscape in Canada, the United States, Australia and the United Kingdom. It details how local economic impacts fit within the definition of value when attempting to achieve best value in procurement.

Part II and Part II identify tools that can be used by institutions and policy-makers to increase local procurement. They outline a number of challenges, and detail solutions that are currently being used. Examples of the tools have been included along with references to material for further research.

The State of Local Procurement

> Introduction

Around the world, institutional procurement is beginning to incorporate the value of local economic health and vitality. Important opportunities exist to benefit public, non-profit and private sector institutions as well as communities.

The Purpose of Procurement

What is the purpose of institutional procurement? The most straightforward answer is “to acquire the goods and services needed to operate, for the best value possible.” But this definition becomes complicated when one moves beyond traditional, limited definitions of “best value” that focus only on technical specifications and cost. Increasingly, best value is defined more broadly, for example, as “purchasing methods used in awarding a contract based on evaluating and comparing all established quality criteria where cost is not the sole determining factor in the award.”¹ This expanded concept of best value can include considerations such as “full life costing,” which attempts to quantify all future and related costs with any purchasing decision. Other factors such as reliability, responsiveness and additional services provided play a large role in the value of any given supplier. A key challenge facing procurement decision-makers is how to best incorporate or account for these values in procurement policies, processes and practices.

In recent years, sustainability and ethical purchasing requirements have become key considerations in revising and reforming procurement practices. The Canadian municipalities of Vancouver, Victoria, Saanich and Surrey, for example, all have sustainable purchasing strategies, action plans and leadership support.² These policies often go beyond efforts to address environmental sustainability. Many sustainable or ethical purchasing policies include social requirements, such as banning products made with child labour, or giving preference to certified “fair trade” products that guarantee fair prices paid to farmers of coffee and other agricultural products. The City of Vancouver, for

¹ Bald, Stephen. “Full-Life Cost Equates to Best Procurement Value.” Daily Commercial News. Sept. 18, 2012. Retrieved from: www.dcnonl.com/article/id51915?search_term=environmental%20assessment

² Reeve Consulting. The 2011 Report on the State of Municipal Sustainable Procurement in Canada. 2012. Retrieved from: www.buysmartbc.com/_Library/Resources/Municipal_Sustainable_Purchasing_in_Canada_2011.pdf

example, introduced an ethical purchasing policy in 2005 along with a supplier code of conduct.³⁴ More recently, the City of New Westminster (B.C.) introduced Canada's first "living wage" policy, which requires employers contracting with the city to pay a locally calculated baseline living wage, beyond provincial minimum wage requirements, to ensure that workers employed directly and indirectly by the municipality are paid enough to meet basic needs.

A growing body of opinion suggests that it would be reasonable to include greater promotion of local economic development alongside other sustainability criteria in the value criteria applied by procurement departments. A survey conducted by the U.K.-based University of Bath in 2007, of 282 public institutions around the world, found that "purchasing from local suppliers" was the statement most strongly associated with sustainable procurement amongst North American respondents. Within the entire global sample group, that statement was second only to "purchasing from small suppliers."³⁵ Many procurement professionals seem aware that strategic local purchasing can positively impact local economies, and that both public and private institutions benefit from being based in economically thriving communities.

Here in Canada, local governments and school districts alone spend more than \$65 billion annually on the procurement of goods and services.

The Power of Procurement

Before turning to strategies, it is worth establishing the enormous significance of public and private procurement in the economy. In OECD countries, government spending on goods and services represents between eight and 25 per cent of GDP.⁶ Here in Canada, local governments and school districts alone spend more than \$65 billion annually on the procurement of goods and services, or about 5.4 per cent of GDP.^{7, 8, 9} Where and how this money is spent has major effects on jobs, the environment, the viability of enterprises and even the well-being of entire communities.

A number of reports and studies have examined the heightened economic impact of local procurement.^{10, 11, 12} A recent companion study to this report (The Power of Purchasing: The Economic Impact of Local Procurement) demonstrated, for example, that buying from a B.C. office supply company resulted in 77 to 100 per cent more local economic activity, and provided twice as many

- 3 City of Vancouver. Ethical Purchasing Policy. Feb. 2005. Retrieved from: <http://vancouver.ca/doing-business/ethical-purchasing-policy.aspx>
- 4 City of Vancouver. Supplier Code of Conduct. Feb. 2005. Retrieved from: <http://vancouver.ca/doing-business/supplier-code-of-conduct.aspx>
- 5 Brammer, Stephen and Helen Walker. "Sustainable Procurement Practice in the Public Sector: An International Comparative Study." (University of Bath Working Paper). 2007. Retrieved from: <http://opus.bath.ac.uk/281>
- 6 Ibid.
- 7 Statistics Canada. "CANSIM Table 183-0002, Public Sector Employment, Wages and Salaries, Seasonally Unadjusted and Adjusted." 2009. Retrieved from: www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=1830002&paSer=&pattern=&stByVal=1&p1=1&p2=1&tabMode=dataTable&csid=
- 8 Statistics Canada. Provincial and Territorial Economic Accounts, Local Government Revenue and Expenditure, Canada. 2009. Retrieved from: www.statcan.gc.ca/pub/13-018-x/2011001/t/tab0901-eng.htm
- 9 Denis Audet. "Government Procurement: A Synthesis Report." OECD Journal on Budgeting. Vol. 2, No. 3 (2002), p. 159. Retrieved from: www.oecd.org/governance/budgetingandpublicexpenditures/43506020.pdf
- 10 Jackson, Matthew. "Making the Most of Public Sector Spend: Procurement as Local Economic Activism." 2010. Retrieved from: www.cles.org.uk/publications/making-the-most-of-public-sector-spend-procurement-as-local-economic-activism
- 11 Jackson, Matthew and Matthew Pinnar. "Local Procurement: Making the Most of Small Businesses." 2012. Retrieved from: www.cles.org.uk/publications/local-procurement-making-the-most-of-small-businesses
- 12 "Procurement Still Matters." Civic Economics. 2012. Retrieved from: www.civiceconomics.com/library

Buying from a B.C.
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the province.

- *The Power of
Purchasing*

jobs within the province, when compared to buying from a multinational office supply company.¹³ Other studies conducted in the United States and elsewhere have also identified the heightened economic impact of local purchasing.¹⁴

The Opportunity of Procurement

Due to the reach, influence and extent of procurement and the measurable economic difference of buying local, many argue that focusing more procurement dollars on local companies is a good strategy for economic development. The rationale is that more money kept in a local economy provides more jobs, tax dollars and wealth to support other businesses. Studies published in the *Journal of Urban Economics* and the *Harvard Business Review* have demonstrated that fostering local businesses is a more effective form of job creation and economic development than the commonly used strategy of attracting large corporations.^{15,16} Cities and regions spend millions on economic development, and hundreds of millions on procurement, yet these efforts are rarely aligned.

Implementing an increase in local purchasing can be challenging, however. Local businesses often don't have the capacity to compete for bids with large multinational corporations, or may not have the ability to fulfill the requirements of buyers. Procurement officers often face difficulties changing current processes. It can be challenging to meet local economic goals at the same time as immediate organizational goals, such as bottom line costs. Trade agreements can also make it difficult to implement policies supporting local purchasing. In spite of these challenges, there are examples of local procurement being implemented with success in Canada and all over the world.

> The Current Landscape

There are many initiatives currently underway around the world to increase local purchasing. This overview is not intended to be exhaustive but rather to shed some light on the overall situation in the United States, the United Kingdom, Australia and Canada. These countries were chosen because there are a number of initiatives taking place within each, and because they represent good proxy countries for Canada.

United States

In the United States, 25 of 52 states have legally enshrined local purchasing preferences, providing an absolute advantage for in-state bidders over others.¹⁷ In addition to state policies, many counties

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on procurement,
yet these efforts
are rarely aligned.

¹³ Pringle, Tony. *The Power of Purchasing: The Economic Impacts of Local Procurement*. 2013.

¹⁴ See footnotes 11–13.

¹⁵ Glaeser, Edward, William Kerr and Giacomo Ponzetto. "Clusters of Entrepreneurship." *Journal of Urban Economics* 67 (2010): 150–168

¹⁶ Glaeser, Edward and William Kerr. "The Secret to Job Growth: Think Small." *Harvard Business Review* July–Aug. 2010.

¹⁷ As well, 35 States have a reciprocal preference laws. These reciprocal policies gives a local preference to companies when there are bidders from other states that do have local preference policies. This shows both the prevalence of these policies as well as some of the retaliatory practices that can come along with absolute preferences. National Association of State Procurement Officials. (2012). 2011–2012 NASPA Survey of State Procurement Practices. Retrieved from: www.naspo.org/Documents/SummaryReport2011-12Survey_Updates_1-8-13.pdf

and cities (such as San Jose, Los Angeles, Madison, Albuquerque and Columbus) also all have local purchasing preference policies.¹⁸ A number of major cities, including New York and Los Angeles, have included local economic development objectives in social procurement programs.¹⁹

In addition to legislated local preference policies, there are a number of other local purchasing initiatives taking place across the United States in non-governmental institutions. For example, the University Network of Hospitals in Cleveland, through initial senior leadership and target setting, set the following goals for their \$1.2 billion expansion:

- 80% goods and services procured from local and regional firms (92% achieved)
- 15% of contracts awarded to minority owned enterprises (17% achieved)
- 5% of contracts awarded to female owned businesses (7% achieved)
- 20% construction workers who are city residents (18% achieved)²⁰

As the numbers above demonstrate, the Cleveland hospital initiative exceeded three of its four local purchasing goals and came very close to meeting the fourth. It is a great example of the local purchasing efforts taking place throughout the United States.

Universities, including Columbia and Case Western, have taken major steps to procure locally.²¹ At the University of Pennsylvania, local purchasing increased from less than \$1 million in 1986 to over \$95 million in 2011. In total, the university's Local Community Business Initiative has spent over \$847 million locally since 1986.

United Kingdom

Procurement is being discussed as an economic development tool at top levels of government in the United Kingdom.^{22, 23} While national and E.U. trade restrictions limit the ability to explicitly prefer local suppliers and services, (similar to the way in which the Agreement on International Trade and other trade agreements limit Canadian public sector institutions), there appears to be a much greater effort to incorporate local businesses into U.K. public procurement processes than is presently seen in Canada.

One approach used in the United Kingdom is supporting small and medium-sized enterprises (SMEs) through procurement. Increasing access to procurement for SMEs inevitably provides increased support to local companies, but because the geographic or national identity of these businesses is not a formal factor, such policies do not run counter to trade agreements or invite accusations of protectionism.

18 "Local Purchasing Preference." Institute for Local Self Reliance. 2013. Retrieved from: www.ilsr.org/tag/local-purchasing-preferences

19 City of Toronto. Toronto Social Procurement Framework. 2013. Retrieved from: www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-57438.pdf

20 Serang, Farzana, J. Phillip Thompson and Ted Howard. "The Anchor Mission: Leveraging the Power of Anchor Institutions to Build Community Wealth." The Democracy Collaborative. 2013. Retrieved from: www.livingcities.org

21 "Buy Newark: A Guide to Promoting Economic Inclusion Through Local Purchasing." Policy Link. 2012. Retrieved from: www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35afo%7D/BUYNEWARK_WEB.PDF

22 HM Government. "New Industry, New Jobs." HMSO. 2009. Retrieved from: www.berr.gov.uk/files/file51023.pdf

23 HM Government. Building Britain's Recovery: Achieving Full Employment. 2009. Retrieved from: www.dwp.gov.uk/docs/o2-building-britains-recovery-title.pdf

University Network of Hospitals in Cleveland procures 92% of their goods and services from local and regional firms.

Benefits of procuring locally include “creative solutions, flexible delivery, better customer service and response time, and decreased environmental impact.”
City of London’s Local Procurement Charter

Beyond the central government level, the Scottish government has launched important public procurement initiatives for local economic development and community benefits. A key feature in their efforts has been the inclusion of local training and apprenticeship in contracts.²⁴

At the local government level, the City of London stands out for the steps it has taken to promote local purchasing within the city, especially in the private sector. The City Procurement Project provides free support and guidance to city-based businesses wishing to procure locally. Support measures include providing access to local supplier databases, one-on-one advice, and written guidance via the Local Purchasing Toolkit and other resources.²⁵ These resources help private sector firms to create and implement their own local procurement policies. Along with economic and corporate responsibility arguments for such policies, the project outlines benefits of procuring locally, including “creative solutions, flexible delivery, better customer service and response time, and decreased environmental impact.”

U.K. civil society groups have also been directly involved in efforts to increase local procurement. The LM3 tool, originally developed by the non-profit New Economics Foundation (NEF), provides users with an easy to follow process for measuring a company’s local economic impact. This tool has been used by a number of businesses and city councils in the United Kingdom to identify ways to maximize local economic development, especially through procurement.^{26, 27} This focus on measurement was taken further by the City of Manchester, which undertook an extensive study of its procurement dollars and where its suppliers spent their money. The study provided a useful baseline and a greater understanding of the economic impacts of procurement, and highlighted key challenges and recommendations for moving forward.²⁸

Australia

Legislated local purchasing preferences have been more prevalent in Australian public sector institutions than in their Canadian counterparts. However, such policies are increasingly being replaced by social procurement policies and other less direct methods of encouraging local purchasing.

At the state level, the government of Western Australia has a “buy local” policy, which gives 10 per cent preference to regional companies and 10 per cent penalties to imported products. The preference applies when no bids are received from other Australian or New Zealand States.^{29, 30} Since 2009, the policy has not applied when bids are received from the United States or Chile.³¹

24 The Scottish Government. Community Benefits in Public Procurement. 2008. Retrieved from: www.scotland.gov.uk/Topics/Government/Procurement/policy/procurecombenefts

25 City of London Corporation. Local Procurement Charter for City Developers. Retrieved from: www.cityoflondon.gov.uk/services/environment-and-planning/planning/planning-policy/local-development-framework/Documents/cityoflondon-procurementcharter.pdf

26 “About LM3.” LM3 Tool Online. 2013. Retrieved from: <http://www.lm3online.org/About.aspx>

27 New Economics Foundation. The Money Trail. 2002. Retrieved from: <http://neweconomics.org/publications/money-trail>

28 Jackson, Matthew. “The Power of Procurement – Towards Progressive Procurement: The Policy and Practice of Manchester City Council.” 2010. Centre for Local Economic Strategies. Retrieved from: <http://www.cles.org.uk/wp-content/uploads/2011/01/The-power-of-procurement.pdf>

29 Institute for Local Self Reliance. Local Purchasing Preference – Western Australia. 2008. Retrieved from: www.ilsr.org/rule/local-purchasing-preferences/2335-2

30 Government of Western Australia. Buy Local Policy. 2002. Retrieved from: www.ssc.wa.gov.au/publications.asp?id=38

31 Government of Western Australia. Buy Local Policy Addendum. 2009. Retrieved from: www.ssc.wa.gov.au/policies02.asp?id=19

More recently, Australian public sector procurement policy has focused on achieving local economic development through social procurement measures. Guidelines drafted by the State of Victoria in 2010 take this approach, listing local sustainability as a key benefit of social procurement, alongside other benefits such as diversity, equality, employment, training and service innovation.³² Under the Victoria state guidelines, local sustainability is defined as “strengthening the local economy and ensuring its financial and environmental sustainability.” Other regions, such as the Australian Capital Territory, also produce guidelines on social procurement for their purchasing departments.³³ Further exploration of the social benefits of procurement policies in Australia can be found in a 2010 national report from the Centre for Social Impact at the University of New South Wales.³⁴

Canada

In Canada, a number of attempts at increasing local procurement are taking place. These efforts are not widespread, however, and often lack the support to have a large-scale impact.

Policies for local food procurement and security are leading the way. The City of Toronto implemented a local food policy in 2008.³⁵ Metro Vancouver produced a Regional Food System Strategy in 2011, which included recommendations for expanding local food purchasing policies in large institutions.³⁶ The district of Saanich also has a local food procurement policy that stipulates that at least 40 per cent of food procured should be sourced from within the province, when operationally and economically feasible.³⁷

At the provincial level, the Province of Nova Scotia has taken on several initiatives to increase local purchasing, with a focus on local supplier engagement. Of the \$1 billion Nova Scotia spends annually on procurement, 86 per cent is sourced locally. To what degree this implies locally owned companies is unclear, however. This is a common challenge when measuring the degree and true impact of local purchasing. Nova Scotia also has a supplier development program that offers site visits, workshops and a reverse trade show for local businesses.³⁸ In the province’s sustainable purchasing policy, there is an explicit stipulation that value can be given for locality for bids under \$10,000. The definition of sustainable procurement in the policy also explicitly includes “support for the local economy.”³⁹ The B.C. government has also appointed a senior official to help small

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- 32 State of Victoria, Department of Planning and Community Development. Social Procurement: A Guide to Victorian Local Governments. 2010. Retrieved from: www.dpcd.vic.gov.au/localgovernment/local-government-reform/procurement/social-procurement
- 33 Australian Capital Territory Government. Procurement Policy Circular PC02: Social Procurement. Feb. 2012. Retrieved from: www.procurement.act.gov.au/About/finance_and_procurement_policy_Group
- 34 Burkett, Ingrid. Social Procurement in Australia. 2010. Retrieved from: www.csi.edu.au/site/Knowledge_Centre/Asset.aspx?assetid=88f8791e732f07e1
- 35 City of Toronto. Local Food Procurement Policy and Implementation Plan – Update. Jun. 2009. Retrieved from: <http://www.toronto.ca/legdocs/mmis/2009/gm/bgrd/backgroundfile-24259.pdf>
- 36 Metro Vancouver. Regional Food System Strategy. 2011. Retrieved from: www.metrovancouver.org/PLANNING/DEVELOPMENT/AGRICULTUREANDFOOD/Pages/default.aspx
- 37 District of Saanich. Local Food Procurement Policy. 2012. Retrieved from: www.saanich.ca/living/pdf/localfoodprocurement.pdf
- 38 Province of Nova Scotia. Procurement: Vendor Services. 2012. Retrieved from: www.gov.ns.ca/tenders/vendor-information.aspx
- 39 Province of Nova Scotia. Sustainable Purchasing Policy. 2009. Retrieved from: www.gov.ns.ca/tenders/policies-processes/procurement-policy.aspx

RONA, a nationwide hardware retailer, has included a local purchasing preference in their responsible purchasing policy. Rona sources more than half of its goods within Quebec and almost 85 per cent of its goods within Canada.

businesses reduce red tape in procurement, and the province has set a target to increase procurement from small businesses by at least 20 per cent⁴⁰

In British Columbia, there are a number of examples of buy local policies at anchor institutions. At the University of Victoria (UVic), locally sourced food is a priority. Numerous initiatives have been implemented, including one that helped to create the Vancouver Island Heritage Food Cooperative, an organization that makes sourcing from local farmers easier. UVic leads the Vancouver Island Local Food Project, which engages key stakeholders to create a stronger local food network⁴¹ At the University of British Columbia, the housing department is sourcing more local food than it did previously. UBC Food Services sourced 45 per cent of its food from within 150 miles of campus in 2010/2011, and the organization has a goal to increase this percentage every year⁴²

A number of Canadian municipalities and government agencies have policies meant to support local business. The District of Kitimat, for example, has a local purchasing preference policy, as does School District 85 on Vancouver Island.^{43,44} In 2011, the city council of Nelson, B.C., passed a buy local amendment to its purchasing policy, giving preference to suppliers who hold a business license in the West Kootenay area, so long as their prices and experience are comparable to competitors outside the region, and so long as the contracts do not violate provincial trade and labour agreements⁴⁵ The City of Toronto passed a social procurement framework in April 2013 that contains supportive measures for local social enterprises⁴⁶ While all of these policies are positive steps, the active promotion and application of these policies could in many cases could be more effective, for reasons ranging from lack of management commitment or education, to the need for more effective tools to address procurement challenges.

In the private sector, a few companies are leading the way on local sourcing. RONA, a nationwide hardware retailer, has included a local purchasing preference in their responsible purchasing policy⁴⁷ Rona sources more than half of its goods within Quebec (where it is based) and almost 85 per cent of its goods within Canada⁴⁸ North Vancouver's Neptune Terminals has a buy local purchasing policy. As part of the company's expansion plan, in 2011 it commissioned a coal stacker-reclaimer

40 Government of B.C. "New Senior Advisor to Help Small Businesses Cut Red Tape." Retrieved September 24, 2013, from: www2.news.gov.bc.ca/news_releases_2013-2017/2013JTST0105-001308.htm

41 University of Victoria, Office of Campus Planning and Sustainability. "Food." 2013. Retrieved from: www.uvic.ca/sustainability/operations/food/index.php

42 University of British Columbia. "UBC Uses Local Food." 2012. Retrieved from: www.grad.ubc.ca/facts/ubc-uses-local-food

43 District of Kitimat. Purchasing Policy. Mar. 1996. Retrieved from: www.kitimat.ca/EN/main/municipal/departments/purchasing.html

44 School District 85, Vancouver Island North. Purchasing Policy. Apr. 2009. Retrieved from: www.sd85.bc.ca/modules.php?name=Content&pa=showpage&pid=45

45 "On Board with Buy Local." Nelson Star. Jan. 20, 2011. Retrieved from: www.nelsonstar.com/news/114314129.html

46 The City of Toronto. Social Procurement Framework. 2013. Retrieved from: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX31.11>

47 RONA. Responsible Procurement Policy. 2010. Retrieved from: www.rona.ca/corporate/ssLINK/B2CTST2_008475

48 Trefis. "Why Lowe's Pulled Its Bid for Canadian Home Improvement Retailer Rona." 2012. Retrieved from: www.trefis.com/stock/low/articles/144116/why-lowes-pulled-its-bid-for-canadian-home-improvement-retailer-rona/2012-09-18

from a B.C. company. The company typically makes purchases worth \$2 to \$3 million annually from B.C. businesses, but during site construction, management estimates these will be \$20 million⁴⁹

Summary

Overall, there are more steps being taken in the United States, the United Kingdom and Australia than in Canada regarding local procurement. There is also greater leadership from top levels of government and public and private sector institutions to support this movement. These examples point the way forward for Canada.

In the United States there are many examples of local preferences, as well as institutional purchasers setting targets for purchasing from local business. There are also examples of including local economic development objectives in social procurement programs.

The United Kingdom has a greater degree of leadership and collaboration on local purchasing than Canada has. There are more efforts to provide access to public procurement for SMEs, there is a greater inclusion of community benefit clauses, and there is more measurement of local economic impacts from procurement and encouragement of private firms to adopt local procurement policies.

Legislated local purchasing preferences have been more prevalent in Australian public sector institutions than in their Canadian counterparts. However, such policies are increasingly being replaced by social procurement policies and other less direct methods of encouraging local purchasing.

While there are a number of Canadian examples of steps to increase local procurement, Canada lags behind other places, partly due to the challenge posed by trade agreements, which limit the ability to give preference to local suppliers. These and other challenges are outlined in Part II, along with opportunities to increase local purchasing within the existing legal framework.

In 2011, the city council of Nelson, B.C., passed a buy local amendment to its purchasing policy, giving preference to suppliers who hold a business license in the West Kootenay area.

⁴⁹ Canadian Sailings. "Potash, Metallurgical Coal Exports Drive Neptune Terminals Capacity Improvements." Retrieved from: www.canadiansailings.ca/?p=4874

Challenges

> Overview

While there are numerous benefits associated with integrating local purchasing and other procurement objectives, there are also a number of challenges. Nonetheless, there are many tools and solutions that can be utilized to capture local economic benefits and meet other procurement goals. The following sections will examine some of the key challenges and provide starting points for policies and strategies that address these challenges. An indexed summary is provided in table one below.

> Challenges to Increasing Local Procurement

Trade Agreements

Although buy local procurement policies are common in the United States and many other countries, trade agreement obligations are often raised as an obstacle to introducing local preferences in the Canadian context.

While there are indeed legal constraints on procurement related to trade agreements, local preference policies are nonetheless possible in a wide range of circumstances. A lack of understanding of exemptions and even the applicable dollar thresholds may be contributing to a “chill effect,” wherein Canadian municipalities and other public sector organizations miss out on legitimate, non-restricted local purchasing opportunities due to misunderstanding the relevant legislation.

Internal (Interprovincial) Trade Agreements

Agreement on Internal Trade (AIT)

The AIT governs trading relationships between all Canadian provinces and territories. Under the AIT, local governments, school districts and other public sector agencies are not permitted to have local preference policies for contracts above \$100,000 in goods and services or \$250,000 in construction. However, many contracts fall under these thresholds, and there are also clauses in the AIT that allow for exempting local procurement preferences in certain circumstances.

New West Partnership Trade Agreement (NWPTA – formerly known as TILMA)

The New West Partnership Trade Agreement (NWPTA) is an accord between the governments of British Columbia, Alberta and Saskatchewan, and goes further than the AIT in restricting the

procurement policies of its signatories. Details on thresholds and exemptions for both AIT and NWPTA are outlined below.

Trade Agreement Dollar Thresholds

Local supplier preferences for procurement contracts below specific dollar thresholds remain entirely at the discretion of local governments and school authorities.

> **Table 2: Interprovincial trade agreement procurement contract thresholds for B.C. local governments and school boards**

| Agreement | Goods & Services | Construction |
|-----------|------------------|--------------|
| AIT | \$100,000 | \$250,000 |
| NWPTA | \$75,000 | \$200,000 |

Exempted Areas of Public Procurement

There are a number of procurement areas with clear exemptions under internal trade agreements. For example, the NWPTA exempts the following types of procurement:

- from philanthropic institutions, prison labour or persons with disabilities
- from a public body or non-profit organization
- of health and social services
- where it can be demonstrated that only one supplier is able to meet the requirements of a procurement
- where an unforeseeable situation of urgency exists, and the goods, services or construction could not be obtained in time by means of open procurement procedures
- of goods intended for resale to the public
- in the absence of a receipt of any bids in response to a call for tenders

For a complete list of NWPTA exemptions, see: <http://www.newwestpartnershiptrade.ca/pdf/New-WestPartnershipTradeAgreement.pdf>

For a complete list of AIT exemptions, see: http://www.ait-aci.ca/en/ait/ait_en.pdf

For a guide on trade agreement regulations and compliance for municipalities, see Guidelines to the Procurement Obligations of Domestic and International Trade Agreements (issued jointly in 2013 by the governments of B.C., Alberta and Saskatchewan, and available online at http://www.newwestpartnershiptrade.ca/pdf/13-08-21_Procurement_Guidelines_final%20for%20distribution.pdf)

Exemptions for “Legitimate Objectives”

Beyond these relatively clear areas of exemption, municipalities may consider seeking legal advice on the interpretation of other exemption clauses related to environmental, economic and social development considerations.

Guidelines to the Procurement Obligations of Domestic and International Trade Agreements were issued jointly in 2013 by the governments of B.C., Alberta and Saskatchewan.

Under both the AIT and NWPTA, the following are listed as potential “legitimate objectives” that may be considered as valid reasons for exempting a procurement contract from the agreement:

- public security and safety
- public order
- protection of human, animal or plant life or health
- protection of the environment
- consumer protection
- protection of the health, safety and well-being of workers
- affirmative action programs for disadvantaged groups
- regional economic development

It must be noted, however, that the agreements include a caveat that “legitimate objective” does not include direct protection or favouring of businesses based in the jurisdiction of the government or public sector agency doing the procurement.

International Trade Agreements

Local Procurement Not Subject to Canada’s NAFTA, FTAA or WTO Commitments

While a major trade deal being negotiated with the European Union may bring Canadian local government and other sub-national procurement under the jurisdiction of an international trade agreement (see CETA section below), Canadian local and provincial government procurement is not included under Canada’s NAFTA (North American Free Trade Agreement), FTAA (Free Trade Area of the Americas) or WTO (World Trade Organization) obligations.

Local and provincial construction contracts above certain thresholds were included in a temporary Canada–U.S. procurement agreement (CUSPA) in 2010, but that agreement expired in the fall of 2012. Some provincial government procurement has been brought under the WTO General Procurement Agreement over the course of 2012, but local government and school district procurement remain outside of WTO coverage at the time of writing.

CETA: the Comprehensive Economic and Trade Agreement with the European Union

Canada announced an “agreement in principle” for a trade and investment deal with the European Union in 2013. This trade agreement may have major implications for local government and other sub-national public procurement. The full text is not complete or available to the public at the time of writing, but a technical summary released by the federal government suggests that, above certain thresholds, preferences for local or even made-in-Canada content and suppliers will in most cases no longer be permitted. Additionally, the technical summary indicates that the scope local governments have for including environmental, social and economic development criteria in procurement contracts will also be curtailed in a range of ways.⁵⁰ Initial thresholds for municipal procurement coverage are \$315,000 for goods and services, \$7.8 million for construction and \$630,000 for the utilities sector. Quebec and Ontario have negotiated exemptions for a percentage of public transit

Canada announced an “agreement in principle” for a trade and investment deal with the European Union in 2013. This trade agreement may have major implications for local government and other sub-national public procurement.

50 Government of Canada. Technical Summary of Final Negotiated Outcomes, Canada–European Union Comprehensive Economic and Trade Agreement. October 2013. Retrieved from: www.actionplan.gc.ca/sites/default/files/pdfs/ceta-technicalsummary.pdf

capital procurement, and there are a number of other exemptions included that are similar to those under the AIT and NWPTA. It should be noted, however, that without access to the full and final text of the agreement, a comprehensive analysis is not possible. Prior to adoption, the trade agreement needs to go through a lengthy process of ratification involving Canadian provinces, territories, and all 28 member states of the European Union. Until it is ratified, CETA does not apply to municipal procurement.

While restrictions on municipal decision-making in the proposed CETA deal could indeed create challenges for local governments, local governments need not abandon procurement as tool for achieving local economic, social and environmental objectives. Local governments and other sub-national public sector bodies can seek creative ways to use procurement to support local economic, social and environmental goals, even within these constraints. These strategies may be informed by the exemptions listed in the section on internal trade agreements above, and with strategies discussed in the tools and solutions section of this report.

Potentially large gains, both to the local economy and to procuring institutions, can be realized through greater inclusivity and encouragement of local businesses to bid on contracts.

Challenges for Small and Medium-Sized Local Businesses

Local businesses are often small and medium-sized enterprises (SMEs), and face challenges competing for contracts with larger multinational companies.

Despite common misconceptions, SMEs are often able to compete on price, thanks to smaller administrative overheads. Small and medium-sized enterprises can also be more flexible, responsive and specialized, and can offer higher quality service, stimulate innovation and bring greater competition to the marketplace.⁵¹

Instead, some of the biggest challenges that SMEs face regarding procurement include:

- SMEs new to public procurement may not have the knowledge to put together a good proposal
- SMEs may find the cost of tendering prohibitive
- Tendering timescales may be too tight to put a proposal together
- SMEs may not have time to monitor RFP databases
- Contracts are often too large for SMEs to bid on
- Smaller contracts may not be widely advertised, and SMEs may not know who to talk to regarding opportunities
- Contracts often “bundle” services that take bidding out of the range of a single SME supplier
- SMEs may be too small or young to apply for pre-qualification
- Language used in tender documents may be confusing and may not be understood
- Poorly thought out specifications may be present that are not necessary and may prohibit SMEs from bidding
- Payment for contracts may be too slow for SMEs

⁵¹ Office of Government Commerce, The Small Business Service. Smaller Supplier. . . Better Value? 2002. Retrieved from: <http://products.ihs.com/cis/Doc.aspx?AuthCode=&DocNum=276441>

- Although feedback is often provided, SMEs can sometimes find it unhelpful for identifying practical ways to improve⁵²

All of these challenges can limit local small and medium-sized enterprises' bids on contracts. This in turn reduces the competition that can keep prices in check and provide local economic gains. Many challenges exist because of the goals and regulations of procurement departments and budget limitations related to procurement processes. However, potentially large gains, both to the local economy and to procuring institutions, can be realized through greater inclusivity and encouragement of local businesses to bid on contracts.

Challenges Faced by Procurement Departments

Procurement departments have many requirements to address. Budgets and business requirements can limit the ability to accommodate local businesses' capacities. Procurement officials are subject to the policies and guidance that they receive from management. If there is no support or push for them to include the value of local economic impacts, whether directly or indirectly, procurement officials are greatly limited in their abilities to do so. Other worthy considerations, such as ethics and sustainability, add even more layers of requirements for purchasing officials to consider.

The process by which tender documents are created, sent out and then evaluated usually follows certain standard guidelines and procedures. These procedures very often do not incorporate engaging local businesses or assessing the economic value they provide. Training and guidance are needed to help increase understanding of local economic impacts and to implement new practices. Training and education is a major aspect of many reports on shifting procurement to be more inclusive.^{53, 54}

Changing procurement practices can be difficult. Incorporating all aspects of value into an assessment can also be extremely challenging. Yet in many places around the world, changes in procurement are taking place to increase the use of local economic resources.

Challenges with Local Business Lack of Capacity

Not all local companies can meet all the demands of institutional purchasers. Often, even when a local company insists that it can provide the desired good or service, it may not have the capacity to meet the procurement demands of an institution. On occasion, companies do not even have the desire take on the extra business.

The solution to this challenge is simply to identify opportunities where they do exist and to encourage capacity building where possible. Local capacity exists in many areas, and would improve with encouragement and empowerment. For example, working with large suppliers and unbundling are ways that lack of local capacity can be addressed. In some instances, actively helping to build local capacity is the solution. See the solutions section of this report for examples such as the University

Local capacity exists in many areas, and would improve with encouragement and empowerment.

⁵² Office of Government Commerce, The Small Business Service. Smaller Supplier. . . Better Value? 2002. Retrieved from: <http://products.ihs.com/cis/Doc.aspx?AuthCode=&DocNum=276441>

⁵³ House of Commons All Party Parliamentary Group on Small Business. Report on SMEs Access to Public Procurement. 2009. Retrieved from: www.progreast.eu/files/SME%20Access%20to%20PP%20report.pdf

⁵⁴ Commission of the European Communities. European Code of Best Practices Facilitating Access by SMEs to Public Procurement Contracts. 2008. Retrieved from: <http://ec.europa.eu/enterprise/policies/sme/business-environment/public-procurement>

of Victoria's supporting the Vancouver Island Heritage Food Cooperative initiative and the Cleveland University Hospital Network's supporting the Evergreen Cooperative.^{55, 56}

Lack of Leadership and Collaboration

In Canada, there are many local procurement initiatives taking place and many people leading the charge. However, there still appears to be a lack of leadership and collaboration on the issue of procurement and its effect on local economies. In other jurisdictions, as discussed earlier, numerous reports and guidance documents are being produced by local, regional and national governments. Success stories like that of Cleveland are being documented and promoted as models for integrating local economic considerations by anchor institutions. One of the supply chain and purchasing experts consulted for this report observed that there are a number of people trying to push the agenda ahead but what is really needed is a collaborative effort to actually effect some change. Real leadership and collaboration is now needed to elevate the importance of procurement's impacts on local economies and identify ways to progress and identify the plethora of opportunities that exist.

Real leadership and collaboration is now needed to elevate the importance of procurement's impacts on local economies and identify the plethora of opportunities that exist.

55 Small Business B.C. Vancouver Island Heritage Foodservice Co-op. 2013. Retrieved from: www.smallbusinessbc.ca/around-bc/vancouver-island-heritage-foodservice-co-op

56 Evergreen Cooperatives. About Evergreen Cooperatives. 2012. Retrieved from: <http://evergreencooperatives.com>

> Table 1: Summary of Local Procurement Challenges, Solutions, Strategies and Tools

| Challenge | Solutions, Strategies and Tools | See pages |
|---|--|-----------|
| Getting started and identifying opportunities | Identifying stakeholders | 22 |
| | Measuring potential benefits | 42 |
| | Defining “local” | 24 |
| | Promoting and communicating benefits | 42 |
| | Moving towards “total cost” accounting | 40 |
| | Setting targets | 27 |
| Trade agreement restrictions | Unbundling contracts | 33 |
| | Doing what you can do – don’t be deterred by “chill effect” | 14 |
| | Tie to social ventures | 36 |
| | Address locality indirectly through overlapping but non-restricted criteria and values | 24 |
| | Exemptions for “legitimate objectives” | 15 |
| | Tailoring some RFPs to local businesses | 31 |
| Challenges for small and medium-sized local businesses | Procurement cards – speed of payment | 33 |
| | Simplifying tender documents | 33 |
| | Reverse trade shows | 28 |
| | Pre-procurement | 29 |
| | Databases | 32 |
| | Broader advertising | 30 |
| Challenges with local business lack of capacity | Unbundling | 33 |
| | Working with large suppliers to increase local sourcing/subcontracting | 28 |
| Challenges faced by procurement departments | Defining local | 24 |
| | Leakage calculators | 26 |
| | Databases | 32 |
| | Requiring some local businesses in bidding | 30 |
| | Reverse trade shows | 28 |
| | Broader advertising | 30 |
| | Pre-procurement | 29 |
| Lack of leadership and collaboration | Leadership and management commitment | 22 |
| | Building partnerships with stakeholders | 22 |
| | Creating formal position for sustainable procurement in organization | 24 |

Solutions and Tools

> First Steps

Policy Leadership and Management Commitment

The Concept

Commitment at the top levels of any organization is essential to the success of local procurement initiatives. Part I of this report outlined examples of government commitment from the United States, United Kingdom and Australia. Figuring out ways to stimulate local economies through procurement was the starting point for policy development and implementation in these cases.

“Strong leadership and governance from the top is required to gain commitment from previously autonomous business units or departments and set a clear direction.”

– **Local Government Procurement Strategy: State of Victoria, Australia**⁵⁷

While executive decisions are often sufficient to launch such initiatives in private sector institutions, it is crucial for elected leaders in the public sector to win stakeholder and public support when introducing any formal local purchasing policy. A range of constituencies can benefit from greater local procurement, and effective consultation with these groups can play an important role in developing policies that build on local opportunities and advantages. Having key stakeholders on

Management Leadership

When the University Hospital Network in Cleveland started their \$1.2 billion project, management was committed to using it to strengthen the local economy. According to the CEO of the University Hospital Network, Tom Zenty, “We thought, what are the components that go along with making Vision 2010 a true, community-based project? And when I say community-based, I mean . . . how are we going to make [community members] part of our overall decision-making process and engage them in ways that they have not been engaged before? In ways that are not window dressing, but that are meaningful and mainstream?” Due to this early commitment from top levels of management, the project was able to achieve amazing local economic impact.

⁵⁷ Victoria Department of Planning and Community Development. Local Government Procurement Strategy. Sept. 2008. Retrieved from: <http://www.localgovernment.vic.gov.au>

Staff Leadership

At the University of British Columbia, Victoria Wakefield is the purchasing manager at Student Housing and Hospitality Services. Victoria actively engages with the local business community and works with her larger suppliers to identify opportunities to source locally. For example, Victoria has been able to identify a garbage bag supplier who is far more local than the previous supplier. By attending trade shows, she has identified some food items that can be sourced locally at a cost savings.

board can make a more convincing case for local purchasing to the public, to elected officials and to staff and managers who will be responsible for implementing and providing recommendations on policy measures. Stakeholders will vary between communities and levels of government, but some potential allies on local procurement policies include

- chambers of commerce
- local business or industry associations
- individual businesses
- non-profit groups and social enterprises
- private and public sector unions
- Aboriginal organizations and businesses
- educational and training institutions
- women's business groups
- faith groups and leaders

Uses and Examples

Management commitment is important for all types of organizations, public and private, large and small. Clear direction is needed for an initiative to be successful. When the University Hospital Network began its expansion plans, management set out three clear goals:

Management Leadership

At the City of Toronto, Denise Andrea Campbell, director, community resources, social development, finance and administration, and Michael Pacholok, director of purchasing and materials management, put together a proposal for council on the benefits of creating a social procurement framework. They highlighted examples of successful social procurement, and encouraged council to pass a motion to work towards an eventual social procurement policy. Having support and leadership from these top managers was integral to the motion's success.

- Contract with as many local minority and female owned businesses as possible.
- Direct as much spending as possible towards businesses based in the City of Cleveland and the greater Northeast Ohio region.
- Produce lasting change in Northeast Ohio by pioneering a “new normal” for how business should be conducted by the region’s large institutions.⁵⁸

The City of London has a web page dedicated to sourcing locally, and has developed guidelines for developers and tool kits for city-based firms. In Australia, the State of Victoria commissioned a report and recommendations on implementing social procurement. When the directive, guidance and support come from top levels, initiatives appear to be more successful and well promoted.

⁵⁸ Serang, Farzana, J. Phillip Thompson and Ted Howard. “The Anchor Mission: Leveraging the Power of Anchor Institutions to Build Community Wealth.” The Democracy Collaborative. 2013. Retrieved from: www.livingcities.org

Political Leadership

Councillor Erin Shapero's political leadership and openness to community collaboration was instrumental in making Markham, Ontario, the first municipality in North America with a formal commitment to purchase local, sustainable and fair trade food.

Working in partnership with Local Foods Plus (LFP), a non-profit group that certifies and promotes local sustainable agriculture and food processing, Erin won unanimous support from fellow council members for the introduction of a local food procurement policy in 2007. The Town of Markham then formed a staff and council working group to oversee the initiative, which developed new food service contract requirements for the town's community and civic centres that incorporate “buy local,” fair trade, healthy menu and zero waste criteria. The working group visited other LFP partner institutions, such as the University of Toronto, to help in their work developing and implementing Markham's policy.

Markham's local sustainable food mandate applies to 10 per cent of total purchases in the first year of a contract, with a five per cent annual increase until the policy covers 30 per cent of food purchases by year five. Expectations were that around \$300,000 worth of local produce would be purchased during the first five-year contract signed under the policy.

Shapero, Erin. “Markham's Journey to Local Sustainable Food Procurement.” Presentation at the FCM, Sustainable Communities Conference, Ottawa, Ontario, February 9, 2012. Retrieved from: www.fcm.ca/Documents/presentations/2012/SCC2012/Markham_Journey_To_Local_Sustainable_Food_Procurement_EN.pdf

Mayor Frank Scarpitti (Municipality of Markham). “Announcement on Markham's Agreement with Local Food Plus to Adopt LFP Standards and Zero Waste Program for Municipal Catering and Food Services.” June 4, 2008. Retrieved from: www.organicfoodcouncil.org/files/downloads/Announcement%20on%20Markham.pdf

Vincent, Donovan. “Markham buys more local food.” The Toronto Star, June 5, 2008. Retrieved from: www.thestar.com/news/gta/2008/06/05/markham_buys_more_local_food.html

Shapero, 2012

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Creating a formal position responsible for sustainable procurement also signals a strong management commitment. In Nova Scotia, creating a provincial manager of sustainable procurement position has helped that province make significant progress in advancing local purchasing.

Define Local

The Concept

Defining specifically what “local” means in a procurement context is an essential step for any organization aiming to increase local purchasing. There are several criteria that can be used to help define local:

- geography
- regulatory jurisdiction
- ownership
- size of enterprise
- support for visible minorities, women or other socially or economically disadvantaged groups⁵⁹

In terms of geography, definitions can be limited to a specific distance, like the 100-mile range set by some local food advocates. More commonly, local is defined as a formal geographic region, encompassing products sourced from, or companies headquartered in, a county, state, or province.

Once the geographic range is decided, it still must be determined what makes a business active in the area “local.” This can be simply its presence, through staff or an office, but economic benefits are more likely to be realized through more stringent requirements, such as a requirement that the company have a certain percentage of local ownership, or that a company’s headquarters or base of operations be located within certain boundaries. Locality criteria can also be extended to give extra weight to social and economic development priorities, such as supporting female and minority owned businesses, social enterprises, and SMEs.

Any definition of local must be tied to some means of verification. This can be handled in a similar fashion to other procurement documentation requirements. For example, a business can provide its business licence or registration, or provide proof of payment of property tax or income tax.

Uses and Examples

In the Saanich and Toronto local food policies, local is defined as food produced within each city’s respective provincial boundaries of B.C. and Ontario.^{60, 61} In Western Australia’s procurement policy, the requirements for consideration as a local business are

- to maintain a permanent operational office within the prescribed distance
- to have had the business’s office established and its business conducted from the office for at least six months prior to any bids being sought

59 International Finance Corporation. A Guide to Getting Started in Local Procurement. 2011. Retrieved from: www.engineersagainstopoverty.org/_db/_documents/IFC-EAP_Local_Procurement_Guide.pdf

60 District of Saanich. Local Food Procurement Policy. 2012. Retrieved from: www.saanich.ca/living/pdf/localfoodprocurement.pdf

61 City of Toronto. Local Food Procurement Policy and Implementation Plan – Update. Jun. 2009. Retrieved from: www.toronto.ca/legdocs/mmis/.../backgroundfile-22345.pdf

- to be either registered or licensed to operate within Western Australia
- In Madison, Wisconsin, businesses qualify for local status if
 - 50% of their employees work in the local area
 - 50% of the owners reside in the local area
 - 15% of their sourcing is from the local area⁶²

In Horry County, South Carolina, the local verification scheme includes

- holding a business license with the county or with a municipality in the county
- proof of payment of all outstanding county/municipality taxes and fees
- evidence of a physical business presence in the county
- evidence that 30% or more of the vendor's employees are residents of the county (or if a general contractor, that 50% of subcontractors meet the first three conditions)⁶³

A useful breakdown of options is provided by PolicyLink's report on local procurement in Newark, outlined in table three⁶⁴

> Table 3: Defining “Local” for Buy Local Policies

| Business Has . . . | Advantages | Disadvantages |
|--|---|---|
| At least one physical location in the city. | Simple, easy to determine. Excludes businesses with only a post box in the city. | Will include many non-locally owned businesses that contribute little to the city's economy. |
| Headquarters or main office in the city. | More services, such as accounting, are likely to be directed to local businesses. Major corporate stakeholders more likely to be in the region. | Requires checking for compliance. Possibility that most economic activity is actually outsourced, despite local headquarters. |
| A local business license and pays local property taxes, business taxes, and/or sales taxes. | Simple, easy to determine. | Will include many non-locally owned businesses that contribute little to the city's economy. |
| More than a certain percentage of owners, employees, and/or suppliers/service providers who are city residents. | A more direct measure of the effects of the business on the local economy in terms of jobs and re-circulated profits. | Requires more effort to track and check for compliance (especially if suppliers are included). May change frequently. |

62 Institute for Local Self Reliance. Local Purchasing Preference. 2013. Retrieved from: www.ilsr.org/tag/local-purchasing-preferences

63 Lowenstein, Henry. “Economic Development Through Local Vendor Preference Policy: The Case of Horry County, South Carolina.” The Coastal Business Journal. 2011. Retrieved from: www.coastal.edu/business/cbj/pdfs/articles/spring2011/lowenstein.pdf

64 “Buy Newark: A Guide to Promoting Economic Inclusion Through Local Purchasing.” Policy Link. 2012. Retrieved from: www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35afo%7D/BUYNEWARK_WEB.PDF

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| Business Has . . . | Advantages | Disadvantages |
|---|--|---|
| More than a certain percentage of revenue from local transactions. | Indicates connection to local customer base/business community. | A low score means a business is bringing money into the city from outside—which is good if the money stays. |
| More than a certain percentage of assets (physical and financial) located locally. | Can be an indicator that economic activity is kept local rather than outsourced. | Difficult to measure. Variable in how well it indicates local benefit. |
| A higher local multiplier than its competitors. | The best, most direct measure of how much spending will help the local economy. | Very time consuming to measure and requires extensive trust from and participation by businesses. |

Leakage Calculators

The Concept

Leakage calculators measure what goods and services a town or region is importing that could be purchased locally. Plugging leaks with local purchasing is a tool that can be used by any region, but it is most often applied to rural areas. Greater economic benefit can be produced by targeting specific sectors and developing or empowering local capacity. Leakage calculations usually go beyond procurement to look at the wider economy, in order to help local economic developers target the right sectors.

Uses and Examples

- The Business Alliance of Living Local Economies (BALLE) has an online leakage calculator that can be used in the United States. It creates calculations using U.S. census data, suggesting where communities and governments can best focus their attentions and how to measure progress. BALLE has produced a guide that details the uses and benefits of leakage calculators⁶⁵
- The IMPLAN software package is another tool that can be used to identify leakage. Developed and marketed by a company called MIG, IMPLAN provides more in-depth detail than the BALLE calculators. Until recently it was available only for the United States, but in 2013 MIG announced the availability of IMPLAN data and software packages for all OECD reporting countries.⁶⁶ In Canada, these packages started at \$1500 for a single user license in 2013, with training options ranging from a \$500 DVD/online package to private on-site options costing thousands of dollars

⁶⁵ BALLE. Eight Ways to Use the BALLE Calculators. 2012. Retrieved from: <http://bealocalist.org/sites/default/files/Eight%20Ways%20to%20Use%20the%20BALLE%20Calculators.pdf>

⁶⁶ MIG. MIG About Us. 2013. Retrieved from: http://implan.com/V4/index.php?option=com_content&view=category&layout=blog&id=83&Itemid=51

Targets

The Concept

Setting targets can help entrench commitments to local purchasing and greatly increase the likelihood of success. Targets signal a commitment from top levels and set clear goals for staff to follow. The potential downside to target setting is that when poorly implemented, it can turn into a formal “box ticking” exercise or even undermine the openness of the procurement process.

If properly implemented, targets provide incentives for achieving identified procurement objectives.⁶⁷

Uses and Examples

- Cleveland University Hospital Network set a target that 80% of goods and services be purchased from local and regional firms and 20% of construction workers be city residents.⁶⁸
- Western Australia’s buy local plan set a target of 80% procurement of goods and services from within the region. This target was met and maintained for a number of years.⁶⁹

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67 House of Commons All Party Parliamentary Small Business Group. Report on SME Access to Public Procurement. Apr. 2009.

68 Serang, Farzana, J. Phillip Thompson and Ted Howard. “The Anchor Mission: Leveraging the Power of Anchor Institutions to Build Community Wealth.” The Democracy Collaborative. 2013. Retrieved from: www.livingcities.org

69 Government of Western Australia. Buy Local Purchasing Activity 2006–2007. 2008. Retrieved from: www.treasury.wa.gov.au/cms/uploadedFiles/BUY_LOCAL_-_PURCHASING_ACTIVITY_REPORT.pdf

> Greater Engagement

Very commonly, opportunities for win-win local purchasing arrangements exist, but there is simply a disconnect between the buyers and the suppliers. A number of tools and approaches can be used to remove barriers and identify mutually beneficial opportunities.

Reverse Trade Shows

The Concept

To engage local businesses and make the procurement process more open, large institutions or groups of institutions get together to showcase their purchasing needs. This allows local bidders to interact face-to-face with the institutions and make the connections necessary to put together good proposals. This also gives suppliers advance notice about upcoming opportunities, and the chance to collaborate with other suppliers to meet the needs of purchasers when one supplier, alone, does not have the capacity.

Training and guidance can be provided to local suppliers at the same time to help them with the bidding process. This can be part of a conventionally “open and transparent” process, but also enables greater interaction, engagement and encouragement of local suppliers.

Uses and Examples

- Nova Scotia hosts a reverse trade show every year and there is also an Atlantic Provinces reverse trade show⁷⁰
- Supply Ontario hosts a reverse trade show to showcase government contracts⁷¹
- Reverse trade shows are also common in many U.S. states and cities. It seems they are more common for public institutions, but they can be used by private organizations as well. Different organizations – for example multiple small municipalities, or different public sector agencies – could collaborate to host one

Work with Large Suppliers

The Concept

Buyers often need large suppliers to meet their requirements, either because of the need for large quantities of goods or services, or because large suppliers are better equipped to provide the required supply chain management.

In these situations, procurement departments can still improve the local economy and support local suppliers by requiring large suppliers to source some portion of goods and services locally. It is even possible to draft contracts that require large suppliers to work with smaller, local suppliers.

70 Government of Nova Scotia. Atlantic Provinces Reverse Trade Show. 2012. Retrieved from: www.gov.ns.ca/tenders/events/atlantic-provinces-reverse-trade-show.aspx

71 Ontario Ministry of Government Services. Supply Ontario – Mississauga. 2012. Retrieved from: www.doingbusiness.mgs.gov.on.ca/rmbs/psb/psb.nsf/english/SupplyOntario

Uses and Examples

- The University of Pennsylvania wanted to work with a local office supplier, but none of the available options had the capacity. A deal was struck with Office Depot in which Office Depot was given a longer contract period in exchange for a sourcing agreement with a local company. This contract allowed the university to meet its procurement requirements and recirculate a greater portion of the procurement dollars locally. It also allowed the local company to increase its own capabilities and capacity by subcontracting with Office Depot⁷²
- Columbia University struck an agreement with a large office supplier that allows the university to procure some goods from a local business even when ordering other items from the main supplier
- The City of Vancouver contracted with the multinational food service company Aramark to supply the Evelyn Saller Centre. To meet local purchasing and social hiring goals, they negotiated an agreement with Aramark to use local food wholesalers and to hire contract staff from Vancouver's impoverished Downtown Eastside.
- The University of British Columbia buys many of its products from the industrial supply and safety company Acklands-Grainger. To meet a goal of reducing greenhouse gas emissions in its supply chain, UBC requested that the company substitute as many products from local suppliers as possible. One of their successes involved substituting garbage bags from a Canadian company in Drumheller, Alberta, for those made in China

Pre-procurement

The Concept

This is a broad category encompassing a number of tools that procurement departments can use before issuing a tender. The three common aspects of pre-procurement are

- 1 having an open supplier gateway for local businesses to provide information about their goods and services
- 2 supplier engagement, either through web-based tools or other methods such as reverse trade shows
- 3 supplier consultation, allowing buyers to discuss requirements and specifications with local suppliers before going out to tender

Pre-procurement strategies can be used to target a specific area of procurement needs, such as sustainability or clean energy. In this context, a targeted program aimed at one local supply category can be undertaken, with a focus on new products, services and innovative solutions.

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⁷² "Buy Newark: A Guide to Promoting Economic Inclusion Through Local Purchasing." Policy Link. 2012. Retrieved from: www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35afo%7D/BUYNEWARK_WEB.PDF

Uses and Examples

- A 2012 report produced by the Vancouver Economic Commission (VEC) details strategies for pre-procurement with specific regard to the city's sustainability goals⁷³
- Ontario's Green Focus on Innovation and Technology (Green FIT) program was started in 2009 to help the province identify ways new suppliers and technologies could help reduce its carbon footprint. Suppliers can engage the government through open and targeted expressions of interest that are reviewed and followed up. The program also issues innovation-based RFPs, or RFPs without specific requirements but, rather, general aims and goals. These RFPs encourage a range of bidding solutions^{74,75}
- In Europe, the SMART SPP program was aimed at the same purpose as the Green FIT program⁷⁶

Broader Advertising

The Concept

Local businesses are often small and medium-sized enterprises that don't have the resources to seek out RFPs, even when they are advertised on publicly accessible websites. Larger companies often have resources dedicated to searching for RFPs and developing proposals, and bidding windows can be too short for smaller businesses.

Using more locally focused advertising and promotion, such as local newspapers and trade shows, can help local suppliers identify RFPs. The use of databases of local businesses can also help, because RFPs can simply be sent out to applicable local suppliers as well posted on a public website.

Requiring Some Local Businesses in Bidding

The Concept

Requiring local businesses' involvement in the bidding process ensures that procurement departments identify and reach out to local suppliers, while increasing the chance that local businesses become aware of tendered opportunities. This can encourage greater local engagement while keeping the process transparent, and without specifically giving preference to local suppliers. This strategy is likely to be most effective when used in conjunction with a database that lists local businesses.

Uses and Examples

The City of Phoenix, Arizona, reaches out to local suppliers for RFPs, and requires sourcing to local business under certain thresholds. For contracts under \$50,000, procurement officials must try

73 Najjar, Nouri. Sustainable Pre-Procurement: A Mechanism to Advance Vancouver's Green and Creative Sectors. 2012. Retrieved from: www.vancouvereconomic.com/userfiles/file/Pre-Procurement%20Final%20Report_FinalVersion.pdf

74 Ontario Ministry of Government Services. "Green Fit – How to Participate." 2010. Retrieved from: www.doingbusiness.mgs.gov.on.ca/mbs/psb/psb.nsf/EN/GreenFIT-Participate

75 Najjar, Nouri. Sustainable Pre-Procurement: A Mechanism to Advance Vancouver's Green and Creative Sectors. 2012. Retrieved from: www.vancouvereconomic.com/userfiles/file/Pre-Procurement%20Final%20Report_FinalVersion.pdf

76 Intelligent Energy Europe. "Guidance and Tools Developed through Smart SPP." 2009. Retrieved from: www.smart-spp.eu/index.php?id=7633

to grant the contract to a regional business. Only if there is insufficient interest can they look to outside bidders.⁷⁷

For contracts under \$100,000 in Washington, D.C., bids are first put out to certified local businesses that have registered and agreed to certain prices on items. Only if three qualified, certified bidders cannot be found does bidding open up to the public.⁷⁸

Tailoring RFPs to Local Businesses

The Concept

Engaging local suppliers in dialogue about RFP conditions and requirements that prevent them from bidding is essential to break down barriers that inhibit local business. In some cases, RFPs include requirements that are not really necessary to meet the objectives of the procurement, but that limit local businesses' ability to bid. Consulting with local businesses to identify unnecessarily prohibitive stipulations can help facilitate successful local bids. Similarly, when there are technical requirements, talking with a local supplier can help identify technical specifications that match with local supplier capabilities, while still keeping the process open to outside bidders and allowing for a transparency. This method can work well with food programs, where freshness, nutritional value and lack of preservatives can favour local businesses and at the same time provide greater value to the public.

Uses and Examples

When the Government of Nova Scotia needed new LED lights for some highways, an early step was to consult with a local manufacturer. Based on these discussions, the government was able to produce an RFP that matched well with the local company's industry-leading technical capabilities and standards. An open bidding process was undertaken, and the local company was able to meet all of the demands at the best value.

The Cornwall Food Program, a U.K. health care food-purchasing consortium, used nutritional content to tailor an ice cream contract to the strengths of a local supplier. A larger nationwide contractor chose not to compete rather than match the higher nutritional content that the local supplier provided. The end result was a contract with a local supplier and healthier patients.⁷⁹

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77 Local First Arizona. Phoenix Adopts a Buy Local Policy. 2012. Retrieved from: <http://localfirstaz.com/news/2012/03/27/phoenix-adopts-buy-local-policy>

78 "Buy Newark: A Guide to Promoting Economic Inclusion Through Local Purchasing." Policy Link. 2012. Retrieved from: www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35afo%7D/BUYNEWARK_WEB.PDF

79 "Buy Newark: A Guide to Promoting Economic Inclusion Through Local Purchasing." Policy Link. 2012. Retrieved from: www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35afo%7D/BUYNEWARK_WEB.PDF

> Process Improvements

There are a number of simple ways to alter common procurement processes that can result in better identification of local purchasing opportunities and removal of some of the barriers that prevent greater presence of local suppliers in bidding processes.

Databases

The Concept

Having a database of local companies enables procurement officials to identify and better engage local businesses. Databases can help streamline the identification and verification of local businesses, allow procurement officials to quickly include local businesses in RFP mailings, and provide a means to reach out to local businesses to inquire about their capabilities. If these types of databases are shared with local private businesses and developers, it makes it easier for them to support other local suppliers in their own procurement processes. When the City of London surveyed large companies in the city to see what support they needed to increase local purchasing, the top answer by a large margin was databases.⁸⁰ Databases of local businesses are one of the best tools for engaging local suppliers, but it is important to note that they do require time and resources to get off the ground, and regular updates and maintenance to ensure ongoing effectiveness.

Uses and Examples

- In London, there are at least 10 local databases, four of which are city-wide, and the remainder of which are regional. The City directs businesses to these publicly available databases in its Local Purchasing Toolkit for City Based Firms, and also provides direct one-on-one guidance for local purchasing⁸¹
- Columbia University purchased and augmented a database so that local businesses could be easily be identified by the university's procurement department. The venture was so successful that local business development organizations have asked to share the database
- The Department of Small and Local Businesses in Washington, D.C., also maintains a database of certified businesses. The certified businesses comprise local, resident-owned small businesses, and businesses owned by disadvantaged groups⁸²
- Local First Arizona manages a database of over 1,700 local businesses in the greater Phoenix area. When tenders are being sent out, the database is often used to ensure that local suppliers are made aware of the opportunity⁸³

80 City of London. Local Purchasing Toolkit for City Based Firms. 2008. Retrieved from: <http://www.cityoflondon.gov.uk/business/supporting-local-communities/Documents/Local%20procurement%20toolkit%202008.pdf>

81 Ibid.

82 "Buy Newark: A Guide to Promoting Economic Inclusion Through Local Purchasing." Policy Link. 2012. Retrieved from: www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35afo%7D/BUYNEWARK_WEB.PDF

83 Local First Arizona. Greater Phoenix Metro Area A-Z. 2013. Retrieved from: www.localfirstaz.com/directory/region.php?region=phoenix-metro

- In B.C., representatives interviewed from Vancity Credit Union expressed their aspiration to develop a database of all of their business members to share publicly⁸⁴

Procurement Cards – Speed of Payment

The Concept

Small and medium-sized local firms often don't have the resources to wait for payment to come through accounting departments. Authorizing procurement cards or credit cards to provide more rapid payment for contracts under certain value thresholds can solve this problem and make providing goods and services much more viable for local businesses.

Uses and Examples

Columbia University uses procurement cards so that end-users can easily connect with suppliers. The university became aware that many smaller companies didn't use credit cards due to the high fees, so they worked out an agreement with a local bank so that the businesses could get the same rates as the university if they set up merchant accounts⁸⁵

Simplify Tender Documents

The Concept

Tender documents are legal documents and must include specific technical language. However, small and medium-sized enterprises often find the language and structure of RFPs and tender documents difficult to understand. Simplified descriptions, using non-technical language, can be used and included at the front of documents so that local suppliers can get an initial feel for contract requirements without being confused or intimidated by technical language.

Unbundling

The Concept

Institutions often bundle smaller supply contracts together so that they can get groups of supplies from one supplier, under the perception that it is more efficient and cost effective to deal with one supplier. However, local suppliers often cannot compete for large bundled contracts, since they may only supply one of the product or service categories included in the bid. Unbundling can be a useful tool for increasing procurement from small local businesses. There is no prescribed method for this, other than to thoroughly analyze bundled contracts to identify opportunities for removing portions that could be served with greater value by local businesses. When large bundled contracts are used, working with suppliers to stipulate local requirements is a good alternative.

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⁸⁴ Author's conversation with Vancity staff.

⁸⁵ "Buy Newark: A Guide to Promoting Economic Inclusion Through Local Purchasing." Policy Link. 2012. Retrieved from: www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35afo%7D/BUYNEWARK_WEB.PDF

Uses and Examples

- In 2002, the U.S. Office of Federal Procurement and Office of Management and Budget put forth a strategy to increase small business opportunities through contract unbundling. Their paper acknowledges the value of contract bundling but also identifies downsides caused by the loss of contracts to small businesses. One study identified that for every \$100 awarded on a bundled contract, there is a \$33 decrease in revenue to small businesses.⁸⁶ The study recommends a greater review of contract bundling and alternative options, as well as greater focus on identifying ways to increase opportunities for smaller businesses⁸⁷
- In the Canadian context, a report conducted for the Vancouver Island Construction Association examined a number of contract bundling examples. The report found that in most cases there was no concrete evidence of cost savings from bundling, and that it led to reduced competition and adverse local socio-economic impacts by blocking out smaller local firms⁸⁸
- At UBC, a purchasing manager identified a local supplier of tofu by engaging local businesses. The tofu portion of the university's housing department was unbundled from other food purchases and the contract was given to the local supplier, at a cost savings to the university
- In Australia, the Department of Human Services in Victoria and the Brisbane city council both examined large bundled contracts and identified portions that could be separated and offered to local social enterprises for competitive bid⁸⁹

86 Eagle Eye Publishers for: The U.S. Small Business Administration, Office of Advocacy. The Impact of Contract Bundling on Small Business FY1995 – FY1999. Sept. 2000.

87 Executive Office of the President, Office of Management and Budget, Office of the Federal Procurement Policy. Contract Bundling: A Strategy for Increasing Federal Contracting Opportunities for Small Businesses. 2002. Retrieved from: <http://oamp.od.nih.gov/ProgramNotes/ContractBundling/contractbundlingreport.pdf>

88 Bauld, Stephen and Ackerly, Glenn. Facts or Fiction: Dispelling The Myths About the Bundling of Construction Projects. 2013. Retrieved from: www.vicabc.ca/Documents/ConstructionReports/Facts_or_Fictions-VICA_report.1200.pdf

89 Burkett, Ingrid. Social Procurement In Australia. 2010. Retrieved from: www.csi.edu.au/site/Knowledge_Centre/Asset.aspx?assetid=88f8791e732f07e1

> Tie Locality to Other Value Based Goals

Taking advantage of the increased economic impact of local businesses can take many forms. In some countries, targeting purchases from small and medium-sized enterprises (SMEs), social ventures and female and minority owned businesses is a strategy utilized to increase procurement from local businesses.

Tie to Small Businesses

The Concept

Many local companies are SMEs. Also, many SMEs have the capacity to perform work locally but are less likely to conduct work in other regions. For these reasons, targeting SMEs through procurement can have a large impact on the local economy.

To increase spending with SMEs, procurement departments can take on a number of initiatives. Several options are: giving value in the tendering process to SMEs, setting targets for SMEs, and making changes to the procurement process. A 2008 report by the U.K. government laid out a number of recommendations for increasing procurement to SMEs. The recommendations focused on three main areas:

- 1 Transparency: Create simple, clear, open and transparent processes and communications to enable SMEs to participate
- 2 Simplicity: Reduce or streamline the excessive bureaucracy and documentation that create real barriers for SMEs
- 3 Making procurement strategic: Public authorities should
 - encourage innovative SMEs;
 - improve public sector procurement capability; and
 - encourage good practice between prime and sub-contractors⁹⁰

Tools like local business databases, procurement cards, and reverse trade shows can help achieve these goals. Greater engagement with local businesses, longer tendering periods, lower costs to access resources, and looking for unbundling opportunities are also ways to increase access for local SMEs.

Uses and Examples

- Many of the best examples of ways to increase access to procurement for small and medium-sized enterprises come from the United Kingdom. The following reports provide a comprehensive overview of the challenges of SME access to procurement, and the tools that can be used to improve SME access to purchasing:

⁹⁰ HM Treasury Contracts. The Glover Report: Accelerating the SME Economic Engine: Through Transparent, Simple and Strategic Procurement. 2008. Retrieved from: www.hm-treasury.gov.uk/d/pbro8_economicengine_2390.pdf

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- Smaller Supplier . . . Better Value?⁹¹
- Report on SME Access to Public Procurement⁹²
- Accelerating the SME economic engine: through transparent, simple and strategic procurement⁹³
- Evaluation of SMEs' Access to Public Procurement Markets in the E.U.⁹⁴

Tie to Social Ventures

The Concept

Targeting social ventures can also be an effective means of increasing local procurement. Social procurement is generally understood as “[u]sing procurement processes and purchasing power to generate social impact.”⁹⁵ Frequently, suppliers that offer these social benefits are local organizations. Social procurement usually involves procuring from organizations that are providing some additional social benefit, such as employing at-risk groups, or providing training and apprenticeships or other benefits to the local community.

Social procurement can take a number of forms. Generally, policy tools and contract tools can be used.

Policy tools include

- universal impact targets (particular and measurable impacts for a contract)
- targeted procurement and set-asides (setting a goal of a certain percentage of purchasing focused on a particular group)
- supplier codes of practice (mandatory social benefit inclusion in certain contracts)
- provisions for compliance and enforcement

Contract tools include

- social clauses (requiring the delivery of social benefits with a contract)
- unbundling (providing portions of contracts to social ventures)
- social tendering (work offered specifically to social ventures)

91 Office of Government Commerce, The Small Business Service. Smaller Supplier. . . Better Value? 2002. Retrieved from: <http://products.ihs.com/cis/Doc.aspx?AuthCode=&DocNum=276441>

92 House of Commons All Party Parliamentary Group on Small Business. Report on SMEs Access to Public Procurement. 2009. Retrieved from: www.progreast.eu/files/SME%20Access%20to%20PP%20report.pdf

93 HM Treasury Contracts. The Glover Report: Accelerating the SME Economic Engine: Through Transparent, Simple and Strategic Procurement. 2008. Retrieved from: www.hm-treasury.gov.uk/d/pbro8_economicengine_2390.pdf

94 GHK. Evaluation of SMEs' Access to Public Procurement Markets in the E.U. 2010. Retrieved from: <http://ec.europa.eu/enterprise/policies/sme/business-environment/public-procurement>

95 Burkett, Ingrid. Social Procurement in Australia. 2010. Retrieved from: www.csi.edu.au/site/Knowledge_Centre/Asset.aspx?assetid=88f8791e732f07e1

- social benefit subcontracting
- purchasing agreements⁹⁶

Uses and Examples

- Australia provides some strong examples of social procurement tools and guidelines. The following reports provide guidance to local governments:
 - Government of Victoria's Social Procurement: A Guide to Victorian Local Governments⁹⁷
 - Social Procurement in Australia by Ingrid Burkett⁹⁸
- Scotland has similarly embraced social procurement. Documents produced by the Scottish government on community benefits focus strongly on employment and training and provide some examples of successful projects⁹⁹
- The City of Toronto recently passed a motion to adopt a social procurement framework. The City has directed the executive director, social development, finance and administration, and the treasurer to report back on a Toronto social procurement policy for consideration by the end of 2015. It will include best practices, thresholds, benchmarks and a viable approach to targets¹⁰⁰

Tie to Sustainability

The Concept

Under trade agreements, protection of the environment is a legitimate objective. This can be accomplished by mandating accepted standards, such as FSC certified wood. It could also be accomplished by awarding value to minimizing the transportation distance in kilometres. The Toronto local food policy refers to American studies that show that global food generates five to 17 times the emissions of local food.^{101, 102} Including distance travelled and GHG emissions has been most common with food purchasing, but the method could be applied to other types of contracts. For example, one B.C. municipality sourced basalt from China in 2009 for a project associated with the federal stimulus fund, but might have been able to source the stone locally had greenhouse gas emissions based on travel distance been a consideration.¹⁰³

96 Burkett, Ingrid. Social Procurement in Australia. 2010. Retrieved from: www.csi.edu.au/site/Knowledge_Centre/Asset.aspx?assetid=88f8791e732f07e1

97 State of Victoria, Department of Planning and Community Development. Social Procurement: A Guide to Victorian Local Governments. 2010. Retrieved from: www.dpcd.vic.gov.au/localgovernment/local-government-reform/procurement/social-procurement

98 Burkett. 2010.

99 The Scottish Government. Community Benefits in Public Procurement. 2008. Retrieved from: www.scotland.gov.uk/Topics/Government/Procurement/policy/procurecombenefits

100 The City of Toronto. Social Procurement Framework. 2013. Retrieved from: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX31.11>

101 City of Toronto. Local Food Procurement Policy and Implementation Plan. Oct. 2008. Retrieved from: www.toronto.ca/legdocs/mmis/2008/gm/bgrd/backgroundfile-16137.pdf

102 Pirog, Rich., Timothy Van Pelt, Kamyar Enshayan and Ellen Cook. Food, Fuel, and Freeways: An Iowa Perspective on How Far Food Travels, Fuel Usage, and Greenhouse Gas Emissions. Leopold Centre for Sustainable Agriculture, Jun. 2001. Retrieved from: www.leopold.iastate.edu/pubs-and-papers/2001-06-food-fuel-freeways

103 Larry Berglund. Conversation with Tony Pringle. May 19, 2013.

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> Table 3: Oregon Definitions for Emerging Small Businesses

| | | |
|---|--|---|
| Emerging Small Business (ESB) Tier 1 | Contracting opportunities with city, county, state and special jurisdictions | <ul style="list-style-type: none"> • 19 or fewer employees • Three-year gross annual receipts: construction firms ≤\$1,760,495; non-construction firms ≤\$704,198 |
| Tier 2 | Contracting opportunities with city, county, state and special jurisdictions | <ul style="list-style-type: none"> • 29 or fewer employees • Three-year gross annual receipts: construction firms ≤\$3,520,990; non-construction firms ≤\$1,173,663 |

Uses and Examples

- Certifications are starting to emerge that could be used as contract stipulations. For example, Local Food Plus, started in Ontario, provides local sustainability certification for local produce, and has been used as a requirement for institutional purchasers¹⁰⁴
- The LEED certification process for buildings offers points for materials sourced within 500 miles.¹⁰⁵ This standard could be more widely incorporated as part of building material requirements where local sources are available

Tie to Minority and Female Owned Businesses

The Concept

Promoting female and minority owned businesses is a common goal in procurement and can also help achieve local benefits. Supplier diversity goals are used by many organizations as part of their social commitments to promote greater equality. As with small and social businesses, these goals often align with local economic development. By seeking out female and minority owned businesses, purchasers often identify local businesses that are interested in bidding and require support.

Supporting female and minority owned businesses and setting goals for their inclusion is a legitimate procurement objective that can be set by any kind of organization. Many private companies have policies for supplier diversity to broaden their supplier base and provide opportunities for the under-represented to compete with other qualified sellers.

There are many ways that woman and minority owned businesses can be supported. Target setting, greater engagement and some of the other tools mentioned earlier in this section are examples. Set-asides are another tool that can be used. Instead of targets, certain contracts, goods and services are set aside to be awarded to specific business groups. This strategy is also used with social enterprises.

¹⁰⁴ Local Food Plus. About Local Food Plus. 2013. Retrieved from: www.localfoodplus.ca/about

¹⁰⁵ U.S. Green Building Council. Materials and Resources in LEED Rating Systems. 2009. Retrieved from: www.usgbc.org/redirect.php?DocumentID=9250

Uses and Examples

- The Government of Canada has federal set-asides for Aboriginal owned businesses, and a policy and programs to achieve the goal of Aboriginal inclusion. For example, all procurements over \$5000 for which Aboriginal populations are the primary recipients will be restricted to qualified Aboriginal businesses¹⁰⁶
- The Canadian Aboriginal and Minority Supplier Council (CAMSC) offers certifications for Aboriginal and minority owned businesses. As well, the council has a number of corporate and charter members that it connects suppliers with¹⁰⁷
- WEConnect fulfills a similar role for women owned enterprises. The organization offers certification and connects enterprises owned by women. It has produced a report detailing strategies for supporting women owned businesses through procurement. In addition to WEConnect, there are also a number of associations for Canadian women in business.¹⁰⁸
- In Oregon, the state's business agency offers a certification for Minority, Women and Emerging Small Business, recognizing the benefits of fostering these three groups within the business community. The certification allows for contracting opportunities with city, county, state and special jurisdictions, providing the requirements below are met.¹⁰⁹
- There are a number of examples of institutions and organizations actively procuring from female and minority owned businesses, especially in the United States. Miami Dade College's Office of Minority and Small Business Enterprise has policies for supporting minority, local and small businesses.¹¹⁰ The Cleveland University Hospital network also has targets for including minority and female owned businesses, in addition to local purchasing goals.

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¹⁰⁶ Government of Canada. Aboriginal Set-Aside Programs. 1996. Retrieved from: <https://buyandsell.gc.ca/policy-and-guidelines/policy-notifications/PN-05>

¹⁰⁷ CAMSC. About CAMSC. 2011. Retrieved from: www.camsc.ca/what-we-offer

¹⁰⁸ Orser, Barbara. Procurement Strategies to Support Women-Owned Enterprises. 2009. Retrieved from: www.weconnectcanada.org/docs/CanadaWorksMarch302009WEConnectCanadaProcurementStudy.pdf

¹⁰⁹ State of Oregon. Office of Minority, Women and Emerging Small Business. 2013. Accessed May 13, 2013 from: www.oregon4biz.com/Grow-Your-Business/Business-services/Minority-Owned-Business-Certification

¹¹⁰ Miami Dade College Minority and Small Business Enterprise Office. Policies. 2012. Retrieved from: www.mdc.edu/main/msbe/doing_business/policies.aspx

> Move Towards “Total Cost”

Measuring the full economic impact of local purchasing and incorporating this information into the procurement decision-making process is a less widely used, but potentially very important, way of building support. Measurement can be approached in a range of ways, from simply attributing value in the weighting of procurement scoring criteria, to actually calculating the economic impact of individual suppliers and contracts.

Inclusion of Values in Score Cards – Give Local a Weight

The Concept

For procurements that fall below trade agreement thresholds laid out in the “Challenges” section (pp. 14–20), it is possible to attribute value and even specify preferences based on the locality of a business. This can be done through an absolute preference, stipulating only local businesses. It can also be done through a percentage preference that reduces the bid value of a local business by some percentage. This is a common practice in the United States. A tie-bid preference awards any tie in bids to the local company. Similarly, percentage preferences can be used such that if a local company’s bid is within a specified percentage range of the lowest bidder, the company has an allotted time frame in which to match the lowest bid to win the contract.

Uses and Examples

- In the United States, many states and cities use local preferences. This sometimes applies to all bids and sometimes only to bids under a certain threshold
 - Los Angeles applies a 10% preference for small local businesses for bids under \$100,000
 - In 2011, Oregon enacted a 10% preference that can be applied by all state agencies and local governments
 - In Madison, Wisconsin, local businesses receive a 1% bidding advantage and a 5% point advantage in the RFP process
- The City of Ottawa uses local as a tiebreaker when all other attributes are equal. Many more examples and variations can be found on the Institute for Local Self Reliance’s website¹¹¹

Measuring Local Multipliers (LM3)

The Concept

The LM3 tool was developed to provide a relatively easy way to measure the local economic impacts of businesses. The LM stands for “local multiplier,” and the 3 refers to the first three levels of turnover, which represent the majority of the impact. “Turnover” means a single flow of money from one

¹¹¹ Institute for Local Self Reliance. Local Purchasing Preference. 2013. Retrieved from: www.ilsr.org/tag/local-purchasing-preferences

business or person to another. The tool includes online forms that can be filled out by businesses, employees and suppliers. It allows comparison between businesses regarding local impact, and can help identify businesses with high multipliers (which, under this model, are preferred). It can focus on large as well as small geographic areas, such as townships, which is a useful feature for smaller communities.

Uses and Examples

- The LM3 tool has been used in a number of contexts in the United Kingdom. By 2008, all 25 North East local authorities in the country had completed an LM3 exercise, recognizing that public sector procurement spending could have significant economic impact within local communities. The Prince's Trust (North East) was able to demonstrate that £1.9 million disbursed in 2006/2007 generated £4.1 million per annum within the North East regional economy via the impact of grant funding, development awards, supplier spending and expenditure on staff salaries.¹¹² Many other municipalities and counties have also used the tool for various purposes. Examples can be found in "The Money Trail," a document which outlines how to use the tool¹¹³

Inclusion of Tax in Bidding

The Concept

Local businesses pay more income and property taxes than companies without a local presence. This could be considered as a factor by public purchasing bodies when assessing the true value of a contract. This method has been suggested by local economy leader Michael Shuman.¹¹⁴ The reasoning is that if a contract represents X amount to a local company's revenue, then that company should be able to show how much tax it pays to the purchasing body, and remove X percent of that tax from the bid. The reasoning for this is that if the company gets the contract, that percentage of its taxes will be returned to the purchasing body as a result of winning the contract. The equation is simple: real bid = nominal bid – tax revenue. Although unorthodox, this could be achieved by a company simply showing their previous year's tax information. This does present one way for procurement to move another step towards total value.

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¹¹² New Economics Foundation. LM3 – Local Multiplier 3. 2013. Retrieved from: www.proveandimprove.org/tools/localmultiplier3.php

¹¹³ New Economics Foundation and The Countryside Agency. The Money Trail. 2002. Retrieved from: www.neweconomics.org/publications/entry/the-money-trail

¹¹⁴ Shuman, Michael. "Going Local: New Opportunities for Community Economies." New Economics Institute, 2002. Retrieved from: <http://neweconomy.net/publications/lectures/shuman/michael/going-local>

> Notes for Policy-Makers

Public institutions can use all of the tools outlined above to increase local purchasing and realize the benefits to themselves and their local economies. These tools vary in terms of how applicable they are to policy-makers, however. This section highlights the tools that are most relevant to policy-makers at different levels of government.

Municipal

Several types of policy can be applied at the municipal level. Firstly, preference or value given to local content can be made official so long as the value of the contract is under the thresholds outlined in the relevant trade agreements. Policies could include an absolute preference or bid cost reduction as they do in many U.S. cities. They could also award points on a scorecard for local ownership, or for the percentage of employees who are based locally.

A number of municipal governments have tied locality to sustainability with regards to food procurement. This is the case in the City of Toronto's local food framework and the City of Saanich's food policy. For items like food, where the environmental impact of transportation can be calculated, policies to minimize this impact can be used to increase local content in purchasing.

Including social values in procurement is also a common approach for cities looking to increase the local economic benefit from procurement. The City of Toronto's recently adopted social procurement framework provides an example. New York and Los Angeles have also implemented social procurement policies.

Provincial

Trade agreements generally have lower thresholds for provincial procurement than for federal procurement. Again, below these thresholds, preference can be given to local suppliers. For example, the Government of Nova Scotia has a local preference for goods and services under \$10,000. The policy states:

In order to support the local manufacturing, agriculture and aquaculture industries, Departments are authorized to apply a preference for goods up to and including \$10,000 excluding taxes, which are manufactured or produced in Nova Scotia, when it is determined to be in the best interest for the Province of Nova Scotia. This guideline has been established to support the principles of public procurement and buy local initiatives in Nova Scotia which support Nova Scotia small businesses and communities.¹¹⁵

In addition to strictly preferring local goods and services, provinces can also implement social procurement policies. The State of Victoria in Australia provides a great example of this kind of policy.

¹¹⁵ Government of Nova Scotia. Nova Scotia Sustainable Procurement Policy. 2009. Retrieved from: www.gov.ns.ca/tenders/policies-processes/procurement-policy.aspx

In 2013, the B.C. government appointed a senior official to help small businesses reduce red tape in procurement, and set a target to increase procurement from small businesses in the province by at least 20 per cent.¹¹⁶

Federal

At the federal level, support for local procurement can come in the form of guidance for other orders of government. The guidance provided by the United Kingdom and the European Union on procurement access for small and medium-sized businesses is a great example of the leadership that federal governments can take in promoting positive changes to procurement practices. Similarly, the U.S. government report on unbundling government contracts presents a great example of how federal governments can look to their own procurement practices for ways to increase local economic benefits.

In 2011, the Canadian federal government launched its National Shipbuilding Procurement Strategy, and awarded \$33 billion in contracts for combat and non-combat shipbuilding to two separate firms located in Nova Scotia and B.C. (Shipbuilding is specifically exempted by WTO agreements.) In B.C. the contract will create 4,000 new jobs, and the company awarded the contract will invest \$150 million in new infrastructure in Vancouver and Victoria.¹¹⁷ In Nova Scotia there will be an estimated 11,500 jobs and an almost \$900 million increase in the province's GDP during peak production years. The impact of the shipbuilding work is estimated to result in \$2.8 billion in additional revenue to the province over the course of the next 19 years.¹¹⁸

FIRST STEPS

GREATER ENGAGEMENT

PROCESS IMPROVEMENTS

VALUE-BASED GOALS

"TOTAL COST"

NOTES

¹¹⁶ Government of B.C. "New Senior Advisor to Help Small Businesses Cut Red Tape." 2013. Retrieved September 24, 2013, from: www2.news.gov.bc.ca/news_releases_2013-2017/2013JTST0105-001308.htm

¹¹⁷ North/West Vancouver Outlook. North Van's Seaspan Wins \$8B Federal Shipbuilding Contract. 2011. Accessed September 25, 2013, from: www.northshoreoutlook.com/news/132187208.html

¹¹⁸ Nova Scotia Canada. "Province Invests in Jobs, Infrastructure, and Training through Shipbuilding Contracts." 2012. Accessed September 25, 2013, from: <http://novascotia.ca/news/smr/2012-03-30-Irving-Announcement>

Conclusions

Around the world, many initiatives are being undertaken to leverage the increased impact of local procurement.

There are many strong arguments for increasing local procurement by institutions. Local businesses can provide greater social benefits, better service and better overall value than the alternatives. Economically, public and private institutions benefit from the greater local economic activity that local suppliers provide. There are a great many opportunities for increased purchasing from local suppliers, to the benefit of buyers, their communities and local economies.

Around the world, many initiatives are being undertaken to leverage the increased impact of local procurement. In the United States there are many direct local preference purchasing policies. Increasingly, large institutions and municipalities are beginning to incorporate locality as a critical component of procurement value. In the United Kingdom and Australia, local procurement has also been a heavy focus of public and private institutions. Due to trade agreements, this focus has frequently taken the form of providing greater access to procurement opportunities for small and medium-sized businesses or including local social benefits as a value in procurement.

Challenges and barriers to greater local procurement do exist. For public bodies, trade agreements can limit the ability to give explicit preference based on location. It is possible to do so under certain dollar thresholds, however. Local value can also be included in other ways, such as greater engagement through databases and trade shows, working with large suppliers to increase their level of local sourcing, and tying locality to other values like access to small businesses and social procurement. Many of the challenges to local procurement come from current procurement practices that make it difficult for local businesses to compete with large multinational businesses, which may have staff dedicated to finding and winning contracts. Even when they want to pay more attention to locality, procurement staff and management can sometimes be restricted by the policies and procedures in place. Local businesses may not have the capacity to address all procurement needs. Despite these challenges, institutions in many places are taking steps forward. Leadership and governance are required to progress effectively, however, and these are critical challenges to address. The first steps to increasing local procurement generally involve establishing a leadership commitment, identifying where opportunities lie through leakage calculations, defining “local” and setting targets for improvement.

Engaging the local business community plays a critical role in successful local procurement. More interaction with local businesses can be facilitated by reverse trade shows, pre-procurement procedures, broad advertising, seeking out local businesses before tendering, and requiring some local businesses in the bidding process. Institutions can also work with large suppliers to stipulate that local businesses be included in work being tendered.

Changing some aspects of procurement processes can have large impacts. Using local databases is a common way to engage more local businesses. Simplifying tender documents, speeding up payments and looking for opportunities to unbundle large contracts are also small changes that can have big effects. Local procurement can be aligned with other goals such as social procurement, emphasizing female and minority owned businesses, small and medium-sized enterprises

and sustainability goals. Finally, the benefits to the local economy of using local suppliers can be given explicit value in the procurement process, for example by measuring economic multipliers.

In Canada, although a number of initiatives across the country address local procurement, there is still a great deal of opportunity for institutions to be inspired by global and domestic examples, both for small steps and for large initiatives. Municipalities, health authorities, universities and other anchor institutions in Canadian cities could easily collaborate to host reverse trade shows. Municipalities could implement social procurement frameworks such as the one that Toronto has taken on. Cities and provinces could include local policy statements, like the one that Nova Scotia has incorporated, for thresholds below trade agreement restrictions. These measures do not necessarily mean that all bids must go to local companies, but they do provide procurement professionals with the ability to incorporate local value where it makes sense to do so.

At higher levels, lessons can be learned from the United Kingdom and Australia, where government reports on access to procurement for SMEs and social procurement provide guidance and leadership for institutional local procurement. Overall, a plethora of small and large steps can be taken for major benefit to local economies, and the national economy in turn. Institutional procurement can be an effective tool for creating more diverse, equitable and vibrant economies.

Institutional procurement can be an effective tool for creating more diverse, equitable and vibrant economies.

THERE ARE MANY OPPORTUNITIES for organizations to benefit themselves, as well as the economies that sustain them, by making minor adjustments to the way that they purchase goods and services. **Buying Local: Tools for Forward-Thinking Institutions** outlines strategies and paths that policy-makers, sustainability managers, procurement professionals and others involved in institutional purchasing decisions can pursue to realize this potential.



The Columbia Institute fosters individual and organizational leadership for inclusive, sustainable communities. This work is rooted in our belief that communities who value social justice, the environment, and their local economy are healthier, happier places to live. We also nurture strong local leadership, and support community leaders with cutting-edge research on emerging issues through our Centre for Civic Governance.

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LOCO BC is an alliance of local companies working to strengthen our communities, grow the local economy and build strong, sustainable businesses. LOCO promotes, connects and supports local businesses through its supplier directory, business networking events, buy local campaign, advocacy, and group business programs for health care and small business sustainability.

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