

# Expanded abstract

## Improving efficiency in public procurement processes with the social accounting

### Objectives

Current legislation allows including social issues in public contracting processes, which account for more than 15% of GDP in European Countries, hence the interest of this study, which defines the procedures for a socially efficient public procurement.

Procurement procedures conducted from the public sector not only have the objective to provide goods and services, but they are also, or they should be, a tool for developing public policies, oriented to create value for different stakeholders. Nowadays, criteria used in evaluating the results generated in public contracting processes is incomplete, taking in consideration basically economic aspects. This evaluation is made from a limited perspective, hindering decision-making practices that could improve the total valued created for the society in general. The objective of this study is to facilitate the inclusion of social value in public tenders with the Social Accounting model, developed by Retolaza, San-José and Ruiz-Roqueñi, identifying value generated in these processes for the different stakeholders, which would provide information from a wider perspective, helping in maximizing total value.

### Theoretical Framework

Previously, European directives specified that public contracts should be awarded to the lowest bidder or the bidder with the economically most advantageous tender (Bergman & Lundberg, 2013). However, even though obtaining the best quality/price relationship, probably they are not optimizing the value for the community. This problem arises because we would be analyzing value from a narrow economic view of business (Freeman, 2006), considering price as an optima indicator for value. It is necessary to consider a global perspective of the created or destroyed value, contemplating other externalities generated. Public procurement is a set of relationships among different stakeholders, which, at some particular point along the process development, may be more important than another. In the developing of this activity, it is necessary an appropriate understanding of the value creation process to maximize these stakeholder interests.

McCrudden (2004) considers how governments currently attempt to use contracts to produce desired social policy outcomes through public procurement. Administration attempts to combine these two functions: participating in the market as purchaser and at the same time regulating it by using its purchasing power to advance conceptions of social justice. It is also a paper of the Public procurement to contribute to the improvement of labor standards and employment conditions.

A new Law, 9/2017, was approved in Spain following this new interest in incorporating a wider analysis of the value created in the procurement process, indicating that in all Public procurement “social and environmental criteria” should be incorporated, in a “transverse and perceptive” way, being related with the object of the clauses of the contract. These social clauses incorporated in the Spanish new law, have their origin in the concept of “Social Responsible Public procurement”, defined by the European Community as the procurement practices that have in consideration one or more of the following aspects: job opportunities, decent work, social and labor rights observance, social inclusion, equal of opportunity, providing accessibility for everyone and social criteria considered. This new framework should become an important part of the sustainable development strategy, opening an opportunity to encourage the participation of the Social Economy organizations in it, aiming to contribute to different social and environmental objectives (Mendoza J., 2019).

There is a relevant output variability that is not usually taken into consideration in the Public bids: Quality, territorial impact, savings in public funds, social innovation, risks, and emotional value (Retolaza et al, 2015). There are other costs and benefits, but not identified in monetary terms, that has also need to be considered, as, impact in employment, social and equal opportunities, environmental impact, that is, value generated in these processes for the different stakeholders.

## Methodology / Proposed Model

Repeatedly mentioned in previous comments, it is necessary to offer a tool to evaluate procurement processed led by public actors, taking into consideration an integrated value analysis, which collect economic, but also social values, generated to the stakeholders, giving a wider view of the whole process. The Social Accounting model provides a starting point for this project (Retolaza, San Jose & Ruiz-Roqueñi 2015). This methodology is supported in the Stakeholder theory (Freeman 1984), analyzing in terms of those involved, who affect and are affected, required to identify the value created by the procurement process.

We contemplate the design of a social efficiency model, based in the indicated Social Accounting model, that could be applied to the Public Procurement. During a previous phase of the project, a Delphi technique with an online questionnaire has been utilized in order to gather improvement proposals to incorporate to public procurement processes proposed by experts from University, Public Administration and Companies, all around Spain. These experts confirmed the existence of a growing consensus for the need to include social value in public tenders. They identified 35 potential research issues related to the social impact of public procurement, considering the creation of tools to improve the objectivation of additional criteria, limiting discretion during the assessment procedure, to be of particular potential value.

In the current phase of the project, supported in a case study, we have incorporated the Social Accounting model to a specific public procurement process, managed by the local administration “Viviendas Municipales de Bilbao”, already evaluated and awarded. We incorporate this new concept, social value to be created in the development of the activity of the contract, in a new calculation of the evaluation process, with the same conditions and structure as the other quantifiable criterion, economic proposal. In this process, we have calculated social integrated value created by the companies participating in the process in the previous year and,

by applying a ratio of social value created for each euro of revenue, estimated social value that they will create developing the activity of the procurement process and assigned a valuation to any of the proposals.

To finalize the process, we have completed again the evaluation process, with the previous analyzed criteria, technical and economic proposals, and this new one, social value to be generated in the activity, integrated with the same structure and evaluation method than the other concepts.

## Results

As indicated in the introduction, this project aimed to change the perspective in which public procurement processes had been working, from a price-based bidding model to an analysis of the results from a stakeholder perspective view. This new tool provides information to orient public procurement to work on the efficiency of the outputs in relation to inputs.

In this case study, we have tested how this additional concept, social value to be generated by the organization awarded with the public tender, can be incorporated in the evaluation procedure. This information generated in the process will improve the transparency of the procedure and increase the alternatives to create cross and specific value, with no limitation. Public procurement will focus on purpose, on creating value for the stakeholders, and not in minimizing the cost of the products or services.

## Limitations of the investigation

It would be necessary to contrast the results from this case study in other public procurement processes to generalize conclusions. In this analysis, we have only evaluated “market social value” to be created by the different organizations, as “no market social value” information was not available for the evaluation.

Another limitation of the introduced analysis is how to evaluate organizations of recent foundation, not having completed a whole accounting exercise, as they would not provide the ratio of social value created in the previous year for the estimation of results in case of being awarded.

## Practical conclusions

Theoretical implications correspond to a perspective change, price-based bidding model is substituted with public procurement systems, where the results are analyzed from a stakeholder perspective view and the efficiency of the outputs in relation to inputs is considered the main goal. Our findings suggest the need to develop an objective social accounting system, capable of calculating, in a standard and predictable way, the social value generated to the various interest groups and society in general, and consequentially, looking for the option that would maximize total value created.

**Keywords:** Public Procurement, Social Metrics, Social Impact, Social Efficiency, Social Accounting.