



OCT 18 2018

Mr. Tom Lukiwski, M.P.  
Chair  
Standing Committee on Government Operations and Estimates  
House of Commons  
Ottawa, Ontario K1A 0A6

Dear Mr. Lukiwski:

Pursuant to Standing Order 109 of the House of Commons, we are pleased to respond on behalf of the Government of Canada to the recommendations made by the Standing Committee in their 15th report, *Modernizing Federal Procurement for Small and Medium Enterprises, Women-Owned and Indigenous Businesses*, tabled in the House of Commons on June 20, 2018.

The Government of Canada thanks the members of the Standing Committee for their report and recommendations on federal procurement. The study comes at an important time when the Government of Canada has identified the modernization of federal procurement as a key priority to be delivered through the mandate commitments for the Minister of Public Services and Procurement and Accessibility and the President of Treasury Board and Minister of Digital Government. The Government recognizes the business imperative for improving how we deliver our federal procurement services, and also recognizes the tremendous opportunity to leverage this federal spending power to support Canada's socio-economic fabric, in particular seeking outcomes for small and medium enterprises (SMEs), women-owned and Indigenous businesses, and communities.

Procurement is undergoing a significant shift globally, as the business environment, markets, and needs of both suppliers and buyers are changing. Procurement is no longer just about buying goods and services, but also about creating business relationships, stimulating innovation, and achieving value and benefits beyond just price. The challenges faced by public procurement around the world include increased complexity, the speed of the process, and the administrative burden on suppliers. Many of Canada's suppliers have also echoed these challenges.

Governments around the world, including the United Kingdom and the United States, are now re-evaluating their approaches to procurement and transitioning away from a transactions-based system to an approach where public procurement is used as a strategic tool for delivering public policies. In October 2017, the European Commission released its Public Procurement Strategy. This Strategy emphasizes, among many things: the importance of increasing green and social procurement; professionalizing public buyers; improving transparency and data; and, increasing digital transformation.

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The Government of Canada is leading efforts to align with international best practices and to respond to a changing business environment. The Government's Procurement Modernization initiative has the goal of achieving a world-class accessible procurement system that drives value for money while advancing government socio-economic objectives, simplifying the procurement system for suppliers, and delivering better results for Canadians. The Government is transforming its procurement function from a focus on transactions to a function that is strategic and risk-based. This means taking a broader approach to not only transform the technologies and tools that are used for procuring goods and services, but also changing the way we think about our businesses and how we train and develop our procurement workforce.

The Government is also focusing on opportunities to be more flexible, nimble and collaborative by using agile methods in procurement. As the Committee noted in its report, agile methods are focused on procuring the right solution as opposed to being simply focused on choosing a product or a service. This method calls on suppliers to propose their best solutions to meet the Government's needs, and then allows both the Government and the supplier to work together, iteratively, to develop the best solution.

Public Services and Procurement Canada (PSPC) and the Treasury Board Secretariat (TBS), with the support of other departments and agencies, have undertaken a number of activities to move forward on procurement modernization. Suppliers understand the critical importance of this initiative, with the objectives of making it easier to do business with government. For SMEs, Indigenous and/or women-owned businesses, it means better access to federal procurement opportunities, thereby strengthening the economy and enabling these businesses to leverage their business experience with the Government of Canada in other markets. For federal departments, procurement modernization means that they will be in a better position to purchase what they need, when they need it and get better value for the taxpayers' dollar. For federal procurement officers, it means a streamlined, electronic-based process that will increase transparency, enhance communications with suppliers and support them in their day-to-day jobs. For Canadians, the impact of modernization goes beyond the nuts and bolts of our government operations. It will mean leveraging digital service delivery of procurement to support Canada's economic and social policy goals, including innovation, as well as green and social procurement.

To achieve success, the Government is focused on first building a modern procurement foundation strongly anchored on our commitment to fair, open and transparent procurement processes that promote competition and value for Canadians. We are renewing the government's procurement policy suite, leveraging new digital technologies, open data, international best practices, and a professionalized procurement workforce. More specifically, the Government is

pursuing new approaches through a modern electronic procurement solution, the creation of a vendor performance management framework to improve the way we manage performance of our suppliers, and the recruitment of more procurement professionals.

Secondly, the Government will deliver a simpler, more responsive, and accessible procurement system to make it easier to do business with the Government of Canada, and improve industry engagement and the client experience, in alignment with the Government's vision to transform into a digital government. This vision includes not only reducing the number of paper-based processes, but also adapts its services to be digital and online with increased accessibility and ease of use for Canadians. To that end, the Government is developing an electronic platform for its procurement system, working on simplifying its contracts, incorporating agile methods of procurement and making bidding easier for suppliers through free electronic submissions. The Government has also developed an important collaborative approach across provinces and territories to enable all levels of government to share procurement instruments.

By building a modern foundation and delivering a simpler, accessible system, the Government will be positioned to strategically leverage its procurements to achieve social and economic policy goals, with a clear emphasis on reconciliation and Treaty rights, social inclusion, and a clean environment. To this end, the Government is pursuing efforts to update key government-wide procurement policies through the Treasury Board Secretariat's Policy Suite Reset initiative and is exploring approaches and undertaking pilot initiatives to foster a sustainable socio-economic policy framework. Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada are also modernizing the Procurement Strategy for Aboriginal Business to increase economic opportunities for Indigenous businesses through federal procurement.

These policy objectives have been reflected in Federal Budget 2018, and highlight the Government's continued commitment to improve the way it carries out its functions and to improve the circumstances of under-represented groups. It also emphasized: growth for the economy; progress (including support for Canadian innovation); reconciliation; advancement; and, equality. As such, the Government is continually striving to position itself in such a way that its significant purchasing power supports these goals. We do this through procurements that support economic growth in Canada such as the National Shipbuilding Strategy (NSS), supporting our SMEs by funding Canadian innovation, incorporating considerations of green procurements, or creating a more inclusive procurement environment for Indigenous and women-owned businesses.

Modernizing procurement is a key government commitment and, as such, the Government of Canada welcomes the Committee's report. The 40 recommendations contained in the report present a tremendous wealth of insight that will be instrumental in the Government's pursuit of its commitment to procurement modernization. As we progress in delivering on this commitment, the Committee's extensive report and recommendations will be an important resource to continue informing our way forward.

The following, organized along six themes, provides more details and examples of the Government's actions in responding to the Committee's 40 recommendations, and its intention to leverage each of the recommendations as it takes further measures to modernize procurement.

**Theme 1: Modernizing Procurement Policies (Recommendations 1, 2, 6, 8, 10, 14, 15, 16, 20, 29, 30)**

The Committee's report recommends developing procurement strategies to support SMEs and increase inclusivity, including the use of targets. The report also recommends promoting greater emphasis on best value and results for Canadians, while increasing the use of outcomes-based procurement approaches.

The Government recognizes the importance of modernizing its policies and procedures to ensure employees and suppliers have a common understanding of policies and the implementation of these within the procurement process. These recommendations will continue to inform the Government as it continues to shape the future of procurement modernization.

International best practices have shown a shift towards achieving best value including where contracts take into consideration different opportunities and objectives, and consider the overall lifecycle impacts of the goods and services procured. For example, the 2014 European Union Public Contracts Directive introduced a public procurement strategy which sets out the overall policy framework and defines clear priorities to improve procurement in practice and support investment within the European Union (EU). These priorities include innovative, green, and social procurement, which also includes greater access to procurement markets.

To maintain its role as a global leader in procurement, the Government is updating key federal procurement policies and instruments through the Policy Suite Reset initiative. The Treasury Board Secretariat is leading this effort, in consultation with other government departments. The Policy Suite Reset will reinforce government procurement principles of fairness, openness and transparency, and the expectation to use competitive, innovative, agile and outcomes-based approaches for bid evaluation, selection, and contract award.

The Policy Suite Reset is also examining how best to support increasing socio-economic policy goals such as innovation, green, and social procurement, while increasing opportunities for SMEs to do business with the government.

As a key next step, the Government will be proposing new policy changes to support the President of the Treasury Board and Minister of Digital Government as well as the Minister of Public Services and Procurement and Accessibility in their mandate letter commitments to ensure that procurement processes reflect modern best practices and advance socio-economic procurement including supplier diversity, accessibility, and economic growth for SMEs.

Furthermore, Budget 2018 provides measures to support women starting and growing their own business. PSPC will support these women entrepreneurs by working closely with Innovation, Science and Economic Development, Global Affairs Canada, the Business Development Bank of Canada and other government departments and agencies in making procurement accessible to these entrepreneurs so they can leverage their experience as government suppliers to further succeed in the marketplace. These measures will also contribute to closing a gender gap, with the goal of increasing the participation of women-owned businesses in government procurement by 50%. The Committee's recommendations will help inform Government efforts to further close this gap.

This work also aligns with the outcomes of consultation and engagement activities undertaken by the Social Innovation and Social Finance Co-Creation Steering Group, a committee composed of 16 external stakeholders and one Government official, tasked with guiding the development of a Social Innovation and Social Finance Strategy for Canada. The Steering Group heard that the Government should implement strategies to encourage and promote procurement officials and suppliers to place greater emphasis on best value for Canadians, by awarding points to social value, in addition to price, quality and environmental considerations. Additionally, the Steering Group heard about the importance of making public procurement markets more accessible to social enterprise and diverse suppliers, including Indigenous and women-owned businesses, among others.

PSPC will continue to ensure SMEs, experts, academia, and others participate at early stages in the design of solutions aimed at addressing the challenges faced by SMEs with regard to participation in procurement. As part of this, PSPC and national industry associations and their members are also working together through the Minister's Supplier Advisory Committee (SAC), established in 2013, to bring improvements to government procurement and a better understanding of supply and demand. SAC members have participated in the design of multiple initiatives under procurement modernization and will continue to inform government action through sharing information and best practices, giving voice to industry, and identifying emerging procurement issues, such as risk management and vendor performance.

Initiatives are also being undertaken across government departments and agencies to pilot and experiment with new procurement approaches, such as agile methods of supply and outcomes-based approaches through active engagement with industry and suppliers. As an example, the Government recently launched a Request for Proposal using a Qualifications-Based Selection method where the selection methodology for suppliers focuses on the qualifications of the professionals, in this particular case architects and engineers. This approach is used internationally and in some provincial jurisdictions, and has been found to result in improved cost effectiveness as projects that have used this method of supply were shown to have lower construction costs and fewer schedule delays.

PSPC has also launched pilot projects aimed at increasing opportunities within the procurement process for under-represented groups. This includes a Temporary Help Services pilot that will consider using an evaluation methodology that recognizes the involvement of diverse suppliers in the selection process. Additionally, PSPC initiated a pilot in 2018 that will promote the provision of catering services from diverse suppliers in the National Capital Region.

To modernize Canada's approach to sustainment program development and procurement, the Department of National Defence, in collaboration with PSPC and ISED, have undertaken the Sustainment Initiative to transform the business of sustainment – in-service support – for military equipment and fleets. The initiative requires officials to conduct analysis on all major in-service contracts and ensure that contract awards result in solutions that maximize the value for Canada by optimizing equipment performance, value for money, flexibility, and economic benefits.

PSPC is leading the development of a government-wide Vendor Performance Management framework that will optimize value for money by incenting vendors to better perform. This framework, for which consultations are underway, will ensure that the procurement is well managed, holds contractors accountable and achieves value for Canadians. The regime will provide another important element in the overall consideration of selection methodology on how the Government of Canada contracts its goods and services. It will include: performance metrics; monitoring mechanisms; training and support for procurement employees and for suppliers; as well as tools to support the culture change. Shared Services Canada is currently piloting some of these concepts through specific procurements (Workplace Technology Devices Printing Products and Managed Print Services, and Network Solutions Supply Chain) which will serve to inform the broader implementation of the framework.

The Government is also implementing a number of other policy initiatives aimed at supporting Canada's socio-economic goals. For example, the Government has introduced ethical standards in the procurement of apparel. This will require suppliers to certify they meet minimum standards related to labour and human rights in all solicitations for apparel. This requirement came into force in September 2018.

Practical steps are being taken as part of the Greening Government Strategy to better manage GHG emissions, increase resiliency, and better manage the disposal of plastics from its government operations. The strategy sets specific targets applicable to federal government light duty vehicles, which means the Government is now aiming at only purchasing zero-emission vehicles (ZEV) or hybrids. Starting in 2019, 75% of new light-duty administrative fleet vehicle purchases will be ZEVs or hybrid while all new executive vehicle purchases will be ZEVs or hybrids. Another important project that aims to further the Government's Greening Strategy is the Energy Services Acquisitions Program initiative. This project aims to modernize the central heating and cooling plants located in the City of Ottawa and use Smart Building Technology to improve energy efficiency. The Request for Proposal was published in March 2018.

**Theme 2: Simplifying Processes and Procedures (Recommendations 4, 5, 7, 9, 12, 13, 19, 23, 24, 40)**

A number of the Committee's recommendations highlight the need for PSPC to simplify its processes and procedures. These recommendations are useful as the Government focuses on a digital strategy, recognizing that people expect government services to be simple and easy to use. This includes making services available anytime, anywhere, through a multi-platform, multi-device ecosystem, taking advantage of new technologies in support of operational effectiveness and service delivery.

For example, as part of Canada's digital strategy, PSPC is working closely with partners, including TBS, to modernize procurement so that it is less bureaucratic and easy to use, such that Canadians, including business owners, can easily access the services that they need.

PSPC is collaborating with these same partners to establish a new procurement tool that will energize and enable departments to move towards Cloud solutions. This new procurement tool will provide opportunities for departments and agencies to re-examine their existing infrastructure and services by facilitating a smooth path to the most modern tools. A new procurement process has also been launched with the objective of enabling the integration and adoption of Artificial Intelligence tools, techniques, and services into existing government program delivery.

Budget 2018 provided \$196.8 million over 5 years for an Electronic Procurement Solution (EPS). The EPS will modernize procurement by moving to an efficient online platform that will connect procurement officers and suppliers together throughout all stages of the procurement. The EPS will automate and streamline procurement. It will be user-friendly and will make it easier and faster for suppliers, including Canadian-owned SMEs, to do business with the Government and provide the goods and services needed to deliver services to Canadians.

The EPS will also support other procurement modernization initiatives. For example, it will serve as the platform to implement the new Vendor Performance Management framework by providing the government repository to gather and share vendor performance information, so that departments can get the best value for Canadian taxpayers. It will also support social procurement by giving the Government a tool to track and monitor participation by businesses owned by under-represented groups in federal procurement. To ensure a smooth transition, the EPS will be gradually implemented within PSPC and eventually rolled-out government-wide.

PSPC is applying lessons learned from other information technology projects in developing and implementing the EPS. This includes applying rigorous testing and effective governance, engaging users, and seeking independent advice throughout the process. This will help ensure the solution is appropriately implemented and effectively meeting its objectives.

PSPC conducted a Contract Simplification Initiative (CSI) analysis using artificial intelligence to help examine the content and structure of its contracts, terms and conditions, and related procurement practices to generate evidence-based information to provide an assessment of the current state of PSPC contracts. The CSI will support the development of a new clause library and standardized contract structure that can be incorporated into the new electronic procurement solution. As a result, PSPC expects to reduce the size of routine and highly-competed goods and services contracts by at least 50%. This work is the underpinning of the way forward to transform analysis into actionable tools that can be used to draft effective contracts quickly and effectively.

The Phased Bid Compliance Process (PBCP) is an initiative that is part of procurement modernization. The PBCP supports the Government of Canada's procurement objectives of competition and best value by, in some instances, advising bidders that they can correct errors in their proposals, thereby increasing the number of qualified bids or offers. This is in addition to the standard practice of providing suppliers, upon request, with information pertaining to their unsuccessful bids, ensuring that the process is fair, open and transparent.



Furthermore, the Department of National Defence (DND), in collaboration with partners across government and the Canadian defence industry, has taken a number of steps to improve and streamline defence procurement and ensure timely military procurement which helps Canada contribute more effectively to NATO capability planning and burden sharing. DND is working with its partners to increase the Department's contracting authorities for goods and services up to \$5 million. This increased contracting authority will allow 80% of defence procurements to be managed directly by DND, thereby simplifying the procurement approach. As contracting authority is delegated from PSPC to DND, the management accountability framework will change with it by making DND solely accountable for these contracts.

Buyandsell.gc.ca is the central web channel for SMEs to find business opportunities with the federal government. To promote partnerships among the business communities, the site allows interested bidders to obtain notifications of business opportunities and to express interest in particular tenders. Work is underway to improve features that promote partnerships and joint ventures among businesses and further enhance access to federal procurement opportunities for suppliers including SMEs, women-owned and Indigenous businesses.

PSPC continues to work with other government departments and external stakeholders to identify barriers to SME participation in federal government procurement and to reduce administrative burden associated with the process. This has led to numerous initiatives that have been implemented or are underway to continue improving and simplifying procurement processes and procedures. In 2016-2017, 47.5% of PSPC procurement undertaken on behalf of other government departments went to SMEs, exceeding the established target of 40%<sup>1</sup>.

For example, PSPC launched the e-bid submission initiative in 2017 making it easier, faster, and cheaper for suppliers to submit bids for government contract opportunities. In addition, PSPC is taking steps to ensure suppliers are paid on-time and is simplifying processes by using electronic invoice submissions and direct deposit. On February 1, 2018, an expedited payment pilot for procurements with a value of \$100,000 or less was launched providing suppliers with payment within 15 days instead of the current service standard of 30. Furthermore, in January 2018, the Government initiated consultations with suppliers to develop an effective legislative solution to ensure prompt payment for federal construction contracts.

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<sup>1</sup> 2018-2019 Departmental Plan: <https://www.tpsgc-pwgsc.gc.ca/rapports-reports/documents/pm-dp/2018-2019/spac-pspc-dp-2018-2019-eng.pdf>

The Government also announced, along with the tabling of the new Accessibility legislation, the creation of a federal resource center for accessible procurement. This new endeavor will develop simple and efficient processes for ensuring goods and services that the Government procures are accessible by default, where possible. This is an important element supporting the Government's recently launched public service accessibility agenda.

As the Government continues to move forward with simplifying its procurement processes and procedures, the recommendations made by the Committee will be beneficial in informing that future direction.

### **Theme 3: Data (Recommendations 11, 17, 18, 28, 39)**

The Committee's report provides recommendations concerning data collection and analysis, a key requirement for evaluating federal procurement and identifying opportunities for improvement. The Government thanks the Committee for these recommendations and acknowledges that it must improve its existing procurement data collection efforts.

The Government of Canada recognizes the need and importance of detailed information to better monitor the outcomes of government policies including those related to discrimination and related inequalities. Statistics Canada, in cooperation with other federal departments, will help departments to find new ways of using existing data to improve monitoring and evaluation to help measure social outcomes. A Centre for Gender, Diversity and Inclusion Statistics has been created to analyze and disseminate data on gender, visible minorities and other intersecting identities to understand the barriers different groups face, along with how best to support them and enrich our understanding of social, economic, financial and environmental issues.

The Social Innovation and Social Finance Strategy Co-Creation Steering Group report emphasized the need for additional support: to increase the availability of data, research, and impact measurement indicators and methodologies; enable evidence-based monitoring and performance measurement; and improve coordination across government. The data would include diversity-based information of socially-disadvantaged groups and could be used to generate baselines or measure progress on social procurement.

On other fronts, there are initiatives underway to collect better Indigenous business data associated with the development of a new federal Directive on Crown Procurement Contracts in the Nunavut Settlement Area. A reporting pilot is underway involving 13 federal departments to collect better data, including on Indigenous sub-contracting. This pilot will inform the drafting of the new Directive which will include a requirement for the collection and tracking of Indigenous-related contracts in the Nunavut Settlement Area.

All initiatives under procurement modernization are focusing on the need for timely and accurate data, including data from suppliers and the involvement of diverse subcontractors. One way to achieve this will be through the implementation of the new federal EPS which will allow the government to collect complete procurement data. It is equally important that all Canadians, including suppliers, have access to reliable federal procurement data in a timely fashion.

The Government is also partnering with academia in researching data and using statistical analyses to provide evidenced-based insights. As an example, a joint study<sup>2</sup> between the Telfer School of Management (University of Ottawa) and PSPC used ISED survey data to examine the extent to which SME participation (as suppliers to Government) is associated with gender of ownership, innovation, international trade, and firm performance.

Progress is also being made on reporting. As part of the Government's commitment to enhance transparency and accountability, the Open Government Portal<sup>3</sup> provides access to searchable open data and information. Additional contract data has been made accessible on Open Government and Buy and Sell portals. Canadians can search or download procurement data<sup>4</sup> to find Government of Canada tendering opportunities, learn who is pre-qualified to supply goods and services, find past contracts, and navigate across procurement data.

Furthermore, through the National Shipbuilding Strategy, the Government has been collecting gender-based, small and medium enterprise, and Indigenous related data from various sources including suppliers, and reporting in the National Shipbuilding Strategy Annual Reports<sup>5</sup>. As an example of data collection, the Women Unlimited and Pathways to Shipbuilding initiative provided training and employment opportunities for 20 female students<sup>6</sup> and 20 Indigenous students, respectively, in the areas of welding and metal fabrication. The report also highlights the acquired knowledge and skills of the approximately 700 Indigenous persons who received training on the east coast and 783 who received training on the west coast. This included 63 persons who returned to school and 566 employed in various jobs, including work as boiler makers, electricians, iron workers, pipefitters, paint/blasters, riggers, welders, engine fitters, sheet metal fabricators, crane operators, machinists, and in the areas of procurement, administration, marine supply chain, and material management. This data is invaluable to demonstrate the socio-economic impact resulting from the National Shipbuilding Strategy.

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<sup>2</sup> *Benchmarking Small and Medium Enterprises As Suppliers To The Government of Canada – Inclusion, Innovation and International Trade* (July 2018), by Allan Riding, Barbara Orser & Diane Liao

<sup>3</sup> Open Government Portal: <https://open.canada.ca/data/en/dataset>

<sup>4</sup> BuyandSell.gc.ca – Procurement Data: <https://buyandsell.gc.ca/procurement-data/>

<sup>5</sup> 2016 National Shipbuilding Strategy report: <http://www.tpsgc-pwgsc.gc.ca/app-acq/amd-dp/mer-sea/sncn-nss/rapport-report-2016-4-eng.html>

<sup>6</sup> The exact findings can be found in Parliamentary report 2017:

[http://publications.gc.ca/collections/collection\\_2017/parl/x34-1/XC34-1-2-421-35-eng.pdf](http://publications.gc.ca/collections/collection_2017/parl/x34-1/XC34-1-2-421-35-eng.pdf)

#### **Theme 4: Training (Recommendation 3, 21, 22)**

The report notes that the Government of Canada needs to provide increased training to procurement officers to increase capacity on federal procurement and to develop expertise with agile and outcomes-based procurement approaches. These recommendations will inform this important element of procurement modernization.

The Government agrees that training is a critical component of achieving a modern public procurement workforce. The Government has developed a new whole-of-government Procurement Human Resources (HR) Strategy, which is to be published this fall. The HR Strategy provides an integrated plan to support a more strategic, effective, and coordinated approach for the management of the public service procurement workforce. The Strategy focuses on capacity building (recruitment and retention), support (learning and development), and the evolution of the role of procurement specialists from transactional in nature to strategic, while setting the stage for innovative practices (culture and government). New Procurement Community Competencies have been developed by TBS and are expected to enhance the profile and the requirements of the procurement function and the procurement specialists of today and in the future. Training for procurement specialists is being identified and developed in partnership with the Canada School of Public Service in order to align with new competencies. The competencies will be used to facilitate the staffing process to: attract, develop and retain a competent and a talented workforce; foster a robust and sustainable Government of Canada Procurement Community; and provide consistency across the departmental jobs.

The Committee also recommends increased outreach and education activities for SMEs, and the Government of Canada fully concurs. The need for greater outreach as well as an increase in the diversity of suppliers have been signaled as key commitments in departmental mandate letters. PSPC's Office of Small and Medium Enterprises' national program is the Government's main channel to conduct procurement related outreach activities for women, Indigenous businesses and other underrepresented groups. In 2017-18, the Office assisted more than 51,100 individuals and potential suppliers through almost 1,900 events across Canada.

Even more can be done to create strategic relationships with industry. The Supplier Advisory Committee for the Minister of Public Services and Procurement and Accessibility provides an important avenue for information exchange and can inform the Government of future suppliers learning needs. PSPC's Office of Small and Medium Enterprises is endeavoring to increase accessibility and modernize its outreach approach, including digital service delivery, to train diverse suppliers on federal procurement and to promote a culture of procurement inclusiveness among the procurement community.

In addition, PSPC will continue to leverage multi-jurisdictional meetings with provinces and territories, as well as through international meetings such as the Trilateral Forum (Canada, the United States, and the United Kingdom), and multilateral meetings on government procurement, to exchange information on international procurement best practices. To further enhance international cooperation, Canada and the United States launched the Executive Acquisition Leadership Program. The Program allows senior procurement experts to spend one year in the other jurisdiction collaborating on challenges of interest to both countries.

Various departments are involved in providing new training to support procurement specialists in developing the skills needed to meet future procurement challenges. At PSPC, the Intern Officer Development Program offers a variety of learning tools that include mentorship, discussions series, and practical workshops to help improve skills. PSPC is also putting in place a career development program for talented employees within the organization to help them progress to leadership and management roles. PSPC has prioritized talent management, succession planning and employee engagement. Ultimately, the Government's goal is to recruit, develop, motivate and retain a highly qualified and motivated workforce ready to lead and deal with risk while holding up the values of integrity, fairness and transparency. Similarly, DND also has robust Officer Development Programs for procurement specialists and other users.

Moving forward, a critical success factor to the Government's Procurement Modernization mandate commitment will be the implementation of change management strategies, constant and efficient communication, stakeholder engagement, and knowledge transfer for new employees.

#### **Theme 5: Expanding the Build in Canada Innovation Program (Recommendations 25, 26, 27)**

The Committee's report noted the positive impacts of the Build in Canada Innovation Program (BCIP), and recommended that it be expanded to increase the number of participants, increase marketing and measure outcomes.

The Government agrees with the recommendation to help BCIP participants establish opportunities to market their product. BCIP is a research and development (R&D) procurement program that supports the commercialization of late-stage innovation of Canadian businesses that offer the potential to address the operational requirements of federal government departments and agencies. Through the BCIP, Canadian companies can sell their pre-qualified innovations to the federal government, which can also become the company's first reference sale.

Since 2010, the Program has pre-qualified 589 innovations from 516 companies with 80% of participating companies having commercialized their innovations within one-year of contract completion. As of July 2018, 329 contracts have been awarded, valued at over \$150 million (97% to Canadian SMEs).

The Advisory Council on Economic Growth highlighted in its February 2017 report “Unlocking Innovation to Drive Scale and Growth” that government adopt strategic procurement to drive innovation and growth. The Committee encouraged the Federal Government to develop future programs or expand current programs, such as the BCIP.

In recognition of the Program's strong performance, Budget 2018 announced BCIP would be consolidated within Innovative Solutions Canada, a recently launched challenge-based innovation program managed by Innovation, Science and Economic Development Canada (ISED). BCIP is already experiencing tremendous growth, is currently over-subscribed, and businesses are experiencing longer wait times. Improving conditions for investment, enhancing Canada's innovation performance, and increasing Canada's share of global trade remains an important mandate for ISED and will be a key feature of the consolidation of the BCIP with Innovative Solutions Canada.

The Government will increase marketing of the BCIP in the context of its consolidation into Innovative Solutions Canada, which is anticipated to increase its profile within Canada's innovation ecosystem and will ensure its success. The Government is committed to ensuring that the successful outcomes of the Program can be measured, including the effect on women-owned and Indigenous businesses.

The recommendations will continue to inform the Government as it moves forward with its consolidation of BCIP within Innovative Solutions Canada. In addition it is anticipated that there will be greater opportunity for Crown corporations, provinces, and territories to participate in the Program, which will increase the number of participating firms. In order to better respond to the increasing demand for BCIP among innovative Canadian SMEs, the Government is exploring options to ensure the program is positioned for success, as it transitions to Innovative Solutions Canada.

#### **Theme 6: Increasing Participation of Indigenous-owned Businesses (Recommendations 31, 32, 33, 34, 35, 36, 37, 38)**

The Committee's report highlights the need to increase the participation of Indigenous businesses in federal procurements, as well as modernize the Procurement Strategy for Aboriginal Businesses through a multi-departmental

approach. The Government thanks the Committee for these recommendations and they will play an important role in shaping the way forward on increasing the participation of Indigenous-owned businesses.

Indigenous economic growth through procurement has been a priority of the federal government since 1996 with the introduction of the Procurement Strategy for Aboriginal Businesses (PSAB). Crown-Indigenous Relations and Northern Affairs (CIRNAC) and Indigenous Services Canada (ISC) are working to modernize PSAB to ensure it remains relevant and increases the amount of federal contracting with Indigenous-owned business.

CIRNAC/ISC are currently engaging with Indigenous businesses and communities, as well as federal departments, through workshops, culturally aware video-conferences, community visits, and Bilateral Engagement to co-develop options for PSAB modernization. This includes consideration of a greater role for Indigenous institutional partners to do outreach and capacity building with Indigenous businesses and communities.

CIRNAC/ISC support a network of over 100 PSAB Coordinators across the Government of Canada who promote the use of PSAB mandatory and voluntary requirements in federal procurements. CIRNAC /ISC work with government departments and agencies to provide training and assist in the development and implementation of PSAB requirements in federal procurements, such as including mandatory sub-contracting and Indigenous benefit plan requirements to increase Indigenous opportunities in larger value procurements where Indigenous business capacity is limited. Furthermore, efforts are underway to update and expand centralized guidance for procurement officers as well as update procurement courses offered by the Canada School of Public Service.

To increase Indigenous participation in federal procurements, CIRNAC/ISC and PSPC are encouraging departments with procurement spending of more than \$1 million annually to establish a performance objective of up to 5% over the next 5 years and to publicize departmental results against their objectives.

Data collection is an integral part of PSAB modernization. Currently, CIRNAC/ISC are required to publish annual PSAB reports on the value of procurements awarded under PSAB. These reports are published online. To increase the effectiveness of data analysis, CIRNAC/ISC, in collaboration with Statistics Canada, is undertaking an Impact Study of set-asides to see the impact of these procurements on Canada's Gross Domestic Product. A report is expected by the end of fiscal year 2018-2019. In addition, once the new federal EPS is fully operational, departments will be able to capture vital contracting data allowing for better analysis, reporting, and monitoring.

More broadly, throughout the development of socio-economic procurement guidelines and the implementation of social procurement pilot projects, including the review of community benefits, PSPC is aiming to create participation opportunities for underrepresented groups within the procurement process, in a manner that is consistent with Canada's international trade obligations. This includes additional opportunities for Indigenous businesses.

In closing, the Government welcomes this report and is committed to delivering a modernized procurement approach that will improve the efficiency of procurement, increase competition, and deliver better results by having better access to information, data, digital services, and improved vendor performance. The Government will ensure measurable progress in advancing green procurement, diversity, including key support to women-owned businesses, accessibility, and innovation objectives by leveraging Canada's public purchasing power. The Government is also committed to fostering strong lasting relationships with Indigenous communities and businesses by providing them increased opportunities in federal procurements.

The Government has undertaken a significant number of positive actions that align with many of the Committee's recommendations. There is much to do, as Procurement Modernization is a significant transformative undertaking that will take time and dedicated resources.

Moving forward, the Government will continue engaging all stakeholders, particularly suppliers, and communicating its action plan to modernize procurement. The Government is committed to delivering positive results on behalf of Canadians, and the recommendations of the Committee will provide important direction as this work continues.

We would like to once again thank the Committee for its report.

Sincerely,



The Honourable Carla Qualtrough, P.C., M.P.



The Honourable Scott Brison, P.C., M.P.





The Honourable Carolyn Bennett, P.C., M.P.



The Honourable Jane Philpott, P.C., M.P.



The Honourable Mary Ng, P.C., M.P.

