



# REACHING 5%

## Impacts and Recommendations of Implementing the Target

This policy brief outlines the impacts of increasing federal Indigenous procurement and recommends how the Government of Canada could successfully meet its 5% Indigenous procurement target.

### FEDERAL PROCUREMENT

The Government of Canada is the country's largest purchaser of goods and services. The federal government's procurement objective is "to acquire goods and services and carry out construction in a manner that enhances access, competition and fairness, and results in best value for the Crown and Canadians."<sup>1</sup> Despite this goal, Indigenous businesses, First Nation, Métis, and Inuit-owned enterprises are underrepresented in federal supply chains. In 1996, the federal government introduced the Procurement Strategy for Indigenous Business (PSIB), then known as the Procurement Strategy for Aboriginal Business, to rectify this underrepresentation. However, PSIB has accounted for less than 1% of annual federal government spending on Indigenous businesses.<sup>2</sup>

While a common justification for this underrepresentation is the suspected lack of businesses working in areas to provide high-quality, cost-effective service and supply, Indigenous businesses have grown both in number and profitability in recent years. CCAB's research has found that Indigenous businesses have grown to the point where they could fulfill 24% of the Government of Canada's procurement contracts in 2017.<sup>3</sup>

The Government of Canada purchases goods and services across many industries under the North American Industrial Classification System (NAICS). The Government of Canada's 5% Indigenous procurement target does not require procurement from Indigenous businesses at 5% for each NAICS category but represents 5% of the total value of federal procurement. This aggregate measurement permits more Indigenous procurement from NAICS categories with a more substantial Indigenous business presence to offset those with less. However, in 2017, Indigenous businesses could have met federal procurement demand in 84 of 92 NAICS categories,<sup>4</sup> proving that Indigenous businesses have the capacity to meet demand in most NAICS categories pertinent to federal procurement.

### KEY TAKEAWAYS

- Indigenous businesses are underrepresented in federal supply chains despite having the capacity to supply more than 24% of federal procurement needs.
- The current 5% Indigenous federal procurement target is achievable.
- Increasing Indigenous federal procurement will benefit Indigenous communities and the Government of Canada's relationship with them.
- To successfully meet the 5% target, CCAB recommends:
  - Including Indigenous organizations and businesses in the procurement process to ensure the elimination of barriers; and
  - Incentivizing implementation within the federal government to ensure that the Indigenous procurement goal is on track.

1. CCAB, "Industry and Inclusion." Page 1.

2. CCAB, "Industry and Inclusion." Page 1.

3. CCAB, "Industry and Inclusion." Page 1.

4. CCAB, "Industry and Inclusion." Page 3.

## IMPACTS OF INCREASING INDIGENOUS FEDERAL PROCUREMENT

There would be direct positive impacts that would result from the Government of Canada increasing Indigenous procurement. One significant impact would be an increase in Indigenous business activity. These increases in business activity will cause Indigenous employment to rise, as Indigenous businesses are more likely to hire Indigenous people than other businesses, and an increase in educational and training opportunities.<sup>5</sup>

Furthermore, increasing Indigenous federal procurement will create positive impacts not just within Indigenous communities, but also improve the

Government of Canada's relationship with Indigenous communities. Increased procurement can shift the relationship between the federal government and Indigenous businesses, leading to a more mutually beneficial arrangement. Moreover, increasing commercial relations would encourage increased knowledge acquisition within the federal government about Indigenous business models, community capacity, and opportunities for further relationship building. All of these actions would support the fulfillment of the Truth and Reconciliation Commission's Calls to Action and broadly support reconciliation.

## RECOMMENDATIONS TO MEET THE 5% INDIGENOUS PROCUREMENT TARGET

CCAB offers the following key recommendations on how the Government of Canada can meet its 5% Indigenous procurement target by 2026.

### 1. Promote collaborative implementation of federal Indigenous procurement policy

Federal organizations must foster the enterprise-wide adoption of a federal procurement policy to realize the 5% procurement target. These efforts would include the delivery of coordinated federal procurement services and opportunities at the regional level. Furthermore, government officials who implement, administer, monitor, and evaluate federal procurement policies must continually endorse Indigenous procurement. These endorsements will ensure adjustments to the implementation of the federal Indigenous procurement policy necessary to achieve the procurement targets. Moreover, the government must closely monitor and track the progress toward achieving the 5% target. These results should be publicly available, so that federal organizations that meet and exceed targets can be recognized and share their successful practices with those not meeting the target.

**Recommendation: Encourage collaboration across the federal government to increase procurement from Indigenous businesses.**

### 2. Ensure Indigenous inclusion in the procurement policy development process

Mindful of the principle "nothing about us, without us," Indigenous procurement policy development should be informed by the needs of Indigenous businesses to be effective. Indigenous organizations should be substantively involved in managing definitions, regulations, and procurement practices.

Given the many challenges Indigenous businesses face when engaging in procurement, the federal government must also monitor procurement policies and practices in partnership with Indigenous organizations and businesses to identify potential systemic barriers. These efforts would include: adopting a clear application process, promoting awareness of procurement opportunities, ensuring transparency in contract and certification requirements, and supporting a centralized platform for Indigenous business. Indigenous businesses may also require support to help them adapt to the increasing procurement target. This support could include providing technical expertise for navigating business and legal aspects of federal supply chains.

**Recommendation: Include Indigenous organizations and businesses in the development of a federal procurement policy to ensure it adheres to the needs of Indigenous businesses.**