



REACHING 5%

ISC Impacts of Procurement Brief

BACKGROUND ON THE IMPACTS OF PROCUREMENT

Procurement and the opportunities that stem from procurement contracts are key drivers for economic reconciliation and development for Indigenous peoples in Canada. Procurement has evolved into a strategic commodity that can generate revenue for businesses or help form relationships between corporations and levels of government due to its reciprocal nature. The foundation for the project arises from the Government of Canada's commitment to reconciliation with Indigenous Peoples through procurement. In 2021, the federal government mandated that a minimum of 5% of the total value of procurement contracts within federal departments and agencies are to be held by Indigenous-owned businesses. As a result, procurement is an increasingly important topic regarding Indigenous businesses and their substantive participation in the economy. Recognizing this importance, Indigenous Services Canada partnered with CCAB to carry out a two-phase project to examine the impacts and processes of procurement. Broken into two reports, the research illustrates the current successes and flaws of the Canadian procurement system while also working to craft recommendations that the government and private corporations alike can use to improve equity and efficiency.

OBJECTIVES OF THE RESEARCH

This preliminary study lays the groundwork for future research on Indigenous procurement. Through these interviews, CCAB sought to investigate the impacts of procurement on Indigenous businesses and communities. While the government is working to increase its Indigenous procurement, it is vital to ensure continuous investigation into the importance of procurement and improvements to federal procurement policy to prevent Indigenous businesses from facing unnecessary barriers when bidding on contracts. These ongoing efforts are necessary due to the underrepresentation of Indigenous businesses in Canadian corporate and government supply chains, which is significant given that it has led to an insufficient understanding of how procurement impacts Indigenous peoples and businesses.

This study investigates two topics to understand the importance of expanding procurement. The first section examines the potential impacts of procurement. The research within this portion covers topics including business growth, re-investment into local communities and people, and the creation of sustainable employment. As per the firsthand experiences of Indigenous business owners, it is evident that procurement can be a driver of change in their businesses and community, but the process itself needs work.

Building on this, the second topic covers procurement processes in Canada. It provides context around the varying realities that Indigenous businesses face when seeking to increase their engagement in this form of economic development. The purpose is to provide a preliminary understanding of the current Indigenous procurement processes and various methods to improve them. Exploring these topics and acting on them will help ensure that Indigenous peoples play a meaningful and substantial role in the Canadian economy; providing access to procurement opportunities is critical in laying the foundation for healthy Indigenous communities and reconciliation.

KEY FINDINGS AND OUTCOMES: IMPACTS

Indigenous businesses indicate that with a procurement contract, they can expand their business, hire more people, maintain training programs for staff, and invest in their communities. Respondents offered many examples of the positive impacts of procurement, though some noticed a difference between the federal Indigenous procurement mandate in theory and practice. The main report explores some of the issues businesses face during the procurement process. Overall, the benefits fell into several categories:

CAPACITY DEVELOPMENT

Procurement opportunities assist businesses in increasing their overall capacity and result in the ability to take on larger contracts or open new offices. Nearly every participant identified capacity building as the most noticeable impact of procurement contracts. Through procurement contracts, these businesses could hire additional Indigenous workers, expand into new regions, scale their business, and contribute to an overall sense of accomplishment.

REVENUE GROWTH

Procurement contracts can enable Indigenous businesses to generate substantial revenue. Through these revenues, many individuals will reinvest funds into their communities, thereby contributing to their socio-economic well-being.

EMPLOYMENT AND TRAINING

A common theme among respondents was supporting Indigenous communities through employment. Therefore, when one hires an Indigenous company, they employ Indigenous people. Indigenous businesses invest a lot of effort into job creation and capacity-building programs. These businesses have deep connections to the community and focus on employing and tracking hiring across various Indigenous groups.

“We are looking to create employment where people are not just getting by but getting ahead.”

LONG-TERM CONTRACTS LEAD TO LONG-TERM GROWTH

Another common suggestion by participants was that long-term procurement contracts provide better opportunities for investing in skills development to build up their staff and resources such as education, mentorship, or training programs.

COMMUNITY IMPACTS

Many participants stated that procurement is the most effective means of supporting Indigenous Peoples. Procurement is a method by which Indigenous businesses can support quality of life and access opportunities to build businesses and sustainability, thereby creating generational wealth, skill development, and long-term growth within communities.

With the information collected from this research, CCAB supports the notion that procurement positively impacts Indigenous businesses. While participants were at times critical of the system or processes surrounding it, CCAB strongly advocates for the improvement and expansion of procurement to ensure long-term success and growth. Procurement opportunities can enable full Indigenous participation within the economy, which will facilitate increases in the socio-economic status of Indigenous businesses and communities. Ongoing research will ensure a comprehensive understanding of the impacts of procurement on Indigenous businesses and their communities, while improved policies are necessary to drive positive outcomes.

“It is the most effective way; you can get government grants but those are a one-time thing... Procurement builds the business and builds sustainability which creates generational wealth and skills.”

KEY FINDINGS AND OUTCOMES: PROCESSES

Regarding procurement processes, participants found the topic particularly relevant, and two broad themes emerged through the discussions. The first theme is the demanding nature of procurement bids, with the second theme highlighting the need to improve relationships and communication between procurement offices and Indigenous businesses. Participants alluded to the viability of business operations concerning procurement opportunities. Several respondents mentioned that most of their business revenues and profitability index comes from their involvement in government procurement opportunities. One organization described a drastic decline in revenue parallel to the outbreak of the COVID-19 pandemic when government procurement contracts were becoming increasingly scarce. Therefore, it is evident that improvements are necessary to reach and exceed the 5% procurement target.

ADMINISTRATIVE BURDEN

Respondents highlighted that Indigenous businesses often face difficulties throughout the procurement process due to demanding applications, resulting in financial difficulties, a significant administrative burden, and observations that procurement favours large, mainstream businesses. For example, several businesses noted that they had the capacity to complete the work described in an RFP, but completing the bidding process was a challenge due to time constraints, staffing, and other needs.

Larger businesses like Indigenous economic development corporations tend to identify less difficulty in the procurement process than smaller businesses, citing access to resources, partnerships, and networks as the reasons for this. However, these participants highlighted that they could see the process being difficult for smaller businesses.

Respondents also emphasized the importance of longer timelines, including the application process to create a successful proposal and the length of the contracts. For participants, lengthier contracts meant more ability to hire and train staff and ensure more substantial impacts on their business and community.

BUILDING RELATIONSHIPS

Indigenous businesses emphasized the importance of outreach and building connections for their business. To this end, they recommend that the government improve its efforts to communicate and reach out to Indigenous communities and businesses.

Respondents emphasized that more straightforward communication of procurement opportunities, evaluation criteria, and requirements would help them better understand the process and utilize it to set them up for success.

Participants recommend that the federal government provide cultural training for government procurement officers, establish regional experts dedicated to Indigenous procurement, and increase communications such as outreach and feedback for businesses to build these relationships and ensure clear communication of opportunities.

Businesses felt that if procurement is to be a means of working towards reconciliation, the government should look at the bigger picture rather than the cheapest proposal. Adopting a more comprehensive approach would mean changing evaluation criteria, improving auditing and tracking, and better understanding Indigenous communities in the region to identify secondary and tertiary benefits that may accrue to Indigenous peoples through these contracts.

“Contracts cater to companies that can afford to undertake the expensive aspects of the contract. Contracts purposely make it difficult for Indigenous businesses to compete and be fairly considered.”

“Build relationships. Connect with everyone. Do whatever you need to do. Connect with government, private, community representatives to understand what is coming and how you can get ahead”

RECOMMENDATIONS

IMPACTS

Through the insights garnered in this research, CCAB recommends the following to steer procurement in a way that advocates for meaningful engagement and long-lasting positive effects:

Maintain momentum toward the 5% procurement target.

Indigenous businesses highly value government procurement opportunities that allow for investing in their business and communities, feeling that procurement is the most effective way to support quality of life. A key component of achieving economic reconciliation is ensuring that the Government of Canada lives up to its procurement targets for Indigenous businesses. Improving the availability and accessibility will enhance the government's reconciliation efforts and lead to long-term benefits for Indigenous peoples.

Ensure the available opportunities for Indigenous businesses are relevant to Indigenous businesses.

Participants' experiences demonstrate that the type of contract, particularly the duration, changes the overall impact it can have. Businesses note that longer-term contracts allow them to continually invest in their staff and grow their business more effectively than a short, one-off project. By offering long-term procurement contracts, the government could build better relationships and help Indigenous businesses support their communities in meaningful ways. A key aspect will be tailoring opportunities to the needs of Indigenous businesses and including things like longer-term contracts and opportunities to engage with the local communities and the economies therein.

Include skills development and capacity building as part of procurement evaluation metrics.

Some businesses felt that sustainability requirements in the procurement opportunities were not measured effectively and did not ensure contracts were going to the right businesses. While some businesses are impressed with the government's approach to including Indigenous employment as part of RFPs, they represent a small minority. Many Indigenous businesses prioritize hiring and training Indigenous employees, yet respondents feel their efforts receive limited recognition and consideration in the procurement process. Improving procurement requirements and tracking Indigenous social impact could create better outcomes for Indigenous businesses and help recognize the positive effects that Indigenous businesses are having on their communities.



RECOMMENDATIONS

PROCESSES

The following are some of CCAB's suggestions for government and private corporations in Canada looking to meaningfully engage with Indigenous-owned businesses in the realm of procurement and supply chains.

Build lasting relationships with Indigenous businesses and communities.

Indigenous businesses value relationships, and some are working to develop these connections on their own. The federal government should conduct outreach to Indigenous businesses and communities. A common theme is that it would be helpful to have a dedicated procurement representative, with cultural awareness training and an understanding of Indigenous businesses and communities in their region, to which they could reach out. Continuous work towards relationship development through contracts with a longer and broader scope will result in additional positive impacts.

- **Provide support and outreach for Indigenous businesses.** The government should work with Indigenous communities and non-profits like CCAB to provide Indigenous businesses with networking opportunities and programming for skills development. Participants highlighted the importance of networking for accessing procurement opportunities. Collaboration between businesses to develop these skills will be important in achieving the 5% Indigenous procurement target.
- **Federal representatives should be educated on Indigenous procurement and Indigenous business and be available as a direct contact for businesses.** Participants expressed concerns about the lack of knowledge surrounding Indigenous communities and even the procurement process itself when dealing with government staff. For Indigenous businesses, good business is about two parties that mutually understand and respect each other. As such, providing increased training and education for government employees will help to facilitate better relationships.

Reduce the administrative burden on Indigenous businesses.

Participants regularly mentioned the administrative burden that bidding on tenders requires. They discussed quick timelines, large financial requirements, registration for the Indigenous business list, providing proof of incorporation, partnerships, and Indigenous status, overly long RFPs or proposal requirements, and complex language in RFPs. To ensure that Indigenous businesses can fully engage and address all necessary requirements of a procurement contract, procurement staff should ensure RFP timelines are conducive for smaller businesses or those with limited capacity.

Clarify and redefine aspects of the overall procurement strategy, tender requirements, and evaluation criteria, with a focus on economic reconciliation.

Respondents felt that reconciliation and Indigenous prosperity should be the primary concern for PSIB, rather than focusing only on turnaround rates and return on investment. Participants received different information from different departments and found little clarity around the goals and evaluation of Indigenous procurement. Clear strategies that apply to all government departments will help Indigenous businesses understand the government's approach, better prepare for their bids, and substantively engage in procurement.

