



Exceeding 5% - Expanding Wise Practices in Federal Indigenous Procurement

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The Government of Canada has committed to a “mandatory requirement for federal departments and agencies to ensure a minimum of 5% of the total value of contracts are held by Indigenous businesses.”

The slow progress toward achieving the 5 percent minimum Indigenous procurement mandate impedes the prosperity of Indigenous businesses and hinders national economic growth by ineffectively engaging with this pool of potential economic productivity. Data from Statistics Canada identified that Indigenous Peoples contributed \$48.9 billion to Canada’s GDP in 2020.¹ With this contribution to GDP projected to increase year over year, there is immense potential to grow Canada’s economy by better including Indigenous businesses, communities, and Peoples in procurement and supply chains. Moreover, a 2016 report by NIEDB indicates that If issues related to Indigenous employment and engagement in Canada’s economy were more effectively managed, there is the potential for an \$8.4 billion (\$2.2 billion saving on spend currently dedicated to managing poverty and \$6.2 billion of new taxable revenue) net increase to Canada’s overall budget.² Strengthening federal procurement of goods and services from Indigenous businesses can support economic reconciliation by capitalizing on this lost productivity.

To support increased Indigenous participation in federal procurement, this brief provides a preliminary overview of challenges and recommendations gleaned from a more comprehensive research project on the topic conducted by CCIB. The project, funded by Indigenous Services Canada, involved qualitative, in-depth interviews with 9 Indigenous businesses with federal procurement experience and 8 representatives of different federal departments engaged directly with Indigenous procurement. A more detailed overview of the findings discussed in this brief can be found here: [Barriers-and-Wise-Practices-for-Indigenous-Engagement-in-Federal-Procurement.pdf](#)

1 Ayotte, Catherine, and Jeremy Bridger. (2022). Indigenous Peoples Economic Account: Methodology and Preliminary Results. <https://www150.statcan.gc.ca/n1/pub/13-604-m/13-604-m2022001-eng.htm>.

2 Fiscal Realities Economists. (2016). Reconciliation: Growing Canada’s Economy by \$27.7 Billion. Background and Methods Paper, The National Aboriginal Economic Development Board. http://www.naedb-cndea.com/reports/naedb_report_reconciliation_27_7_billion.pdf. Pg. 21

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Resources, Communication, and Transparency

Indigenous entrepreneurs frequently cite the challenging nature of the procurement process, and a lack of resources and support to navigate it, as the primary barriers to their engagement in federal procurement. Complex language, unclear expectations, rigid policies and a lack of understanding of the needs, backgrounds and ways of doing business of Indigenous entrepreneurs create barriers.

Recommendations:

- Provide tailored training and education for Indigenous entrepreneurs interested in supplying the federal government and conversely for procurement representatives looking to purchase from Indigenous businesses.
 - ✓ Mandatory and continuous Indigenous procurement training on an annual basis.
 - ✓ Resources for Indigenous organizations to build out existing supports and continue to assist with facilitating procurement training for Indigenous entrepreneurs.
 - ✓ Two-way education seminars that focus on educating federal employees about Indigenous suppliers and opportunities while also providing information to Indigenous entrepreneurs on increasing their understanding of how to effectively work with the federal government as a supplier.
 - ✓ To build Indigenous capacity and expertise, the federal government should work proactively with national Indigenous organizations to communicate procurement opportunities and build the procurement readiness of Indigenous businesses.
 - ✓ Support the development of procurement expertise within Indigenous communities and organizations.
- Improve communication of available and relevant procurement opportunities for Indigenous businesses.
 - ✓ Be proactive and make connections early. Begin working with Indigenous businesses, communities, and organizations to establish trust and strong relationships when suppliers are needed. Explore mechanisms for providing early notice.
 - ✓ Enable Indigenous businesses to specifically search and sort through set-aside opportunities on the CanadaBuys platform. Clearly identify which available opportunities are Indigenous set-asides.
 - ✓ Host networking events for corporate and Indigenous suppliers to interact and develop connections.
 - ✓ Create more one-on-one sessions and vendor days to facilitate procurement connections.

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Processes, Capacity Development, and Return-on-investment

Short contract durations that provide only short-term benefits, and limited return-on-time investment associated with procurement opportunities often limit Indigenous businesses from scaling and building capacity. Participating in federal procurement is not an inexpensive undertaking and often draws Indigenous entrepreneurs away from activities that are guaranteed to earn money instead of applying to the possibility of financial return. Costs attributed to obtaining or maintaining certifications and memberships, registering for directories, hiring professional services, and purchasing machinery, combined with the lost productivity and revenue from time spent reviewing and applying, severely deter Indigenous businesses interested in federal procurement.

Recommendations:

- Provide resources to meet requirements if the bidding process succeeds, such as insurance and bid bonding.
- Simplify application processes and clearly define RFP applicant expectations
 - ✓ Develop a 1–2-page RFP brief or overview document that would streamline the procurement opportunity review and identification process.
 - ✓ Start the RFP with the desired deliverables, rather than embedding these multiple pages and sections into the RFP or in an appendix, so that bidders know what is required.
 - ✓ Establish pre-qualification processes to streamline the bidding and awarding of contracts.
 - ✓ Embrace flexibility within procurement processes and practices to ensure they remain accessible for small and medium-sized Indigenous businesses
- Provide better access to financing, capital, loans, or other capacity-building resources to offset the costs faced by Indigenous businesses participating in federal procurement
 - ✓ Ensure adequate resources, time, people, money, and effort dedicated to engaging with Indigenous suppliers.
 - ✓ Increase the threshold of LDV contracts to ensure a worthwhile return on investment for Indigenous SMEs seeking to engage in these opportunities

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Accountability, Joint Ventures, and Auditing

The lack of accountability and auditing of procurement ventures to ensure meaningful inclusion of, and benefits for, Indigenous partners. For Indigenous entrepreneurs and federal procurement officers, challenges surrounding illegitimate joint ventures and Indigenous businesses were viewed as being far more pervasive and commonplace than how they are portrayed in the media. Supplier relationships need to be audited more thoroughly and regularly, especially those that consist of a joint venture between an Indigenous and non-Indigenous company.

Recommendations:

- Improve current auditing processes to become more thorough, regular, and robust with respect to ensuring procurement benefits flow to Indigenous partners where expected.
 - ✓ Within the auditing process, specifically focus on assessing Indigenous inclusion and ensuring adequate engagement of Indigenous partners during the planning and execution of project work.
 - ✓ Continue establishing operational teams within federal departments to guide the implementation and action of Indigenous procurement efforts.
 - ✓ Require bidders engaging in Indigenous subcontracting relationships to submit an Indigenous content plan demonstrating how they will achieve their requirements and outlining the benefits that will flow to the Indigenous partner. This should also identify penalties for not meeting these planned objectives.
 - ✓ Develop Indigenous supplier portals and other supplier tracking mechanisms.
 - ✓ Utilize CCIB's Indigenous Procurement Marketplace to identify Indigenous suppliers and access company overviews.
 - ✓ Establish a procurement task force to combat phantom joint ventures (JVs) in collaboration with Indigenous economic organizations already supporting procurement