

**Department of Indian Affairs and Northern Development
Corporate Services**

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**Evaluation of the Procurement
Strategy for Aboriginal
Business**

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Acronyms appearing in this report

ASA	Auguste Solutions and Associates
ASI	Aboriginal Supplier Inventory (database)
DAEB	Departmental Audit and Evaluation Branch
DIAND	Department of Indian Affairs and Northern Development
FCO	Federal contracting officer
FTA	Free Trade Agreement
INAC	Indian and Northern Affairs Canada
MERX	Canada's on-line tendering system
NAFTA	North American Free Trade Agreement
NGO	Non-governmental organization
PC	Performance objectives coordinator
PRA	Prairie Research Associates
PSAB	Procurement Strategy for Aboriginal Business
PWGSC	Public Works and Government Services Canada
RPSD	Review Practices and Studies Division
RCM	Responsibility Centre Manager
SME	Small to medium-sized enterprise
TBS	Treasury Board Secretariat
TOR	Terms of Reference

Executive Summary

Introduction

In April 1996, the federal government launched the Procurement Strategy for Aboriginal Business (PSAB). The strategy is being implemented in phases. Phase 1 began April 1, 1996 with activities such as contracting review and supplier development, and the introduction of new measures in which specific contracts may be set aside for competition by Aboriginal businesses, especially where the population to be served is largely Aboriginal. Phase 2 started in January 1997 with multi-year Aboriginal procurement performance objectives targets established by federal departments and agencies with contracting expenditures valued at more than \$1 million. The main objectives of the PSAB are to stimulate Aboriginal business development and increase the number of Aboriginal firms competing for and winning federal contracts.

The strategy requires that an evaluation study of the initiative be conducted in 2001. To plan for that study, an interdepartmental working group, led by the Department of Indian Affairs and Northern Development (DIAND) working in cooperation with Treasury Board Secretariat (TBS), was established. The group commissioned research work to help plan for the 2001 evaluation.

One result of the research is that the evaluation framework and the research questions evolved over several years to reflect the current context of the PSAB. The *Work Plan to Conduct the Evaluation of the PSAB* (January 2001) details the focus and the methods employed for the current evaluation, the results of which are presented in this executive summary.

Methodology

Prairie Research Associates (PRA) Inc. and Auguste Solutions and Associates (ASA), an Aboriginal-owned firm, were hired to conduct the evaluation. PRA and ASA collected data through a review of files and documents, surveys of Aboriginal businesses, surveys of federal personnel, key informant interviews, and a workshop for Aboriginal business and community leaders.

Findings

The findings of this evaluation support the conclusion that overall, the PSAB has been successful in meeting its stated objectives, and that a sound rationale for the strategy continues to exist. Within that context, this section outlines the other main findings and conclusions, as well as a number of related observations and recommendations intended to facilitate building upon that success in the future. The information in this section is presented according to the five main evaluation issues of rationale, implementation, impacts, lessons learned, and improvements.

Rationale

There is a general belief that the spirit and practical objectives of the PSAB remain valid. Aboriginal business leaders and federal managers are unanimous in their belief that there continues to be a rationale to stimulate Aboriginal business growth and increase federal contracting with Aboriginal firms. It was commonly noted that these aims are wholly consistent with the broad principles found in *Gathering Strength* and in recent Speeches from the Throne. Despite the clear support for the overall goals of the PSAB, there is a common belief that the objectives of the strategy have shifted over the last five years. Many key informants held the opinion that the strategy was originally cast as a means to spur economic development for all Aboriginal people and communities in Canada. The belief now, however, is that the PSAB is more focused on the simple dollar value of Aboriginal contracting with little regard for how the opportunities are distributed.

In order to clarify these issues, *the PSAB should undergo a full review within five years*. Such a review might first consider whether there is a continuing rationale for the strategy. Other important areas for review include the goals and objectives of the PSAB, its policies and procedures, eligibility criteria, and the identification of appropriate performance measures. This recommendation obviously has implications for any subsequent modifications to the PSAB. The results of such a review will tend to define the requirements for future action and will bring their own related recommendations. The remaining recommendations contained in this summary apply to improvements in delivering the strategy as it is currently conceived.

Implementation

After a strong start, PSAB implementation and communication activities have slowed since the launch of the strategy. This assertion is supported by the finding that the PSAB is not actively promoted by federal purchasing personnel. This has resulted in a low level of knowledge among both government personnel and Aboriginal firms, and significant misunderstanding of the goals and operation of the program. Many respondents and key informants believe there is a lack of communication between government and Aboriginal businesses, in both directions, that should be addressed. There is sufficient evidence to conclude that *the implementation/communication of the strategy needs revitalization*. New approaches to moving information from Indian and Northern Affairs Canada (INAC) to Aboriginal businesses and federal purchasing personnel would be beneficial. These could include new mechanisms to ensure that information is distributed to federal purchasing personnel by performance objectives coordinators, ensuring that federal purchasing personnel are able to refer Aboriginal businesses to other business development tools that can complement the opportunity provided by the PSAB, and greater communication with Aboriginal economic development agencies and personnel by PSAB program staff. Vital to any such strategy is recognition of the fact that there is a bilateral responsibility for communication. Aboriginal organizations, communities, and businesses should be encouraged to provide information to INAC and other federal departments with which they wish to do business. There is a related need to *strengthen and maintain the Aboriginal supplier database (currently the Aboriginal Business Directory)*. This research has found that a central

database of Aboriginal firms is an essential tool for the strategy. The process of identifying Aboriginal firms and encouraging them to register should move from a passive to an active approach. Again, the assistance of Aboriginal organizations and communities should be enlisted.

Impacts

The findings of this research clearly show that the number and value of contracts with Aboriginal firms have consistently increased over each year in the life of the PSAB. There is also a widespread belief that Aboriginal firms are increasing their capacity to do business with the federal government. This growth and development are not evenly distributed, however. A relatively small number of large contracts from a few departments accounts for most of the increase in contract value, and there is a widely held belief that the benefits of the PSAB are not equally distributed among Aboriginal firms and that large, established, urban firms are gaining the most from the strategy. It is true that strong implementation of the PSAB is found mostly in a few “core” departments (INAC, TBS, and Public Works and Government Services Canada). Other than that, little objective information is available regarding Aboriginal businesses in Canada in general, or regarding the nature and distribution of federal contracts among those businesses. Compounding this situation is the fact that the results of the PSAB are not reported consistently across departments and agencies. For example, some departments report contract values including taxes while others do not; some are unable to track credit card purchases; some report standing offer values whether there is ever a call up or not. There is also a lack of knowledge of the scope of products and capabilities available from Aboriginal firms.

There is ample evidence to conclude that enhanced data collection will not only improve the operation of the PSAB, but will facilitate future evaluations as well. It is, therefore, important to *create a data collection strategy that is consistent with measuring success in achieving the objectives of the PSAB*. This could include the development of a uniform reporting template for departmental performance, collection of more detailed data on Aboriginal contracting under the PSAB (including number and types of businesses benefitting, and types of goods and services provided), and collection of data on Aboriginal contracting *outside* of the PSAB in order to gain a sense of the magnitude of currently unidentified contracting activity.

Aside from the manifest and quantifiable impacts of the PSAB identified above, the strategy has also had a number of unintended impacts. Perhaps the most important positive impacts for federal personnel are being free from NAFTA constraints, and having the ability to easily procure “Aboriginal-specific” services such as programs based upon Aboriginal spirituality. The most commonly cited negative unintended impact was the reported creation of “shell” firms that allow some firms to circumvent not only the spirit of the PSAB, but a number of its objective criteria as well. Even a perception of abuse can call into question the legitimacy and effectiveness of the PSAB, and could threaten its future viability. It is therefore important to *improve the monitoring and enforcement of Aboriginal content criteria to ensure the operation of the PSAB is consistent with its stated objectives*.

Lessons Learned

Perhaps the most important lesson to emerge from this research is that while the PSAB is a necessary tool for creating opportunity for Aboriginal firms, it is neither sufficient nor capable of significantly stimulating Aboriginal business development. While the PSAB is not primarily a business development initiative, it can play an enhanced role in contributing to this broader goal. The strategy should therefore *emphasize development of Aboriginal firms to allow them to take advantage of the opportunities created by the PSAB*. This could be achieved by defining the essential elements that are required to make Aboriginal firms “government ready,” and referring them to the most appropriate providers of these supports and services. Included in this is the importance of communicating to Aboriginal firms and organizations their role and their responsibilities for their own development.

Improvements

One of the key findings related to possible improvement to the strategy is that more proactive efforts to encourage departments to comply with the requirements of the PSAB are necessary. There is a widespread perception that accountability and transparency by federal departments with respect to their participation in the PSAB must be improved. The belief that compliance with the requirements of the PSAB is not enforced and that it is often ignored by federal departments with few repercussions poses a significant threat to the success of the strategy. In order to address this situation, it is important to *reaffirm the federal government’s commitment to the strategy and enforce adherence to it*. The key elements of this imperative include restating the importance of observing the requirements of the PSAB to all new and existing purchasing personnel, training performance objectives coordinators to better fulfill their responsibilities under the PSAB, and making performance objectives coordinators and departmental managers accountable for any failure to comply with PSAB requirements.

One of the important barriers to implementation of the PSAB is the fact that many Aboriginal firms do not have access to the technology required to compete for federal contracts. As long as MERX remains the main channel for federal contracting information, and until universal Internet service is available and easily affordable, it appears that larger Aboriginal businesses located in or near urban areas will continue to reap most of the benefits of the PSAB. Again, it is important to note that addressing the issue of unequal access to technology is beyond the scope and mandate of the PSAB. There is a role to be played, however, by *pursuing the issue of differential access to communications technology among Aboriginal communities and firms with the appropriate departments/agencies*. INAC should act as an advocate for the importance of ensuring that all Aboriginal businesses have equal access to the benefits of the PSAB through on-line contracting.

Conclusion

This evaluation has found ample evidence of the success of the PSAB in meeting its core objectives. Since its inception, both the number and value of contracts awarded to Aboriginal firms have increased significantly each year. The question of whether these objectives can or should be broadened to include the promotion of business and economic development, particularly at the level of Aboriginal communities, is most appropriately addressed by a future comprehensive review of the PSAB.

In the interim, this research has identified a number of areas where the strengths of the PSAB may be built upon through enhanced communication and revitalized implementation activities. Measuring and publicizing the quantity and quality of the impacts of the PSAB will be facilitated by the development of a comprehensive and uniform data collection strategy. Enhanced monitoring and enforcement of eligibility criteria will help to ensure that the impacts of the PSAB are experienced in the intended areas. Recognition of the fact that the PSAB is only one component of a broad effort to improve the economic situation of Aboriginal people helps to define its particular role in that effort. At the same time, it provides suggestions for areas where it may better complement these various other initiatives. Finally, a renewed commitment to the PSAB by the federal government, including the enforcement of its provisions, will assist in maximizing its positive effects.

Section 1 - Introduction

Government procurement is a significant factor in the structure of national and local economies. The Government of Canada places priority on the principles of value for money, prudence, and probity when procuring goods and services. At the same time, Canada and other jurisdictions, various national, regional, and municipal governments, use programs to enhance business development. One measure commonly employed is to use procurement opportunities to promote various social and economic goals.

Consultant reports commissioned by the Department of Indian Affairs and Northern Development (DIAND) in the early 1990s found that federal procurement with Aboriginal businesses was less than the potential capacity in certain sectors (e.g., construction, transportation). In 1993, “Creating Opportunities” (the Liberal “Red Book”) called for the adoption of procurement practices that would stimulate Aboriginal business growth. The report of the Royal Commission on Aboriginal Peoples also supported changes to procurement practices as a means of strengthening the Aboriginal economic sector. In Canada, Aboriginal peoples include Indian, Inuit, and Metis people. Following consultations with businesses across Canada, the federal government initiated the Procurement Strategy for Aboriginal Business (PSAB). Another potential benefit arising from this would be increased self-reliance for Aboriginal businesses and communities.

Overview/History of the PSAB

In April 1996, the federal government launched the PSAB. The strategy is being implemented in phases. Phase 1 began April 1, 1996 with activities such as contracting review and supplier development, and the introduction of new measures in which specific contracts may be set aside for competition by Aboriginal businesses, especially where the population to be served is largely Aboriginal. Phase 2 started in January 1997 with multi-year Aboriginal procurement performance objectives targets established by federal departments and agencies with contracting expenditures valued at more than \$1 million.

The main objectives of the PSAB are to:

- stimulate Aboriginal business development; and
- increase the number of Aboriginal firms competing for and winning federal contracts.

The strategy has three primary activities:

- the creation of measures to set aside specific contracts for competition by Aboriginal businesses;

- the development of performance objectives targets to increase the total value of Aboriginal procurement; and
- the development of complementary measures to facilitate access by Aboriginal businesses to federal procurement opportunities, such as information on Aboriginal suppliers, changes to federal contracting policy notices, informing Aboriginal businesses of market accessibility, and changes to federal contract security requirements.

These main activities and their sub-activities result in outputs and expected outcomes. For example, the outputs of the departments' activities on performance objectives include targets for the number and value of contracts awarded to Aboriginal businesses, supplier lists, and trade shows. The expected impacts resulting from these activities include an increase in the number of firms competing for and winning contracts, and a growth in investment in Aboriginal businesses.

The strategy was expected to have many positive impacts, including:

- to directly... :
 - increase the number of contracts with Aboriginal firms;
 - increase the value of federal contracts (set-aside and regular process) with Aboriginal businesses;
 - increase the number of Aboriginal firms competing for and winning contracts;
 - increase investment in Aboriginal firms and business start-ups;
 - enhance the capacity of firms through skill transfer; and
 - increase partnerships between Aboriginal and non-Aboriginal businesses.
- to indirectly... :
 - increase sustainable employment;
 - increase opportunities in other markets;
 - develop product lines to meet new demands; and
 - lead to positive socio-economic impacts including the reduction of dependency on social assistance.

DIAND program officials also reported other possible consequences for Aboriginal firms arising from the strategy, including: the pursuit of new opportunities in other markets as a result of experience and confidence gained from dealing with the federal government, the transfer of new skills, and the development of product lines to meet new demands.

Context

The PSAB is only one of many tools available to Aboriginal businesses in Canada. While the PSAB envisions a number of indirect and potential benefits, some of which are listed above, it should be noted that the primary role of the PSAB is to provide opportunity for Aboriginal businesses. The PSAB exists alongside many other federal, provincial/territorial, non-governmental organization (NGO), and private sector initiatives designed to stimulate business and economic development.

Examples include:

- Canadian Business Service Centres
- Canadian Federation of Independent Business
- Aboriginal Business Service Network
- Aboriginal Business Canada (Industry Canada)
- Contracts Canada (Public Works and Government Services Canada (PWGSC))
- Community Economic Development Program (Indian and Northern Affairs Canada (INAC)).

A number of these organizations provide the advice, support, training, and other resources that Aboriginal businesses need in order to take full advantage of the access to federal procurement provided by the PSAB. Some of these programs and services are targeted specifically to Aboriginal business, while others are available to all Canadian businesses.

It is important to note that many of the original indirect outcomes and expectations for the strategy have been modified or refined over the last five years. This process is discussed in more detail in section Evaluation Framework.

Review of Previous Evaluation Work

The strategy requires that an evaluation study of the initiative be conducted in 2001. To plan for that study, an interdepartmental working group, led by DIAND working in cooperation with Treasury Board Secretariat (TBS) was established. The group commissioned research work to help plan for the 2001 evaluation. The project was directed by a Senior Evaluation Manager of the Departmental Audit and Evaluation Branch (DAEB) of DIAND, in consultation with the Review Practices and Studies Division (RPSD), Deputy Comptroller General Branch of TBS.

By means of a competitive contract set aside for Aboriginal business, Progressive Planning Limited, working in partnership with Prairie Research Associates (PRA) Inc., developed the framework. The following documents were produced:

- Evaluation Framework for the PSAB (May 1998); and
- Status of Implementation Progress Report (May 1998).

Subsequently, PRA produced the Work Plan to Conduct the Evaluation of the PSAB (January 2001).

The evaluation framework identified evaluation issues to examine in future evaluations, as well as the methodologies to address them. It also presented performance indicators to assist in measuring long-term strategy impacts. Finally, the framework suggested subsequent steps in the evaluation process. Evaluation issues address concerns such as the continued program rationale, the effectiveness of the initiative's implementation, and long-term impacts. Ongoing performance indicators help managers make decisions about the program's activities.

The Status of Implementation Progress Report supported the 2001 evaluation by providing baseline data against which to assess the eventual outcomes of the strategy. It also offered preliminary information on the implementation of the strategy to departments, program stakeholders, and beneficiaries.

The purpose of the work plan to conduct the evaluation of the PSAB, completed in January 2001, was to further elaborate the evaluation issues identified in the terms of reference (TOR) and to identify which methods proposed in the PSAB evaluation framework will best help address the issues. PRA completed a document review and contacted several PSAB representatives (n=10) from DIAND, TBS, and PWGSC to prepare the work plan. The plan provides details on how best to complete the evaluation effectively in a short period of time; it also provides a schedule for completing the study. PRA and Auguste Solutions and Associates (ASA), an Aboriginal-owned firm, were hired to conduct the evaluation. Their respective roles in the research are outlined in detail in section Data Collection Methods.

The result of the activities described above is that the evaluation framework and the research questions have evolved over several years to reflect the current context of the PSAB. This process of evolution, as well as the issues and questions being used to guide the final evaluation, are described in more detail in section Evolution of the Framework.

Outline of the Report

Section 2 contains a detailed description of the methods used to conduct the evaluation and includes a discussion of the limitations of the data. Section 3 presents the findings of the research. Section 4 contains conclusions, and Section 5 presents recommendations.

Section 2 - Methodology

This section of the report outlines the evolution of the issues and questions being addressed by this evaluation, as well as the specific methods used in the course of the research.

Evaluation Framework

The original evaluation framework, referred to in the previous section, outlined PSAB’s objectives, activities, outputs, and expected outcomes, and summarized these in a logic model. (Refer to evaluation framework for details. An on-line version is available at www.inac.gc.ca/PR/Pub/AE/EV/96-24_e.html.) The framework consolidated the many PSAB activities into three areas:

- creation of set-aside measures;
- departmental performance objectives targets; and
- complementary measures to facilitate access by Aboriginal business (e.g., supplier development, supplier information).

An important component of the logic model is the expected outcomes that evaluations attempt to measure using various indicators. The PSAB logic model divided the strategy’s expected impacts into direct and indirect impacts that would occur in the intermediate, medium, and longer-term basis. Table 1 provides a summary.

Table 1: Summary of expected impacts identified in the PSAB logic model	
Direct impacts	Indirect impacts
<ul style="list-style-type: none"> • increased number of contracts with Aboriginal firms • increased value of contracts with Aboriginal firms • increased number of Aboriginal firms competing for federal contracts • increased investment in Aboriginal firms and business start-ups • enhanced capacity of Aboriginal business through skill transfer 	<ul style="list-style-type: none"> • increased sustainable employment • increased opportunities in other markets • development of new product lines to meet demands • positive socio-economic effects, including reduction in social assistance

Evolution of the Framework

The original evaluation framework outlined six broad issues or themes that might be examined in the PSAB evaluation. In effect, the framework served as a tool for the PSAB working group to refine the terms of reference and parameters of the evaluation. The evaluation issues outlined in the terms of reference are as follows:

- is there a continued rationale for the PSAB as currently defined?
- were the objectives which were set for PSAB met? Are there any unintended impacts, positive or negative?
- has the implementation of the strategy been efficient and effective? Are there any barriers to successful implementation?
- what are the best practices and lessons learned?
- what improvements can be made, and what are the options for future programming? Are there alternatives to PSAB?

Table 2 presents the issues in the framework and explains how these evolved in the terms of reference.

Table 2: How the evaluation framework issues evolved toward those outlined in the terms of reference		
Framework issue	Terms of reference issue	Reconciling the two
Continued relevance of the strategy	Is there a continued rationale for the PSAB as currently defined?	Both the original issue and the question defined in the terms of reference deal with whether the strategy is still needed and in what form.
How effectively the strategy's main components have worked	Has the implementation of the strategy been efficient and effective? Are there any barriers to successful implementation?	This issue still examines how effectively various strategy components were implemented and work. Questions dealing with reporting and accountability fit well under this issue as they are related to the implementation of the strategy, and they help to better understand possible barriers that exist.
Reporting and accountability		

Table 2: How the evaluation framework issues evolved toward those outlined in the terms of reference		
Framework issue	Terms of reference issue	Reconciling the two
Cost-effectiveness of the strategy	What improvements can be made, and what are the options for future programming? Are there alternatives to PSAB?	The framework emphasized whether the strategy was worthwhile and whether value for money was obtained when using Aboriginal set-asides. This issue now focuses on identifying improvements, how to address any barriers identified, understanding better how PSAB affects Aboriginal suppliers, and identifying other means that also achieve PSAB objectives.
Impacts resulting from the PSAB	Were the objectives which were set for PSAB met? Are there any unintended impacts, positive or negative?	This issue continues to assess the results of the strategy and how successful it was in achieving its objectives. The original intent also included an examination of unexpected impacts.
Lessons learned and suggested improvements	What are the best practices and lessons learned?	There continues to be interest in understanding what lessons have been learned from the PSAB experience, and which components have worked best and under what circumstances.

Many of the questions identified in the original evaluation framework still fit very well under one or more of the specific issues defined in the TOR.

Guide to the Issues and Questions

This process of evolution culminated in January 2001 with the production of the final work plan outlining the indicators and data sources to be used in answering the revised evaluation questions. The work plan also lists the specific methods that will be used in carrying out the evaluation. An evaluation matrix summarizes the issues and questions that are guiding the current research, as well as the indicators and data sources that are being used to address them.

Data Collection Methods

PRA and ASA collected data through a review of files and documents, surveys of Aboriginal businesses, surveys of federal personnel, key informant interviews, and a workshop. The specific methods employed for data collection are described in Table 3. PRA completed the following tasks:

- file and document review;
- interviews with senior federal managers;
- surveys of federal contracting and purchasing personnel;
- presentation of preliminary findings, facilitation of workshop; and
- preparation of this report.

ASA completed the following tasks:

- interviews with Aboriginal business leaders;
- surveys of Aboriginal businesses;
- presentation of preliminary findings at workshop; and
- review of draft reports.

Table 3: Data collection methodology		
Data collection source	Purpose	Data collection method
Document review	<p>The document review is intended to provide an overview of PSAB contracting activity over the past five years. The review also highlights some of the activities undertaken by DIAND and other departments to promote the strategy and supplier development activities to encourage Aboriginal firms to compete for contracting opportunities with the federal government. The document review did not focus on reviewing descriptive information to develop a profile of the PSAB. A profile of the strategy is included in the evaluation framework and status of implementation reports.</p>	<p>PRA Inc. examined a range of documents, including:</p> <ul style="list-style-type: none"> • departmental performance reports • contract data submitted by departments and agencies to PWGSC, TBS, and DIAND • other studies undertaken by the Economic Development Programs Directorate • background documentation on the strategy. <p>We conducted the document review in mid-June 2001. Since that time, as more up-to-date performance reports and contract data became available, the reports have been updated accordingly. At the time, some information was still to come, including contracting activity data for 2000 and departmental performance reports still to be submitted to DIAND.</p>
Surveys of Aboriginal businesses that have received federal contracts	<p>This survey gathers information about Aboriginal firms' readiness to do business with government, as well as identifying any business development impacts of the PSAB, including:</p> <ul style="list-style-type: none"> • development of partnerships/joint ventures with other firms (Aboriginal and non-Aboriginal) • opportunities to partner outside of PSAB • sustainable employment • other spin-off effects (e.g., staff hired, business for other suppliers to fulfill contracts). 	<p>Given that there is no central file of all Aboriginal firms that have received a federal government contract since April 1996, it was necessary for ASA to create a list. The <u>initial</u> list was obtained from the following sources:</p> <ul style="list-style-type: none"> • Individual departments were contacted for lists of Aboriginal firms that have been awarded contracts. • The MERX system was tracked for a period of three years and an electronic database was established. <p>The survey was conducted over a nine-week period with 200 firms that had won federal contracts completing/responding to the survey.</p>

Table 3: Data collection methodology

Data collection source	Purpose	Data collection method
Surveys of Aboriginal businesses that have NOT received federal contracts	<p>ASA’s survey of firms that have not done business with the federal government helped identify barriers to government procurement. In many cases, the firms had limited knowledge of PSAB and did not want to participate. However, the survey provided some insight into why these firms do not conduct work with the federal government, where they are located, and who their main clients are.</p>	<p>ASA selected the Aboriginal Suppliers Inventory (ASI) for the survey sample as it appeared to be the most complete. To confirm its completeness, a number of major Aboriginal organizations were contacted to see if their membership was adequately represented within the ASI. The only Aboriginal group that felt that it was not well represented were the Inuit. To resolve this problem, a list of Inuit firms was obtained and added to the names within the ASI.</p> <p>The survey was conducted over a nine-week period with 300 firms that were seeking federal government contracts completing/responding to the survey.</p>
Surveys of federal personnel	<p>PRA designed three questionnaires to measure level of awareness of and opinions toward the PSAB among federal personnel involved in the purchasing process.</p>	<p>The three groups targeted and the desired sample sizes were as follows:</p> <ul style="list-style-type: none"> • departmental performance objectives coordinators (n=43) • federal contracting officers (n=50) • responsibility centre managers (n=50). <p>Identifying the personnel to be surveyed was intended to be a two-stage process. A current list of the performance coordinators (PCs) was provided by DIAND. The evaluation methodology then called for DAEB to send a letter to the 43 PCs, introducing them to the research and requesting their assistance in identifying federal contracting officers (FCOs) and responsibility centre managers (RCMs) in their departments who had some experience in purchasing or contracting with Aboriginal businesses.</p>

Table 3: Data collection methodology

Data collection source	Purpose	Data collection method
Key informant interviews (federal managers)	In order to obtain the opinions of key personnel in government, PRA developed interview guides to gather information on perceived relevance, implementation, and impacts of the PSAB.	<p>The evaluation methodology calls for interviews with a total of 14 senior managers drawn from the departments responsible for the PSAB (DIAND, PWGSC, TBS), as well as other departments. The planned distribution of interviews was as follows:</p> <ul style="list-style-type: none"> • DIAND (n=4); • PWGSC (n=3); • TBS (n=3); and • other departments (n=4). <p>Respondents were selected in consultation with DIAND personnel. PRA conducted telephone interviews with 8 of the 14 managers identified. Securing participation of the remaining 6 respondents proved difficult.</p>
Key informant interviews (Aboriginal business leaders)	In order to obtain the opinions of key personnel connected to Aboriginal business, PRA developed interview guides to gather information on perceived relevance, implementation, and impacts of the PSAB.	<p>ASA compiled a list of Aboriginal businesses that met the following criteria:</p> <ul style="list-style-type: none"> • must meet PSAB eligibility requirements • must have had sales of at least \$2 million in 2000 • must have a stated desire to do work for the federal government. <p>A range of businesses were selected by location, size, age, and federal contracting experience. Telephone interviews were then conducted with the owners or executive managers of 15 Aboriginal businesses randomly selected from a pool.</p>

Table 3: Data collection methodology		
Data collection source	Purpose	Data collection method
Workshop (Oct. 4, 2001)	In order to obtain insight and feedback from Aboriginal leaders and business people, DAEB organized a workshop to discuss the preliminary findings of the research.	<p>DAEB defined a list of potential participants and invited their participation in the workshop. The group consisted of a number of people who are involved, either directly or indirectly, with the PSAB. Participants included:</p> <ul style="list-style-type: none"> • Aboriginal political leaders • First Nation economic development workers • Aboriginal business people • PSAB program personnel • DAEB staff. <p>ASA and PRA presented the preliminary findings of the research. Following both small group and plenary discussions of the findings, participants summarized the main issues and developed recommendations.</p>

Limitations of the Data

This section contains a number of qualifications and cautions respecting the use and interpretation of the information contained in this report.

Data Quality

There are inconsistencies in the reporting methods used by federal departments. In some cases, contract amounts are reported by calendar year and in others, by fiscal year, making comparison difficult. Also, contract dollar amounts are not reported consistently; some amounts include tax and some do not. Many departments report that they are unable to track purchases from Aboriginal businesses made with acquisition cards.

Response rates to the survey of federal purchasing personnel are quite small, so we often do not report percentages, and little comparative statistical analysis is possible. Where this is the case, only general observations regarding responses to survey issues are included in the report. This issue is discussed in more detail in the section below.

Participation by Federal Personnel Is Low

As indicated in the methodology table above, the evaluation plan called for key informant interviews with 14 senior federal managers. At the time of writing this report, eight of the interviews were complete. Multiple attempts to schedule the remaining interviews have been unsuccessful.

The survey of performance coordinators (PCs), federal contracting officers (FCOs), and responsibility centre managers (RCMs) proved to also be challenging. Identifying the personnel to be surveyed was intended to be a two-stage process.

- DIAND provided a current list of the PCs.
- The evaluation methodology then called for DAEB to send a letter to the 43 PCs, introducing them to the research and requesting their assistance in identifying FCOs and RCMs in their departments who had some experience in purchasing or contracting with Aboriginal businesses. Only 13 of the 43 PCs provided names of personnel to answer the questionnaires; a total of 23 FCOs and 18 RCMs were identified. Telephone reminder calls failed to elicit any response from the PCs who had not supplied a list of personnel.

PRA devised an alternative strategy that used the federal government directory to compile a list of contracting and purchasing officers. We attempted to contact each person on the list by telephone, calling a total of 148 potential respondents. Those reached were asked a series of questions to determine whether they (a) were either an FCO or RCM; and (b) had any experience dealing with Aboriginal businesses. This approach identified an additional 64 FCOs and 46 RCMs who were eligible to complete the survey; they were sent a questionnaire via fax. Again, response to the survey was low. Our call centre completed at least three rounds of reminder calls to those who had not returned a questionnaire. In a final attempt to increase response rates, a message was sent to the PCs, thanking those who cooperated and encouraging compliance from those who did not. At the time of writing this report, no further responses have been received. The outcome of this process is summarized in the table below.

Table 4: Survey of federal personnel				
	Original sample	Sample from directory search	Questionnaires sent (total)	Questionnaires returned
PC	43	--	43	29
FCO	23	64	87	48
RCM	18	46	64	25
Total	84	110	194	102

It is significant that response rates are low despite careful attention to design and the use of multiple call backs and reminders. The possible reasons for this low response rate will be discussed further among the conclusions in Section 4.

Presentation of Findings

The results of the data collection process presented in Section 3 (“Findings”) are organized according to the main issues defined in the evaluation matrix. Within that structure, where data were obtained from multiple sources, the findings are grouped by data source. The rationale for this approach is based upon the nature of data collected. Key informants, survey respondents, and workshop participants in several cases expressed contradictory opinions and perceptions regarding the PSAB. In some cases, negative opinions and perceptions of the PSAB are based on misinformation, or offer comment on areas that lie outside the scope of the strategy’s objectives. In light of these facts, and of the data limitations discussed above, it is important that the findings are first presented in their specific context. Subsequent analysis and integration by PRA of the various findings forms the basis for the conclusions and observations in Sections 4 and 5 respectively.

Section 3 - Findings

This section presents the findings of the research. Results are organized into five sections corresponding to the main evaluation issues: rationale, implementation, impacts, best practices/lessons learned, and improvements/alternatives. At the end of each of these sections, we summarize the key findings that contributed to the development of the conclusions and recommendations.

Rationale

This section presents findings that are relevant to the issue of whether a continued rationale exists for the PSAB as currently defined. This issue is supported by the following lines of evidence:

- document review;
- key informant interviews;
- surveys of federal personnel; and
- surveys of Aboriginal businesses.

The information presented below for each line of evidence responds directly to the questions contained in the evaluation matrix.

Document Review

Over the five years since the PSAB was launched, both the number of opportunities for Aboriginal businesses and the amount of contracting activity have increased. According to the available data, from 1998-1999 to 1999-2000:

- the number of set-asides for Aboriginal business increased from 184 to 218;
- the number of federal departments issuing opportunity abstracts that were set aside rose from 42 to 45; and
- three departments (Correctional Service of Canada, Health Canada, DIAND) increased their number of set-asides by over 50%.

The actual number of contracts awarded to Aboriginal firms has also increased, as shown in Table 5 below.

Table 5: Number and value of contracts awarded to Aboriginal suppliers				
	2000	1999	1998	1997
Goods	\$22,697,000	\$25,530,000	\$41,811,000	\$8,118,000
number	7020	9493	7051	2411
Services	\$95,590,000	\$83,041,000	\$39,525,000	\$33,789,000
number	1983	1577	1631	779
Construction	\$18,092,000	\$3,466,000	\$4,045,000	\$2,567,000
number	63	48	59	43
TOTAL	\$136,379,000	\$112,037,000	\$85,381,000	\$44,474,000
	9066	11118	8741	3233
Grand totals				\$378,271,000
				32158

Contracts with Aboriginal firms vary widely in size and type

The type and size of the contracts awarded to Aboriginal businesses show considerable variation:

- approximately two-thirds of these contracts are for services, and one-third is for goods. Only 4% of the contracts were for construction; and
- less than 10% of the contracts account for more than 80% of the total value; over 90% of the contracts are under \$25,000.

Finally, the total value of contracts awarded to Aboriginal firms has increased as well. Total performance targets for the federal government as a whole for business with Aboriginal firms were exceeded each year with a wide margin, as shown in the table below.

Table 6: Aggregate PSAB targets and actuals—all departments/agencies		
Year	Performance target	Actual
1997	\$43 million	\$78 million
1998	\$82 million	\$85 million
1999	\$102 million	\$129 million
2000	\$84 million	\$135 million

Source: Departmental performance reports submitted to DIAND

There was, however, substantial variation across departments with respect to meeting performance targets.

The value of contracts varied considerably by department and by year:

- the value of contracts across departments ranged from \$1,000 to \$40 million;
- there was large fluctuation in the size of contracts over the four years; and
- twelve departments account for 90% of the total value of contracts with Aboriginal businesses.

Interviews with Federal Managers

Federal managers believe the PSAB continues to be necessary. In the interviews, they noted that the PSAB appears to be increasing the number of opportunities and the rate of success in contracting activity for Aboriginal businesses. They support the continuation of PSAB for the following reasons:

- while many Aboriginal firms now have experience with federal procurement, new Aboriginal businesses are starting all the time. These new firms will need to be introduced to federal policies and procedures; orienting Aboriginal firms is an ongoing process; and
- most managers believe that the PSAB objectives align well with their departmental goals, since Aboriginal economic development is a federal priority identified in Throne Speeches and *Gathering Strength*.

Managers also indicated that there are still challenges to promoting Aboriginal procurement that need to be overcome:

- awareness of the PSAB is high within DIAND, PWGSC, and TBS, but remains low in other departments. It is either not well understood or it is simply “not in the front of people’s minds;” and
- as noted above, most managers believe the PSAB aligns with their departmental goals. Some, however, indicated that privileged access to contracts may be inconsistent with the other principles of procurement, namely “best value” and “equal access.” Some believe that they are paying a premium to do business with Aboriginal firms.

Overall, federal managers believe that Aboriginal businesses are growing as a result of the PSAB. They did not know if more partnerships or joint ventures were occurring as a result of the PSAB.

Managers said that:

- while some Aboriginal firms sell the goods and services that the government buys, many do not. The benefits of the PSAB will be gained most by the firms selling goods used by all departments (e.g., office supplies, computers); and
- many buyers still do not realize that there are Aboriginal firms doing business in different sectors. Managers believe that purchasing personnel need to be made aware that Aboriginal businesses are not only about “beads and feathers.”

Managers said that it is difficult to know whether the government buys the goods that Aboriginal firms sell because they do not know about all that the government buys, and they do not know everything that Aboriginal firms sell. One of the senior managers pointed out that no research was done on what kinds of things Aboriginal firms sell, and another estimated that the ASI contains information on only about one-third of Aboriginal businesses in Canada.

Survey of Performance Coordinators

PCs reported that little information regarding contracting with Aboriginal firms is collected beyond number and value of contracts awarded, as shown in the table below.

Table 7: Aboriginal contracting data—PCs (n=29)			
“Does your department/agency collect information on....	Yes	No	Don’t know
...number of contracts awarded to Aboriginal businesses?”	90%	10%	--
...value of contracts awarded to Aboriginal businesses?”	97%	3%	--
...number of Aboriginal firms competing for contracts?”	18%	75%	7%
...number of set-asides for Aboriginal firms?”	59%	41%	--
...client satisfaction with Aboriginal suppliers?”	18%	82%	--
...jobs created by Aboriginal firms contracting with you?”	--	100%	--
Source: Survey of performance coordinators			

Surveys of federal PCs found that office supplies and computers are the items most often purchased from Aboriginal firms.

Interviews with Aboriginal Business Leaders

While offering some suggestions for improvement, Aboriginal business leaders (n=15) were unanimous in their belief that the PSAB is an excellent concept and should be maintained. They identified a number of specific challenges faced by Aboriginal businesses:

- it is difficult for small Aboriginal businesses to compete with large, established businesses (n=6);
- some federal departments do not seem to be willing to set aside contracts for Aboriginal firms (n=5);
- some contracts require security bonds and/or require cash flow that is too high for Aboriginal firms that do not have the same access to financing as non-Aboriginal firms (n=4);
- it is difficult to get information about available contracts (n=4);
- the proposal process is long and complicated; government selection criteria are poorly understood (n=4); and
- it is sometimes difficult to find qualified Aboriginal employees (n=3).

Comments from Aboriginal business leaders indicate a belief that the PSAB contributes to the growth of viable firms and has some longer-term benefits. Specific statements about the effects of the strategy included:

- creates employment (n=7);
- creates opportunity to do larger-scale projects (n=3);
- creates opportunity to start a business (n=1); and
- possibility to network (n=1).

All of the Aboriginal business leaders who offered an opinion believe that some types of Aboriginal businesses benefit more from the PSAB than others. The types of firms that those interviewed thought would benefit the most are:

- “high technology” (n=5);
- businesses out of the mainstream (not arts and crafts) (n=2);
- tobacco industry (n=1);
- wood industry (n=1);
- clerical (n=1); and
- furniture (n=1).

Respondents believed that these kinds of firms were benefiting most because these goods and services fit the government’s requirements at this time.

Surveys of Aboriginal Businesses

Aboriginal firms were asked to identify the barriers that exist for Aboriginal businesses to sell to the federal government. The responses indicate that there is a strong perception that Aboriginal firms continue to face a number of barriers. Specific responses are presented in the table below.

Table 8: Perceived barriers to federal contracting—Aboriginal businesses		
<i>“In your view, which of the following represent a barrier for a typical Aboriginal business in trying to sell to the federal government?”</i>	Percent identifying as a barrier	
	Firms with federal contract (n=200)	Firms never having had a federal contract (n=300)
Knowledge of how to market to government	67%	76%
Limited knowledge of contracting procedures	67%	73%
Awareness of government procurement opportunities	65%	73%
Government bureaucracy/decision-making process	81%	73%
Getting financial investment	65%	68%
Bidding and contract security requirements	62%	66%
Obtaining assistance to clarify the bidding process	60%	60%
Competition from other businesses	59%	54%
Geography/remoteness	44%	49%
Access to electronic tendering system (e.g., MERX)	43%	46%
Collaborating with non-Aboriginal businesses	47%	40%
Obtaining licences/permits	33%	36%
Source: Surveys of Aboriginal businesses		

The elements most commonly seen as barriers by the respondents are the same issues that PSAB activities are intended to address.

The question of whether Aboriginal firms sell the kinds of products or services that the government buys is difficult to answer with any degree of confidence. As noted above, there is little reliable information regarding the things that government buys and the things that Aboriginal businesses sell. However, the various federal personnel consulted about government purchases identified office supplies, consulting services, and computers as the things most commonly bought. Aboriginal firms that had received federal contracts were twice as likely (as those without federal experience) to be in the computer or consulting sectors.

A number of Aboriginal firms have not taken any steps to make themselves “government ready,” as shown in Table 9.

Table 9: Actions taken to target government service—Aboriginal business		
	% affirmative	
	Had federal contract (n=200)	No federal contract (n=300)
Registered with the Contracts Canada Contractor database for Aboriginal business	56%	27%
Undertaken activities to promote goods, services, and/or construction to the federal government	55%	28%
Source: Surveys of Aboriginal businesses		

There appears to be a correlation between *preparing* for business with the federal government and *doing* business with the federal government. Firms that had won federal contracts were twice as likely to have taken steps to improve their chances of success as those that had not taken any measures to promote their services.

Commentary from the Workshop

Many of the workshop participants pointed out that the objectives of the strategy have shifted over the last five years. The majority held the opinion that the strategy was originally cast as a means to spur economic development for all Aboriginal people and communities in Canada. The belief now, however, is that the PSAB is more focused on the simple dollar value of Aboriginal contracting with little regard for how the opportunities are distributed.

Workshop participants debated the preferred focus for the PSAB. Many workshop participants, especially Aboriginal political leaders, believe the original intent of the PSAB was twofold: first as a business development strategy and second to enhance economic development in First Nation and other Aboriginal communities. Currently, most accept these goals, but question whether there are other goals. The fact that the number and value of contracts with Aboriginal firms has increased over the first five years of the strategy suggests that its two main objectives have been achieved. There is a common perception, however, that it is only a few large firms, located in or near urban areas benefit from these increases. This suggests the potential for including other objectives to ensure that contract opportunities flow to smaller firms or those that have not had contracts under the strategy.

Workshop participants expressed uncertainty about the level of government commitment to the objectives of the PSAB. They believe that a statement of support at a high level (e.g. Cabinet level) is required to ensure that the strategy is regarded seriously by federal personnel. Participants want politicians to re-affirm their commitment to the strategy and to revisit the perceived original intent of the strategy. This may mean a revision of current strategy objectives.

Summary of Findings — Rationale

Key findings

- The number and value of contracts with Aboriginal firms has increased over the life of the PSAB.
- A small number of large contracts from a few departments accounts for most of the increase.
- There is a lack of comprehensive data on procurement from Aboriginal businesses.
- A general belief exists that the rationale for the PSAB remains valid, and that PSAB helps Aboriginal firms to grow.
- Awareness of the PSAB is low, and not enough is known about Aboriginal firms in Canada.
- There is a belief that the benefits of the PSAB are not equally distributed.
- A desire exists for a review of the objectives of the PSAB, and a restatement of commitment to the PSAB by government.

Implementation

This section presents the findings that are relevant to the issue of whether the implementation of the strategy has been efficient and effective, and to the existence of barriers to successful implementation.

Document Review

From 1998 to 2000, the most PSAB development activities occurred in 1999. Annual performance reports indicate that supplier development activities were not as prominent in 2001.

The most popular development activities are:

- PSAB conferences;
- Aboriginal trade shows;
- promoting interaction between suppliers and business;
- promoting ASI and Contracts Canada; and
- developing Aboriginal supplier lists and databases.

Most contracts with Aboriginal firms under the PSAB that were audited met the eligibility and audit requirements. From 1998 to 2001, 155 PSAB compliance audits were carried out. Of those, 28 contracts (18%) did not meet PSAB requirements.

Government personnel identified a number of perceived barriers to proper implementation of the PSAB:¹

A number of perceptions about the PSAB are evident from the interviews and workshop including:

- a lack of capacity among Aboriginal firms to respond to PSAB opportunities;
- standards are lowered for Aboriginal firms;
- premium prices are paid for Aboriginal firms; and
- performance targets are reached with a small number of large value contracts that are not accessible to Aboriginal small—medium-sized enterprises (SMEs).

Representatives of Aboriginal SMEs also identified perceived barriers to implementing the strategy:²

- PSAB creates unrealistic expectations among Aboriginal businesses;
- a belief that Aboriginal firms can only compete for set-asides; and
- a belief that set-asides are always low value contracts.

Survey of Performance Coordinators

The survey of departmental performance coordinators found that:

- two of three believe contracting officials are familiar with PSAB objectives;
- three of four believe the PSAB eligibility requirements are clear;
- most reported favourable attitudes toward the PSAB among their contracting officials; and
- about half said that the PSAB met their needs (many said that they did not know).

Departmental PCs reported on the activities in which they have engaged as a result of the PSAB. Their responses appear in Table 10.

¹Source: October 2000 PSAB Conference

²Ibid.

Table 10: PSAB activities undertaken—PCs (n=29)	
Activity	
Training for contracting officers	59%
Systems to monitor Aboriginal procurement	55%
Review of procurement and contracting policies	55%
Internal orientation sessions about Aboriginal procurement	41%
Developing communication materials on Aboriginal procurement	35%
External orientation sessions for Aboriginal businesses	17%
Note: Respondents could choose more than one answer. Totals may sum to more than 100%.	
Source: Surveys of federal performance coordinators	

Departmental PCs identified barriers to implementation of the PSAB, most commonly citing insufficient availability of qualified Aboriginal suppliers and a lack of awareness among Aboriginal firms of federal procurement practices. Detailed responses appear in the table below.

Table 11: Perceived barriers to implementation of the PSAB—PCs (n=29)				
“To what extent is the following a barrier for your department/agency in implementing the PSAB?”	Major barrier	Minor barrier	Not a barrier	Don’t know
Availability of qualified Aboriginal suppliers	55%	28%	17%	--
Lack of awareness of procurement practices	14%	41%	35%	10%
Quality of suppliers’ goods or services	10%	24%	52%	14%
Decentralization of government procurement to regions	7%	21%	54%	18%
Supplier compliance with procurement regulations	--	21%	65%	14%
Bidding and contract security requirements	11%	7%	57%	25%
Compliance with Canada’s international trade agreements	7%	7%	65%	21%
Provisions on procurement in land claim agreements	--	7%	57%	36%
Source: Surveys of federal performance coordinators				

Interviews with Federal Managers

Federal managers reported a number of issues pertaining to the efficiency and effectiveness of the implementation of the PSAB, namely that:

- more information dissemination is needed to keep Aboriginal businesses and purchasing personnel informed; “communication activities have not been effective;”
- many Aboriginal suppliers are unaware of the strategy;

- outside of the three key departments (DIAND, PWGSC, TBS), many federal buyers appear to not know of the strategy;
- the strategy is “not being kept in the front of people’s minds.” There are many other competing priorities and purchasing guidelines;
- the ASI was not being promoted or maintained (one key informant suggested creating such an inventory; another estimated only 1 in 6 Aboriginal businesses was listed); and
- performance results and success stories published by DIAND are not reaching the departments.

Managers also identified several barriers to successful implementation of the strategy:

- insufficient availability of qualified Aboriginal firms in several sectors;
- lack of awareness among Aboriginal firms of procurement practices;
- convincing Aboriginal firms of the importance of learning about federal contracting;
- convincing buyers to “give Aboriginal businesses a try;”
- the perception that there are not enough Aboriginal businesses selling what the government buys;
- insufficient technological capacity of many Aboriginal businesses (e.g., Internet access, MERX); and
- some buyers appear to show “indifference to the strategy.”

Managers identified several sources through which Aboriginal businesses can obtain information about the PSAB, including:

- word of mouth from other businesses;
- Aboriginal economic development agencies;
- DIAND and PWGSC publications, seminars, and trade shows; and
- Internet, MERX, Contracts Canada.

Again, they also noted that smaller companies are often left out because many do not have access to the on-line information. There is also a perception among the managers interviewed that companies outside of urban areas tend to lag in taking advantage of opportunities.

Survey of Federal Contracting Officers

The survey of FCOs produced those observations regarding the implementation of the PSAB:

- six of 10 say their internal clients are not aware of the PSAB. Of those who were thought to be aware, only 1 of 3 was described as “very informed;”
- references to the PSAB are part of the clients’ request only about 1 in 4 times; and
- clients are least knowledgeable about rules for Aboriginal content and other eligibility requirements.

FCOs appear to have more of a reactive role in promoting the implementation of the PSAB:

- three of 4 described their role in publicizing the PSAB as “explaining requirements when requested;”
- only 2 in 5 say they “actively promote the PSAB;” and
- one in 3 refers internal clients to the PSAB web site.

While 94% of FCOs reported some knowledge of the PSAB, only 29% described themselves as “very informed.” Slightly more than half (56%) said that the eligibility requirements for the PSAB were clear.

Contracting personnel reported that government employees involved in purchasing need more training and information on the PSAB. Decentralized purchasing and high employee turnover rates were cited as major factors contributing to the low level of knowledge of the PSAB.

FCOs identified barriers to implementation of the PSAB, most commonly citing insufficient availability of qualified Aboriginal suppliers and a lack of awareness among Aboriginal firms of federal procurement practices. Detailed responses appear in the following table.

Table 12: Perceived barriers to implementation of the PSAB—FCOs (n=48)				
“To what extent is the following a barrier for your department/agency in implementing the PSAB?”	Major barrier	Minor barrier	Not a barrier	Don’t know
Availability of qualified Aboriginal suppliers	44%	29%	9%	18%
Lack of awareness of procurement practices	27%	33%	22%	18%
Quality of suppliers’ goods or services	7%	24%	45%	24%
Supplier compliance with procurement regulations	11%	26%	37%	26%
Bidding and contract security requirements	13%	37%	26%	24%
Compliance with Canada’s international trade agreements	9%	24%	34%	33%
Provisions on procurement in land claim agreements	7%	9%	20%	64%
Source: Surveys of federal contracting officers				

When asked what one change they would make to the strategy, the most common responses were:

- create central listing/database of Aboriginal suppliers (9 mentions);
- more dissemination of information/promotion (9 mentions); and
- more education of Aboriginal suppliers in the federal procurement process (5 mentions).

Survey of Responsibility Centre Managers

In contrast to the perceptions of contracting officers, 88% of RCMs say that they are familiar with the PSAB, and 80% of those report that they have known about the strategy for a year or more. In addition, 88% of RCMs said that they had received information about the PSAB. Specific information sources are shown in the table below.

Table 13: Information received about the PSAB—RCMs (n=22)		
Type of information	Number receiving	Percent
Internal departmental information	16	70%
Information from contracting officer	9	39%
Training/orientation session	8	35%
Web site information	7	30%
Other (“brochures”, “meeting”)	2	9%
Note: Respondents could choose more than one answer. Totals may sum to more than 100%.		
Source: Surveys of federal responsibility centre managers		

RCMs are most likely to report that their decision to purchase goods or services from Aboriginal suppliers was driven by departmental priorities. The most common factors involved in the decision to purchase from Aboriginal firms appear in Table 14.

Table 14: Decision to buy from Aboriginal business—RCMs (n=25)		
“Why did your unit decide to purchase goods or services from Aboriginal business?”	Number	Percent
Departmental priority	9	36%
They were the best supplier for the job	7	28%
PSAB requirements	3	12%
Responded to supplier promotion	3	12%
Influence of Indian Affairs	1	4%
No response	10	40%
Note: Respondents could choose more than one answer. Totals may sum to more than 100%.		
Source: Surveys of federal responsibility centre managers		

While some RCMs actively sought out Aboriginal suppliers, the method by which they were most likely to identify an Aboriginal supplier was “self identification” by the supplier. Other methods used by RCMs to identify Aboriginal businesses appear in Table 15.

Table 15: Methods of identifying Aboriginal suppliers—RCMs (n=25)		
“How did you first identify the Aboriginal suppliers?”	Number	Percent
Aboriginal supplier self-identified	9	36%
Contracting officials	6	24%
Aboriginal Supplier Inventory (Indian Affairs)	3	12%
Public Works and Government Services Canada	3	12%
Colleague/other unit in your department or agency	2	8%
Personal contacts	2	8%
Regional Aboriginal business directory	1	4%
Contracts Canada database	1	4%
No response	4	16%
Note: Respondents could choose more than one answer. Totals may sum to more than 100%.		
Source: Surveys of federal responsibility centre managers		

Similar to the PCs and FCOs, more than two-thirds (68%) of RCMs identified the lack of qualified Aboriginal suppliers as a barrier to implementation of the PSAB.

Interviews with Aboriginal Business Leaders

The implementation issue most commonly identified by Aboriginal business leaders is the perception that contracts are being issued to firms that do not meet the criteria for Aboriginal content. Ten of the 15 interviewees reported that insufficient supervision exists of the process used to certify eligible Aboriginal businesses. One third of the respondents were not aware of any activities undertaken by the federal government to assist Aboriginal businesses to take part in the PSAB.

Aboriginal business leaders identified a number of areas that present challenges to Aboriginal firms attempting to take part in the PSAB. The most commonly cited issues were:

Communication

- language barriers; and
- the ability to write and present proposals that are “capable of winning;”

Resources

- financial and human resources are limited for Aboriginal firms, often making it impossible to compete for larger contracts;

Contract management

- lack of experience in managing government contracts and meeting their administrative and contract requirements.

Surveys of Aboriginal Businesses

The majority of Aboriginal businesses surveyed report not receiving information about the PSAB. Fewer than half of those firms that had contracts with the federal government reported receiving any information; fewer than one-third of firms that had not received contracts had received information about the PSAB. Responses for specific information sources are listed in the table below.

Table 16: Information about the PSAB — Aboriginal business		
“From which of the following sources have you received information about the PSAB?”	% affirmative	
	Had federal contract (n=148)	No federal contract (n=146)
Government information session	46%	30%
Brochures	38%	25%
Word of mouth	35%	23%
Federal government representative	45%	16%
Band council	7%	9%
Other Aboriginal organization	15%	9%
Other Aboriginal business	13%	10%
Non-Aboriginal business	9%	8%
None	12%	--
Don't know/no response	--	17%
Note: Asked only of those who reported awareness of the PSAB. Respondents may have provided more than one answer.		
Source: Surveys of Aboriginal businesses		

Respondents were also asked about what supplier development activities had been undertaken by departments or agencies to assist their businesses in selling to the federal government. Listing the businesses on an Aboriginal supplier list was the most common activity reported.

Table 17 shows that a substantial number (31%) of Aboriginal businesses reported that no activities had been undertaken to facilitate their doing business with the federal government.

Table 17: Supplier development activities — Aboriginal business		
“Which of the following activities (if any) did departments or agencies undertake to facilitate your business’s ability to sell goods and services to the federal government?”	% reported	
	Had federal contract (n=200)	No federal contract (n=300)
Provision of information on PSAB	43%	21%
Provision of information on how to sell/market to the federal government	30%	18%
Assistance in establishing a partnership with a non-Aboriginal business	6%	4%
Listed your firm on an Aboriginal supplier list	57%	49%
Periodically update your business on Aboriginal supplier list	12%	8%
None	31%	44%
Don’t know/no response	1%	1%
Note: Respondents may have provided more than one answer.		
Source: Surveys of Aboriginal businesses		

Aboriginal businesses that have won federal contracts are more likely to use MERX and other on-line resources to identify opportunities, as shown in Table 18.

Table 18: Use of on-line resources — Aboriginal business		
	% affirmative	
	Had federal contract (n=200)	No federal contract (n=300)
Use the Internet to find information on contracting opportunities	68%	45%
Use the government electronic tendering system MERX	53%	27%
Source: Surveys of Aboriginal businesses		

Commentary from the Workshop

The discussion surrounding communication and the PSAB identified a number of issues:

- preliminary data from the evaluation indicate that awareness of the PSAB among federal contracting and purchasing personnel is not as widespread as it needs to be;
- a number of the workshop participants noted that awareness of the strategy and federal contracting opportunities is low (or non-existent) among some Aboriginal businesses and communities; and

- PSAB program personnel said that they need more information about the needs of Aboriginal businesses and communities.

Workshop participants observed that any federal department buying more than \$1 million worth of goods or services is required by PSAB policy to set performance targets and report on actual performance. It is apparent that some federal departments are not complying with the policy, and nothing is being done to enforce compliance. Participants suggested that the role of performance objectives coordinators be emphasized and their performance monitored.

The workshop participants emphasized the importance of having ongoing, “meaningful” Aboriginal participation in any future review and/or evaluation of the PSAB. Participants further stated that all PSAB activities should promote Aboriginal participation.

Summary of Findings—Implementation

Key findings

- Implementation activities have slowed since the launch of the PSAB.
- Knowledge of the PSAB is low among both government personnel and Aboriginal firms, and the goals/operation of the program often appear to be misunderstood.
- There is a widespread belief that there are not enough qualified Aboriginal firms.
- The PSAB is not actively promoted by federal purchasing personnel.
- A belief exists among Aboriginal businesses that small and/or remote businesses are not benefitting from the PSAB.
- Managers and survey respondents believe that compliance with the requirements of the PSAB is not enforced.
- Many respondents/key informants believe there is a lack of communication between government and Aboriginal businesses (in both directions).

Impacts

A number of the obvious impacts of the strategy were identified in Section Rationale above. This section presents further findings relevant to whether the objectives of the PSAB have been met, and to the existence of unintended impacts of the strategy.

Interviews with Federal Managers

Federal managers unanimously believed that business with Aboriginal firms has increased. They also believed that Aboriginal firms are growing in size as well as in their capacity to compete successfully for federal contracts. Increased knowledge of federal procurement procedures is producing Aboriginal businesses that are “more sophisticated and businesslike.” The managers did not, however, believe that the PSAB has had any impact on employment or economic growth at the community level. The benefits of the strategy are perceived to accrue only to Aboriginal businesses located in or near urban centres.

According to the managers interviewed, the greatest impacts of the PSAB are a result of:

- awareness by Aboriginal firms that federal government is “open for business;”
- the set-aside program’s ability to “create sheltered opportunities;”
- training courses for Aboriginal firms to increase capacity to respond to contracting opportunities;
- MERX monitoring by INAC to identify potential set-asides; and
- face to face meetings of buyers and sellers.

Senior managers identified a number of unintended impacts of the strategy during the course of the evaluation that they perceived to be positive:

- Aboriginal firms with federal contracting experience are now selling to other levels of government as well;
- entrepreneurial spirit is being fostered among Aboriginal youth;
- federal clients can use Aboriginal firms as value-added resellers in order to obtain specific items (e.g., particular furniture, computers, software); and
- buyers can directly choose an Aboriginal firm for services requiring Aboriginal cultural content; this was formerly a difficult and time-consuming process.

Federal managers believe that a number of unanticipated impacts of the strategy are negative, including:

- the creation of “shell companies,” nominally Aboriginal firms that are actually controlled by non-Aboriginals;
- an extra step that has been added to the procurement process for buyers, thereby slowing the process of creating orders and requests for proposals/tenders;

- the creation of false hope and unrealistic expectations among some Aboriginal businesses about the volume of contracts available to them;
- some firms perceive that the PSAB is an entitlement and that an Aboriginal firm should automatically be selected; and
- some Aboriginal firms make “dire objections” if they do not win a contract.

It is important to note that this reflects the opinions of managers and that within the scope of this evaluation, no way exists to confirm or refute these observations.

Interviews with Aboriginal Business Leaders

Aboriginal business leaders listed the following impacts of the PSAB on Aboriginal firms:

- creating employment;
- providing the opportunity to take on large-scale projects to which they would not previously have had access;
- raising the profile of Aboriginal businesses in the community;
- increasing opportunities for networking; and
- making it easier to create a joint venture.

Aboriginal business leaders identified few impacts of the PSAB on Aboriginal communities. The most common response was that the PSAB does not help the community directly since most Aboriginal people engaged in federal contracting do not live on reserve. There was some belief, however, in the strategy’s potential to have an impact on Aboriginal people in general. Three of the business leaders believed the PSAB has created both employment and entrepreneurship opportunities for Aboriginal people.

Surveys of Aboriginal Businesses

The question of where the impacts of the PSAB are occurring was investigated by comparing the location (urban or non-urban, on-reserve or off-reserve) of Aboriginal businesses with reporting of positive impacts resulting from the strategy. No statistically significant findings resulted from this comparison, as illustrated in Table 19.

Table 19: Effects of the PSAB — Aboriginal business				
“What effects, if any, has the PSAB had in terms of the following activities undertaken by your business?”	% reporting positive impacts			
	Had federal contract		No federal contract	
	Urban (n=132)	Not urban (n=13)*	Urban (n=126)	Not urban (n=20)*
Easier to market to government	39%	23%	12%	20%
Improved competitive position when bidding on government contracts	41%	46%	10%	10%
Increased market opportunities (e.g., with other levels of government or private firms)	50%	39%	14%	20%
Increased contacts in departments/agencies	44%	39%	18%	60%
Increased sales of goods and services to government	44%	39%	9%	20%
Opportunities to partner outside of PSAB	35%	8%	12%	20%
Sustainable employment within the firm	33%	23%	9%	15%
More business for other suppliers as a result of your contracts	36%	31%	7%	15%
Note: Some businesses did not report location (urban or rural). This question was only posed to those respondents with some knowledge of the PSAB. *Caution: small sample sizes.				
Source: Surveys of Aboriginal businesses				

Perhaps the only meaningful finding of this aspect of the research is that a very small number of the Aboriginal firms surveyed identified themselves as being non-urban. Results were similar for the on- and off-reserve comparison, with no statistically significant differences in reporting of positive impacts of the PSAB. Defining the distinction between an “on-reserve business” and an “off-reserve business” also poses methodological problems. Some businesses might be legally headquartered on a reserve but conduct much of their day-to-day business in other locations. With the data that are available, it is not possible to accurately determine how businesses located on reserve are benefitting from the PSAB in comparison to other Aboriginal businesses.

The majority of Aboriginal businesses surveyed indicated that the PSAB had not met their expectations with respect to the main objectives of the strategy, nor with respect to a number of other possible indirect impacts. Specific questions and responses appear in the table below.

Table 20: Expectations — Aboriginal business		
“To what extent has the PSAB met your expectations with respect to the following goals?”	% whose expectations have been met or exceeded	
	Had federal contract (n=148)	No federal contract (n=146)
Increasing the number of contracts awarded to Aboriginal businesses	27%	12%
Increasing the number of sub-contracts awarded to Aboriginal businesses	22%	12%
Increasing partnerships between non-Aboriginal and Aboriginal businesses	37%	23%
Helping Aboriginal businesses attract more investment	30%	16%
Increasing the number of employees in Aboriginal businesses	36%	16%
Expanding economic opportunities on reserve	20%	16%
Expanding economic opportunities off reserve	39%	20%
Note: This question was only posed to those respondents with some knowledge of the PSAB.		
Source: Surveys of Aboriginal businesses		

The percentage of businesses that had not had a federal contract and reported that the PSAB had met their expectations was significantly lower than for those firms that had at least one federal contract.

Survey of Performance Coordinators

Departmental PCs had little data on the impacts of the strategy beyond the fact that the number and value of contracts with Aboriginal businesses had increased. They did, however, report their perceptions of a number of aspects of the PSAB.

PCs were asked whether the PSAB met their needs in several areas. Questions and responses appear in the table below.

Table 21: Impact of the PSAB on departmental objectives—PCs (n=29)			
“Has the PSAB met the needs of your department with respect to...”	Yes	No	Don’t know
...promoting value for money?”	53%	18%	29%
...upholding competition among firms?”	52%	11%	37%
...ensuring quality of goods and services?”	68%	11%	21%
...openness and transparency in the contracting process?”	55%	10%	35%
...encouraging more firms to bid on work?”	29%	21%	50%
...executing contracts quickly?”	43%	21%	36%
Source: Surveys of federal performance coordinators			

PCs reported that the strategy had no impact on the price of goods and services or on the level of competition among firms. One negative impact reported was that the PSAB did not meet their need to “execute contracts quickly.” Further, they reported that there are many conflicting issues to be dealt with in the contracting process and that “PSAB becomes a minor consideration in day-to-day work.”

Survey of Federal Contracting Officers

Responses of FCOs to the questions above closely mirrored those of the PCs. In some cases, slightly fewer FCOs reported that their needs were met. However, the difference was accounted for by a larger number of “don’t know” responses.

Survey of Responsibility Centre Managers

None of the RCMs responding to the survey characterized their experience with Aboriginal businesses as negative. Of those expressing an opinion, nearly two-thirds (65%) said that their experience with Aboriginal businesses was positive, while 35% were neutral. When asked if they would use Aboriginal businesses in the future for their purchasing needs, 87% said that they would; 13% did not know.

Responses to questions regarding the impact of the PSAB on Aboriginal businesses suggest that RCMs have very little knowledge of the effects of the strategy.

Commentary from the Workshop

Workshop participants expressed the concern that some of the joint ventures being created under the PSAB are not legitimate. They said that in some cases, a non-Aboriginal firm will enlist an Aboriginal “figurehead” to act as a front for the venture, but there is no real Aboriginal content. In some cases, it was noted, Aboriginal “shell” corporations have been created to take advantage of set-asides. Again, this is a situation in which a firm appears to meet the letter of the PSAB eligibility requirements but has little or no true Aboriginal content.

Summary of Findings—Impacts

Key findings

- There is a belief among federal managers that Aboriginal firms are increasing their capacity to do business with the federal government.
- The PSAB creates opportunity for Aboriginal firms, but it is not sufficient in itself.
- the PSAB is open to misinterpretation and abuse especially with respect to set-asides and Aboriginal content.
- the PSAB may lead to the creation of “shell” firms and that Aboriginal firms would like to see more oversight of which firms are designated as “Aboriginal owned”.
- the PSAB has practical benefits for federal departments such as facilitating access to specific types of desired goods and services.
- RCMs report good experiences with Aboriginal businesses.
- the PSAB has had little negative effect on reaching departmental objectives with respect to despite the fact that the PSAB adds another step to the purchasing process for buyers.

Best Practices and Lessons Learned

This section outlines the perceived strengths and weaknesses of the PSAB, as well as the lessons that have been learned from the first five years of experience with the PSAB.

Interviews with Federal Managers

Federal managers identified the following strengths of the PSAB:

- it attempts to provide opportunities for Aboriginal businesses where none existed before;
- it can build the capacity and strength of Aboriginal firms;
- it is a proactive approach to increasing business with Aboriginal firms;
- it facilitates access to services that can only be provided by Aboriginal people (e.g., culturally based training, treatment); and
- set-asides are excluded from the Free Trade Agreement (FTA).

Federal managers were asked to identify what they perceived to be the main weaknesses of the strategy. The most commonly cited weaknesses were that:

- there is insufficient training for materiel management personnel;
- it increases bureaucracy, workload, and time required for procurement;
- the communication strategy is inadequate;
- it creates unrealistic expectations among some Aboriginal businesses;
- it leads to the creation of “shell” companies;
- resellers are benefitting too much from it; and
- there is no socio-economic impact for reserves and small communities.

There is a common belief among those interviewed that the businesses benefiting the most from the PSAB are those that need assistance the least. Federal managers also cited concerns that without more stringent oversight, the strategy is open to abuse by firms that do not truly meet the requirements for Aboriginal content.

Interviews with Aboriginal Business Leaders

Aboriginal business leaders listed what they believed to be the main strengths of the PSAB:

- it is a good approach to promoting Aboriginal business;
- it is legislated and therefore has potential;
- it provides an equal opportunity for all Aboriginal businesses to bid on contracts; and
- the open bidding process ensures that information is shared equally among competing bidders.

Aboriginal business leaders shared some concerns about weaknesses of the PSAB with federal managers and offered some others:

- there is a lack of consistency among federal departments. Some departments do not follow the PSAB rules, and some do not want to deal with Aboriginal firms;
- promotion efforts are not adequate to create sufficient awareness of the strategy; and
- the theory is excellent but has not been well implemented.

Aboriginal business leaders reported that a substantial number of contracts are being awarded to firms that do not meet the requirements for being defined as an Aboriginal firm. They cited several specific examples, including:

- a set-aside contract being awarded to a firm that did not meet the criteria for Aboriginal content;
- Aboriginal firms and/or individuals “fronting” for non-Aboriginal firms; and
- Aboriginal firms buying service-based “finished products” complete with a management contract from non-Aboriginal firms and marking up the price for sale to the government.

Another lesson cited by both Aboriginal business leaders and federal managers is that particular attention must be paid to smaller businesses and/or those located in rural or remote areas.

Surveys of Federal Contracting Personnel

PCs and FCOs suggested that:

- there has not been sufficient emphasis on communication and promotion of the strategy; and
- the lack of a comprehensive and up-to-date database of qualified Aboriginal suppliers is a weakness of the strategy.

Summary of Findings—Best Practices and Lessons Learned

Key findings:

The perceived strengths of the PSAB include:

- the fact that it is simply “a good idea” and is consistent with the goals of Aboriginal economic development;
- that it has significant practical benefits, especially where Aboriginal specific services are required.

The perceived weaknesses of the PSAB include that:

- it has not been well communicated;
- it is open to abuse;
- there are indications that the wrong businesses are benefitting from it;
- it is too often ignored with few repercussions; and
- it was implemented without sufficient information about Aboriginal businesses in Canada.

Improvements and Alternatives

This section presents findings that are relevant to the question of what improvements can be made to the PSAB and whether there are alternatives to the strategy.

Aboriginal Business Leaders

Aboriginal business leaders identified a number of areas in which they believe improvements could be made to the PSAB, including:

- PSAB criteria with respect to Aboriginal content and ownership should be re-examined and tightened;
- research should be conducted to determine how firms in more remote areas can benefit from the strategy. There is a need to identify the kinds of contracts that can be undertaken by the types of firms that are located on reserves;

- more federal government accountability and transparency is required; some departments are making an effort to comply with the PSAB, while many are not; and
- there should be more proactive efforts to get departments to participate fully in the PSAB.

Commentary from the Workshop

One of the objectives of the PSAB is to increase the number of joint ventures formed to respond to federal contracting opportunities. Workshop participants believe that the tendering process normally does not provide sufficient time to put together a partnership. It was also noted that this barrier applies equally to smaller non-Aboriginal firms. A key distinction exists between the federal contracting practices that affect all firms, the contracting practices that may affect Aboriginal firms differentially, and the terms of the PSAB. It is clear that participants in the workshop sometimes failed to make this distinction. For example, the short turnaround time to prepare a joint bid is a problem for all firms, but may be more problematic for Aboriginal firms that may not be aware of the capabilities of other Aboriginal firms and that may lack experience and contacts.

Some participants suggested that the procurement/contracting process be “loosened” to some extent to allow less-experienced firms to gain access. We were told that the competition process *“assumes that firms already have all the skills.”* A mentoring program would enable new and/or small firms to gain the experience necessary to compete for federal contracts in the future. It was also suggested that procurement strategies for disadvantaged populations in other jurisdictions (e.g., the United States and Quebec) be examined for information on best practices and lessons learned. Again, it is useful to note that the federal government has many programs designed to assist businesses, and several programs designed solely to promote Aboriginal business.

Summary of Findings—Improvements and Alternatives

Key findings:

Suggested improvements from interview and workshop participants include:

- more proactive efforts to encourage departments to comply with the requirements of the PSAB;
- more accountability and transparency by federal departments with respect to participation in the PSAB;
- conducting research to determine how the benefits of the PSAB can be more widely distributed;
- PSAB criteria for Aboriginal content should be tightened and enforced;
- time frames for responding to federal contracting opportunities should be extended.

Section 4 - Conclusions

This section presents the conclusions and recommendations suggested from the synthesis and analysis of the specific findings presented in Section 3.

Rationale

Business with Aboriginal firms has increased

The data clearly show that the number of contracting opportunities for Aboriginal business has been increasing since the inception of the PSAB, and Aboriginal businesses are winning more contracts. Both the number and the total value of federal contracts being awarded to Aboriginal businesses have increased over the last five years. This conclusion is discussed in more detail in Section “Impacts.”

There is a lack of knowledge of the scope of Aboriginal products and capabilities

The rationale issue in the evaluation matrix contains some consideration of the kinds of goods and services sold by Aboriginal firms and whether they are the things purchased by the federal government. The research found that there is some question about whether the kinds of goods and services sold by most Aboriginal firms align with the needs of the federal government. It is difficult to know whether the government buys the goods that Aboriginal firms sell because there is no comprehensive information about Aboriginal businesses in Canada. It was estimated that the ASI contains information on only about one-third of Aboriginal businesses in Canada. It appears that no research was done on what kinds of things Aboriginal firms sold prior to the launch of the PSAB.

There is agreement on the need for the PSAB

Aboriginal business leaders and federal managers are unanimous in their belief that there continues to be a rationale for attempting to stimulate Aboriginal business growth and increase federal contracting with Aboriginal firms. As noted earlier in this report, these aims are wholly consistent with the broad principles found in *Gathering Strength* and in recent Speeches from the Throne. Aboriginal firms can continue to benefit from assistance in gaining knowledge of, and access to, the federal contracting process.

Some types of businesses benefit more than others from the PSAB

As noted above, Aboriginal firms are benefitting from the strategy and are expected to do so in the future. It is not clear, however, whether these benefits are accruing equally to a large number of Aboriginal businesses. While there is little objective evidence regarding this issue, there is a widespread perception that firms located away from urban centres are not experiencing any of the desired effects of the strategy. There is also a widespread belief that a few large Aboriginal businesses are reaping the majority of the benefits of the strategy. This has led many involved with the strategy to ask whether the effects to date “meet the real objectives of the PSAB.”

There is desire for a review of the PSAB

Despite the clear support for the overall goals of the PSAB, there is a common belief that the objectives of the strategy have shifted over the last five years. Many key informants held the opinion that the strategy was originally cast as a means to spur economic development for all Aboriginal people and communities in Canada. The belief now, however, is that the PSAB is more focused on the simple dollar value of Aboriginal contracting with little regard for how the opportunities are distributed.

Managers and representatives of the Aboriginal community appear to be grappling with the preferred focus for the PSAB. Currently, most accept that it is an economic development strategy and a business development strategy, but some wonder whether there is another role. The fact that the number and value of contracts with Aboriginal firms has increased over the first five years of the strategy suggests that its two main objectives have been achieved. There is a common perception, however, that it is only a few large firms, located in or near urban areas, that are benefitting from these increases. This suggests the potential for including objectives to ensure that contract opportunities flow to smaller firms or those that have not had contacts under the strategy.

In light of these perceptions, it appears that a case exists to extend the current evaluation into a full review of the PSAB. Such a review might explore issues related to PSAB objectives, policies, communication strategies, and political commitment. Any changes resulting from a review would obviously have implications with respect to the relevance of the recommendations generated by this evaluation.

Implementation

After a strong start, implementation activities have slowed

The data collected for this evaluation suggest that following a large amount of initial activity, promotion of the strategy has waned to some extent. Performance reports indicate that supplier development activities are not as prominent in 2001, reaching their peak in 1999. It appears that perhaps one cohort of Aboriginal businesses and federal personnel received extensive information on the PSAB. However, with the creation of new Aboriginal businesses and turnover of federal personnel, knowledge of the strategy is not keeping pace.

The strategy has not been fully communicated to relevant federal personnel

While there is considerable variation in opinion on this issue, it is clear that awareness and knowledge of the PSAB among federal contracting and purchasing personnel is not as high as it needs to be for the strategy to be successful. It is apparent that those personnel with the authority to purchase goods and services (RCMs) are the least knowledgeable about the PSAB. Few contracting officers actively promote the PSAB, and few RCMs actively seek to identify Aboriginal firms. These facts make it unlikely that the Strategy will be widely observed in all departments.

Purchasing personnel are not aware of goods and services offered by Aboriginal firms

Even where there is awareness of the strategy and a desire to use Aboriginal suppliers more frequently, attempts to do so are being hindered by a lack of knowledge about Aboriginal businesses. As noted in the report, little information is available regarding the number of Aboriginal firms in Canada, their areas of specialization, or their capabilities. The AIS on INAC's PSAB web site was recently discontinued and replaced by the Aboriginal Business Directory at Industry Canada's *Strategis* web site. It is still not clear whether purchasing personnel are (or will be) more aware of this new database than the ASI, or whether more Aboriginal businesses will be registered as a result. In order to determine whether any such supplier database is effective, extensive research would be required to identify and describe the range of Aboriginal businesses in Canada.

The PSAB is not widely known among Aboriginal firms and is often misunderstood

Awareness of the strategy and federal contracting opportunities is low (or non-existent) among Aboriginal businesses and communities. There is also evidence that the PSAB is not well understood by some Aboriginal businesses, the most common misperception being that it is "automatic" and entitles Aboriginal firms to contracts. There is a need for a more proactive approach by program personnel to inform Aboriginal communities about the PSAB. At the same time, it is important to recognize the role of Aboriginal economic/business development organizations (at the national, provincial, regional, or local level) in raising awareness of the strategy.

It is also important to recognize that a distinction exists between the federal contracting practices that affect all firms, the contracting practices that may affect Aboriginal firms differentially, and the terms of the PSAB. It is clear that some of those involved with the strategy fail to make this distinction. For example, the short turnaround time to prepare a joint venture bid is a problem for many firms, but may be more problematic for Aboriginal firms that may not be aware of the capabilities of other Aboriginal firms.

Results of the PSAB are not reported consistently across departments and agencies

Some data are incomplete, and reporting by federal departments is fraught with inconsistency. In some cases, contract amounts are reported by calendar year, and in others by fiscal year, making comparison difficult. Also, contract dollar amounts are not reported consistently; some amounts include tax and some do not. Many departments report that they are unable to track purchases from Aboriginal businesses made with acquisition cards. If results of the PSAB are to be measured, a uniform reporting mechanism is required.

Strong implementation of the PSAB is found mostly in a few “core” departments

The three departments most closely linked to the PSAB (INAC, TBS, and PWGSC) are clearly leading in awareness of and adherence to the strategy. Continued work is needed to expand awareness of federal obligations by departments outside of these three. It is likely, however, that attempts to do so will be hindered by the fact that purchasing and contracting officers have a number of other goals and obligations that compete for their attention (North American Free Trade Agreement, green purchases, etc.).

Barriers exist to implementation of the PSAB

There is a unanimous belief among all those interviewed and surveyed for this evaluation that the most significant barrier to the successful implementation of the PSAB is a lack of qualified Aboriginal suppliers. This fact suggests that the success of the PSAB cannot be measured only in increased numbers and value of contracts awarded to Aboriginal firms. It suggests that increasing both the numbers and the capabilities of Aboriginal firms is essential if the overall objectives of the strategy are to be reached.

Another of the barriers to implementation of the strategy is the fact that many Aboriginal firms do not have access to the technology required to compete for federal contracts. As long as MERX remains the main channel for federal contracting information, and until universal Internet service is available and easily affordable, it appears that larger Aboriginal businesses located in or near urban areas will continue to reap most of the benefits of the PSAB.

The low response rate to both the survey of purchasing personnel and the interviews with departmental managers is significant in that it suggests several possible barriers to implementation. It may indicate indifference to the PSAB among departments outside DIAND, TBS, and PWGSC. It might also indicate that personnel simply have other priorities that they consider to be more pressing. It also may be the case that employees are reluctant to reply to a questionnaire without clearing their participation with an immediate supervisor. In any case, this low response rate needs to be examined in greater detail, perhaps through the use of interviews and focus groups.

Impacts

The PSAB has increased the number and value of contracts with Aboriginal firms

Clear and quantifiable impacts result from the PSAB. Aboriginal firms are winning more contracts, and the total value of federal contracts with Aboriginal businesses has increased substantially.

What is less clear is what these impacts actually mean and whether or not they truly indicate success in achieving the two main objectives of the PSAB. While we know that the *number of federal contracts won by Aboriginal firms* has increased, we do not know if the *number of Aboriginal firms winning federal contracts* has increased. Nor is it clear that the increased volume of business with Aboriginal firms has served to stimulate Aboriginal business development. This supports the case for a review of the objectives of the PSAB, as well as a reconsideration of how to measure its impacts.

The distribution of contracts varies across and within departments

The vast majority of the value of federal contracts with Aboriginal firms is accounted for by a small number of departments. When a relatively small number of departments are making substantial purchases from Aboriginal businesses, it becomes more likely that a few established firms will obtain more of the benefits of the PSAB. There is a clear perception that “we always see the same firms getting the contracts.” It is also apparent that some departments are not setting, or reporting on, performance targets, even though they are required to do so under the PSAB.

Within departments, there are significant fluctuations in the value of purchases from Aboriginal businesses from year to year. Apparent increases in Aboriginal contracting that are merely the result of, for example, a one-time computer replacement program, are not indicators of success in meeting the objectives of the PSAB. Information regarding the qualitative nature of the purchases made from Aboriginal firms would provide much more valuable insight than the gross totals currently being used.

It is not possible to measure the impact of PSAB on Aboriginal communities

There is little question that the PSAB has had some measurable impacts on Aboriginal businesses. Less certain is whether it has had an economic impact on Aboriginal communities. It is important to note that this is not one of the primary objectives of the PSAB; however, there appears to be a common belief that it is. The aforementioned review of the strategy could consider whether or not this is a desired outcome and whether it is attainable within the scope of the PSAB.

It is not clear whether the PSAB has helped Aboriginal firms gain knowledge and expertise in federal procurement

While federal managers believe that there has been an improvement in the ability of Aboriginal firms to respond to federal contracting opportunities, those personnel involved in the day-to-day purchasing process did not know if that impact had occurred. In the absence of data on which particular firms are doing more business with the federal government, it is impossible to conclude that increased contracting is a result of increased expertise. While this could be the case, it might also be the case that those Aboriginal firms that have increased their business as a result of the PSAB already had a high level of knowledge and expertise in federal procurement.

The PSAB has had some unintended impacts, both positive and negative

Perhaps the most important impacts of the PSAB for this evaluation are those that were unintended. Positive impacts exist, such as firms applying their federal experience in competing for contracts with other levels of government and allowing buyers to easily obtain needed “Aboriginal services” to be supplied by Aboriginal people.

The negative unintended impacts of the PSAB must not be overlooked. There is a belief that “shell” or “front” companies that do not truly meet the requirements for Aboriginal content are able to benefit. In addition, some Aboriginal businesses appear to interpret the PSAB as an entitlement that allows them to obtain federal contracts without needing to compete.

Best Practices and Lessons Learned

A central database of Aboriginal firms is an essential tool for the Strategy

There is a clear need for a better understanding by buyers and federal managers of what Aboriginal firms exist and their capabilities. Many perceive that too few qualified Aboriginal suppliers are available to meet the needs of government. Information about Aboriginal businesses in Canada is sparse, and based on current information, it is impossible to know whether this view is valid. Improved databases would be helpful.

The strategy has a number of apparent strengths

The main strength of the PSAB is that promoting business and economic development for marginalized populations is, theoretically at least, a good idea. It is also wholly consistent with current federal government priorities. The fact that it takes a proactive approach with clearly defined requirements also makes it potentially more effective than voluntary programs. There are also, in some cases, practical benefits for federal purchasing personnel to be required to meet targets to ensure that the program continues to expand.

The PSAB exhibits some weaknesses

- The PSAB requirements increase work for federal purchasing personnel. They also tend to “get lost” among numerous other purchasing regulations and guidelines that have to be observed.
- Few incentives exist for vigorously applying the policy, nor are there any penalties for failing to observe it. Some departments are ignoring their obligations under the PSAB, with little or no accountability being demanded.
- The strategy is open to potential abuse. Many respondents believe that insufficient monitoring exists to detect violations in eligibility as an Aboriginal firm. It is also not difficult for firms to appear to be adhering to the letter of the strategy, while clearly violating its spirit with respect to “Aboriginal content.” The integrity of this type of program and the legitimacy of the set-aside concept depend on strict application of the definition of an Aboriginal-owned firm.
- Aboriginal business owners see the Strategy as favouring firms that are already established, especially those in urban centres, and particularly those located in or near Ottawa. This is also a complaint generally made by small firms in rural Canada and is not unique to Aboriginal firms.

PSAB is necessary but not sufficient for stimulating Aboriginal business development

While the increasing number and value of contracts with Aboriginal businesses can be viewed as a positive outcome, it may also be misleading. The fact that Aboriginal firms are doing more business with the federal government does not necessarily indicate that business development is occurring. In fact, it might indicate the opposite: that Aboriginal firms are becoming more dependent on the relatively narrow federal market. Managers and business owners pointed out that Aboriginal firms need to remain focused on developing capacity and being competitive in order to support expansion away from a few federal departments and to increase their capacity to compete outside of set-asides.

Enhanced data collection will facilitate future evaluations

As noted above, the only quantitative measure of the impact of the PSAB is number and value of federal contracts with Aboriginal firms. To properly evaluate the success of the strategy, more comprehensive information about the Aboriginal providers is required, for example:

- the specific goods or services provided;
- the number of firms benefitting from the strategy;
- the size and location of the firms; and
- business being conducted outside of the PSAB.

Future evaluations will also be enhanced if DIAND develops more comprehensive and accurate lists of federal employees in materiel management and purchasing.

Alternatives

Improvements

A widespread belief exists that the PSAB would benefit from an increased emphasis on mentoring of Aboriginal businesses, and that providing protected access to federal markets should be one aspect of the Strategy but not the main focus. It is true that teaching the skills required to compete will have more lasting effects than simply providing preferred access, and that the acquisition of business skills will allow Aboriginal firms to compete in any arena, not only in federal procurement. A specific example is found in the observation that there is a need to teach Aboriginal firms how to write proposals: *“Even those aware of and trying to use the PSAB aren’t submitting good proposals.”* Providing sample proposals and ensuring that unsuccessful bidders are debriefed, for example, will increase their chances of success in the future. Again, however, numerous other programs are available to provide businesses with such advice and assistance, and many of these activities are beyond the scope of the PSAB mandate.

If spreading the benefits of the PSAB more evenly across the country is deemed to be important, a “buy locally” requirement could help to better distribute contracting opportunities. If impacts at the community level are deemed to be important, greater efforts must be made to get PSAB information out to smaller and more remote centres. Differences in infrastructure (e.g., Internet access, speed) must also be recognized and allowances made until such time as equal access to on-line processes and resources is realized.

Section 5 - Recommendations

This section identifies a number of recommendations for action based upon the conclusions in Section 4.

The findings of this evaluation support the conclusion that overall, the PSAB has been successful in meeting its stated objectives, and that a sound rationale for the strategy continues to exist. The recommendations below address some areas for building upon that success in the future. The first seven recommendations apply to improvements in delivering the strategy as it is currently conceived. The final recommendation below, that a full review of the PSAB be conducted, obviously has implications for any subsequent modifications. The results of such a review will tend to define the requirements for future action and will bring their own related recommendations.

Recommendations

1. A presentation should be delivered to the Deputy Ministers' Committee on Aboriginal Policy or another suitable forum on the PSAB results and future direction with a view to obtain a renewed Government of Canada commitment to the strategy and that each Minister undertakes a personal commitment to ensure that their organization is fully engaged in maximizing the PSAB objectives.

New approaches to moving information from INAC to Aboriginal businesses and federal purchasing personnel would be beneficial and could include:

- new mechanisms to ensure that information is distributed to federal purchasing personnel by performance objectives coordinators;
- ensuring that federal purchasing personnel are able to refer Aboriginal businesses to other business development tools that can complement the opportunity provided by the PSAB;
- greater communication with Aboriginal economic development agencies and personnel by PSAB program staff; and
- recognition that there is a bilateral responsibility for communication. Aboriginal organizations, communities, and businesses should be encouraged to provide information to INAC and other federal departments.

2. The Director, Economic Development Programs Directorate, should work in concert with various stakeholder groups to enhance the implementation and the internal and external communication of the strategy.

The strategy could include:

- the development of a uniform reporting template for departmental performance;
- the collection of more detailed data on Aboriginal contracting under the PSAB, including number and types of businesses benefitting, and types of goods and services provided;
- the collection of data on Aboriginal contracting *outside* of the PSAB, possibly through the development of a sampling strategy that would provide a sense of the magnitude of currently unidentified contracting activity.

3. The Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada, in partnership with industry Canada and Public Works and Government Services Canada should play a lead role in strengthening and enhancing an Aboriginal supplier database.

The process of identifying Aboriginal firms and encouraging them to register should move from a passive to an active approach. Again, the assistance of Aboriginal organizations and communities should be enlisted.

4. The Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada should create capacity development tools that will enable Aboriginal firms to take advantage of the opportunities created under the PSAB and general contracting activities offered by the federal government.

While the PSAB is not primarily a business development initiative, it may contribute to this goal through:

- defining the essential elements that are required to make Aboriginal firms “government ready,” and referring them to the most appropriate providers; and
- communicating to Aboriginal firms and organizations the importance of their role in business development.

5. The interdepartmental working group, in consultation with the Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada, should develop a uniform reporting template for PSAB departmental performances purposes.

6. The Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada, should improve the monitoring and enforcement of Aboriginal content criteria to ensure the operation of the PSAB is consistent with its stated objectives.

This could include:

- restating the importance of observing the requirements of the PSAB to all new and existing purchasing personnel;
 - training performance objectives coordinators to better fulfill their responsibilities under the PSAB; and
 - making performance objectives coordinators and departmental managers accountable for any failure to comply with PSAB requirements.
7. The Assistant Deputy Minister, Economic Development and Strategic Initiatives Sector, in consultation with the Director General of the Audit and Evaluation Branch, should initiate a full review of the Procurement Strategy for Aboriginal Business within 5 years.

Such a review might, among other issues, consider:

- whether there is a continuing rationale for the strategy;
- the overall goals of the strategy;
- the main objectives (e.g., business development, economic development, community development) of the strategy;
- PSAB policies and procedures;
- eligibility criteria; and
- identification of appropriate performance measures.

Terms of Reference

Terms of Reference

Evaluation of Procurement Strategy for Aboriginal Business

Background: The Procurement Strategy for Aboriginal Business (PSAB) was implemented by the federal government of Canada in April 1996. The strategy is intended to:

- stimulate Aboriginal business development; and
- increase the number of Aboriginal business competing for and obtaining federal contracts.

Phase I of the strategy involved the implementation of PSAB by all federal departments and agencies by April 1, 1996. Phase II related to the development of performance objectives by all departments and agencies with a procurement budget of at least one million dollars. Beginning in January 1997, these organizations had to define multi-year aboriginal procurement performance objectives and targets.

In addition to these activities, three organizations carried out further responsibilities. The Treasury Board Secretariat (TBS) has initiated policy changes as well as reviewed whether there were administrative obstacles to Aboriginal businesses. Public Works and Government Services Canada (PWGSC) has established set-aside program procedures in accordance with the requirements of the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) regarding government procurement from businesses owned or operated by minority groups. Finally, the Department of Indian Affairs and Northern Development (DIAND) has assisted departments and agencies to establish their multi-year performance objectives.

PSAB consists of the following key elements:

- greater emphasis on Aboriginal economic development when planning procurement;
- mandatory set-asides for procurements greater than \$5,000 which are destined for Aboriginal populations;
- selective set-asides for procurements where the contracting authority believes there is capacity from the Aboriginal business sector to respond; and
- provision for subcontracting with Aboriginal firms when the requirement is outside of NAFTA and WTO rules.

Need: Incorporated within PSAB is a requirement for an evaluation study of the strategy to be conducted by Treasury Board and DIAND by March 31, 2001. In that regard, an evaluation framework was established in April 1999 to assess the effectiveness of the strategy in enhancing Aboriginal business access to and success in federal government contracting. This framework will be used to carry out the evaluation.

Scope: As suggested in the evaluation framework, the evaluation will cover the implementation of the strategy at the federal level. It will also assess the impacts and effects that the strategy had on procurement activities (internal) as well as on the Aboriginal businesses (external). The study will cover both government and the Aboriginal business community. The evaluation will take place in a sample of large departments in the National Capital as well as in three regions. Both the departments and the regions involved are to be determined at the planning stage. A sample of Aboriginal communities/businesses will be selected as case studies.

Issues: The review will provide information on the following issues:

- is there a continued rationale for the PSAB as currently defined?
- were the objectives which were set for PSAB met? Are there any unintended impacts, positive or negative?
- has the implementation of the strategy been efficient and effective? Are there any barriers to successful implementation?
- what are the best practices and lessons learned?
- what improvements can be made and what are the options for future programming? Are there alternatives to the PSAB?

Approach: The evaluation framework has been and will be used to monitor and measure PSAB's performance and impacts. The framework advocates a cost-effective, standardized approach to the collection of appropriate data for the evaluation. Multiple lines of evidence will be used. These will include interviews with managers in federal departments, survey of government officials and Aboriginal businesses, focus groups and case studies.

The evaluation will be managed by the Departmental Audit and Evaluation Branch of DIAND, and overseen by two committees. A working level committee will work with DAEB and the evaluation consultants and will provide recommendations to a Senior Steering Committee chaired by the Director General of DAEB. These committees will be composed of key government departments and agencies and representatives of Aboriginal

businesses and stakeholder groups. Representation will come from TBS, PWGSC, DIAND, Department of National Defence, Industry Canada, Health Canada, the RCMP, the Aboriginal business community, the AFN, ITC, and CAP.

Resources: The project will be carried out using a mix of DIAND staff and contracted resources.

Time frame: A final draft evaluation report will be ready by March 2001 for interdepartmental discussions on the future direction of the PSAB and approval by the parties involved.

Approved by:

Chantal Bernier
Assistant Deputy Minister
Socio-Economic Policy and Program
Redesign
Indian Affairs and Northern Development
November 10, 2000

Roberta Santi
Assistant Secretary
Risk, Procurement and Asset
Policy Sector
Treasury Board Secretariat
November 22, 2000

Management Response

Management Response

The Procurement Strategy for Aboriginal Business (PSAB) was launched in 1996, and utilizes the government's purchasing processes to stimulate Aboriginal business development and to increase the number of Aboriginal firms competing for and winning federal contracts.

The PSAB primarily targets small and medium-sized enterprises who deliver a variety of goods and services. The strategy encourages federal officials and Aboriginal firms to do more business together, and applies to all departments and agencies designated as such by the *Financial Administration Act*, Schedules I, Schedule I.1 and Schedule II, Part I of the FAA, Chapter F-11, R.S.C. F-10, s.1, as amended.

Under the PSAB, goods and services that serve a primarily Aboriginal population are set aside for competition amongst qualified Aboriginal businesses. Federal departments and agencies are also encouraged to set aside other opportunities for competition wherever practical, and contingent upon sound procurement and project management principles. Aboriginal businesses may also compete for federal contracts which are open to all qualified suppliers.

The PSAB is federal policy, and is aimed at improving the socio-economic conditions faced by Aboriginal people. The federal government has made a clear commitment in the most recent *Speech from the Throne* to helping Aboriginal people develop their business and entrepreneurial skills for the new economy. This supported previous commitments made in *Gathering Strength, Canada's Aboriginal Action Plan*, to tailor federal initiatives to increase market access for Aboriginal entrepreneurs, and engage in development activities which build economic self-reliance and promote economic sustainability.

The PSAB is a socio-economic tool which operates within the prescribed guidelines of the Government of Canada's contracting policies. The objective of government contracting is to obtain goods, services and construction services in a manner that stands the test of public scrutiny in terms of fairness, openness and transparency and achieves best value for Canadians. Consistent with the pre-eminence of operational requirements, the Government of Canada provides for social and economic objectives to be pursued through procurement. These socio-economic objectives include long-term industrial and regional development and other appropriate national objectives such as Aboriginal economic development through the Procurement Strategy for Aboriginal Business.

In establishing the PSAB, a commitment was made to conduct a full review of the PSAB, which was carried out after a five year implementation period. The *Evaluation of the Procurement Strategy for Aboriginal Business* and the following action plan are the result of that review. The *Evaluation* found that the PSAB had succeeded in meeting its stated objectives, and that a sound rationale existed for the continued operation of the strategy. The *Evaluation* also provided sufficient evidence to conclude that various implementation activities and the current communication strategy needs improvement. The following action plan addresses the recommendations put forth in the *Evaluation* with respect to the implementation of the strategy, and outlines activities intended to revitalize the PSAB over a period of six months.

Action Plan

PROJECT TITLE / TITRE DU PROJET : Procurement Strategy for Aboriginal Business

REGION OR SECTOR / RÉGION OU SECTEUR : Economic Development and Special Initiatives

(1) RECOMMENDATIONS / RECOMMANDATIONS	(2) REPORT / RAPPORT PAGE NO.	(3) ACTION PLAN / PLAN D'ACTION	(4) RESPONSIBLE MANAGER / GESTIONNAIRE RESPONSABLE (TITLE / TITRE)	(5) PLANNED IMPLEMENTATION DATE / DATE PRÉVUE DE MISE EN OEUVRE
<p>1. A presentation should be delivered to the Deputy Ministers' Committee on Aboriginal Policy or another suitable forum on the PSAB results and future direction with a view to obtain a renewed Government of Canada commitment to the strategy and that each Minister undertakes a personal commitment to ensure that their organization is fully engaged in maximizing the PSAB objectives.</p>	<p>50</p>	<p>As a follow up to this presentation, a letter will be sent from Minister Nault to his federal colleagues encouraging their continued support of PSAB. This renewed commitment will be followed by:</p> <ul style="list-style-type: none"> • The distribution of yearly PSAB annual reports to departmental Deputy Ministers detailing the Government of Canada's achievements in implementing the PSAB. (Ongoing). • Provide all PSAB Co-ordinators with a copy of their Minister's response to INAC to provide PSAB Co-ordinators with the authority to actively pursue the objectives of the PSAB. 	<p>ADM, Economic Development and Special Initiatives Sector</p>	<p>Sept. 30, 2002</p>

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<u>Recommendation 1 - continued</u>	50	Once completed, the interdepartmental working group will review options on securing management accountability for the PSAB through the use of performance pay and existing reward/recognition mechanisms.	ADM, Economic Development and Special Initiatives	March 31, 2003

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<p>2. The Director, Economic Development Programs Directorate, should work in concert with various stakeholder groups to enhance the implementation and the internal and external communication of the strategy.</p>	<p>51</p>	<p>The interdepartmental working group will develop and seek approval of a communications strategy by the senior level interdepartmental steering committee. The communications strategy will seek to initiate new approaches for moving information from departments to Aboriginal businesses and federal purchasing personnel in order to build/enhance/create awareness/understanding of the PSAB. This will include:</p> <ul style="list-style-type: none"> • Identify target audiences - Deliver different messages to different audiences; • PSAB Presentations across Canada; 	<p>Director, Economic Development Programs Directorate</p>	<p>March 31, 2003</p>

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<u>Recommendation 2 - continued</u>	51	<ul style="list-style-type: none"> • Trained presenters with in-depth knowledge of PSAB and procurement/contracting process and regulations (do regular evaluation of knowledge); • Communicate that there are other opportunities besides Government (corporations, provincial and municipal governments, Academic Institutions, etc); • Contact TBACC, the Professional Development Advisory Committee, to support delivery and development of a training course on contracting under the PSAB; • Work with existing organizations such as CANDO to deliver and communicate information (policies, opportunities, "how to", etc.); 	Director, Economic Development Programs Directorate	March 31, 2003

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<p>3. The Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada, in partnership with Industry Canada and Public Works and Government Services Canada should play a lead role in strengthening and enhancing an Aboriginal supplier database.</p>	<p>51</p>	<p>The strategy will:</p> <ul style="list-style-type: none"> • insert a web page link to the SRI and Strategies websites on the front page of INAC's internet site; • provide information to stakeholder groups through electronic/print media; • identify what is missing from existing databases that would make the procurement community's job easier; and • enlist assistance of CANDO and economic development officers in providing more detailed information of existing Aboriginal business capacity. 	<p>Director, Economic Development Programs Directorate</p>	<p>March 31, 2003</p>

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<p>4. The Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada should create capacity development tools that will enable Aboriginal firms to take advantage of the opportunities created under the PSAB and general contracting activities offered by the federal government.</p>	<p>51</p>	<p>In order to improve the contribution of PSAB to business development, the director will:</p> <ul style="list-style-type: none"> • develop and implement electronic interactive training modules to enhance current Aboriginal business capacity; • work with Aboriginal communities to inform them of accessible internet site locations and where existing business tools may be accessed; • enhance current advocacy efforts for federal contracting opportunities; 	<p>Director, Economic Development Programs Directorate</p>	<p>March 31, 2003</p>

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<u>Recommendation 4 - continued</u>	51	<ul style="list-style-type: none"> • seek out partnership opportunities with other federal departments and agencies in enhancing government readiness of Aboriginal firms; • where feasible, require prime contractor to sub-contract portions of work to Aboriginal firms; and • develop infokits on how to respond to contracting opportunities. 	Director, Economic Development Programs Directorate	March 31, 2003

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<p>5. The interdepartmental working group, in consultation with the Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada, should develop a uniform reporting template for PSAB departmental performances purposes.</p>	<p>51</p>	<p>The interdepartmental working group will:</p> <ul style="list-style-type: none"> • review current PSAB reporting and monitoring requirements; and • develop a uniform reporting template for PSAB departmental performances purposes and departments will be encouraged to use this mechanism. 	<p>Director, Economic Development Programs Directorate</p>	<p>March 31, 2003</p>
<p>6. The Director, Economic Development Programs Directorate, Indian and Northern Affairs Canada, should improve the monitoring and enforcement of Aboriginal content criteria to ensure the operation of the PSAB is consistent with its stated objectives.</p>	<p>52</p>	<p>The newly formed interdepartmental working group will review the current PSAB policy and examine what revisions are required to enhance effective implementation, in consultation with Aboriginal stakeholders. The monitoring and enforcement of Aboriginal content criteria will be revised as a result of this exercise.</p>	<p>Director, Economic Development Programs Directorate</p>	<p>March 31, 2003</p>

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<p>7. The ADM, Economic Development and Strategic Initiatives Sector, in consultation with the Director General of the Audit and Evaluation Branch, should initiate a full review of the Procurement Strategy for Aboriginal Business within 5 years.</p>	<p>52</p>	<p>The interdepartmental working group will determine the broad issues or themes to be examined as part of the full review.</p> <p>In recognition that 5 years was insufficient to undertake a full evaluation, INAC's Departmental Audit and Evaluation Branch, in consultation with the Economic Development Programs Directorate, will establish an interdepartmental working group of key departments to develop key terms of reference for a high-level review of the PSAB, in consultation with Aboriginal stakeholders.</p>	<p>ADM, Economic Development and Strategic Initiatives Sector</p>	<p>March 31, 2007</p> <p>Terms of reference to be completed by March 31, 2005.</p> <p>The PSAB review will commence on April 1, 2006.</p>

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<u>Recommendation 7 - continued</u>	52	<p>The key terms of reference for this high-level review of the PSAB may wish to consider the following:</p> <ul style="list-style-type: none"> • is there a continued rationale for the existence of the PSAB? • does it require redesigning? • were the established objectives met? • has it been properly communicated? • has it had a positive impact upon the growth of Aboriginal business? 	ADM, Economic Development and Strategic Initiatives Sector	A complete report of the results of the review will be distributed to all Deputy Ministers by June 30, 2007.