

Understanding the Target Process of the Procurement Strategy for Aboriginal Business

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May 2018

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Acknowledgements

I would first like to thank my supervisor, Dr. Rebecca Warburton of the School of Public Administration at the University of Victoria. Her guidance and support throughout the entire process of planning and writing this project was invaluable. I would not have completed a project of this caliber had it not been for her excellent direction and feedback.

I would also like to thank my client and manager, Ravinder Rakhra and Shaun Carlton for their continued enthusiasm for this project which helped to keep me motivated and excited to finish. I would particularly like to thank my manager, Shaun Carlton, for his support and accommodation at work, without which I would not have been able to complete this project so quickly.

Additionally, I would like to thank all those who contributed their time and expertise during the interview process. It was a pleasure to speak with all of you and your enthusiastic participation and input was incredibly valuable in contributing to the results of this research.

Finally, I would like to thank my family and friends for their support and encouragement throughout the process of researching and writing this project. This accomplishment would not have been possible without them.

Executive Summary

Introduction

The Government of Canada created the Procurement Strategy for Aboriginal Business (PSAB) program in 1996 to improve the economic situation in Indigenous communities. This program allows for certain procurements to be set aside for only qualified Aboriginal businesses when the goods, services, or construction is destined for a primarily Indigenous community. In 2014 the value of PSAB set-aside contracts reached \$227.05 million (INAC, 2017, Executive Summary).

Public Services and Procurement Canada (PSPC) is responsible for purchasing billions of dollars' worth of goods, services, and construction each year. Client departments who purchase more than \$1 million worth of goods, services, and construction each year are responsible for setting their own performance targets which indicate how they intend to support the PSAB program.

The problem is determining whether the PSAB program has been successful in increasing Indigenous participation in federal contracting due to the fact that “success” has been determined based on whether or not government departments are meeting or exceeding their performance targets. Because the targets are set by individual departments, PSPC has no point of reference for what the targets are, how close departments are to meeting them, and, therefore, are limited in how much they can intervene or suggest doing voluntary set-asides.

The purpose of this research is to better understand the current system for the PSAB targets, the strengths and weaknesses of the current approach, and to make recommendations to improve the program based on the results of this research.

Primary Questions

- How are departments setting their targets for supporting the PSAB initiative?
- What factors contribute to meeting or not meeting targets?

Secondary Questions

- What efforts are departments making to achieve their targets?
- What are the criteria for establishing performance objectives?
- What barriers are preventing departments from meeting their targets?
- What are the consequences for departments when they exceed targets? When they don't meet them?

Methods

In order to collect data that to encompass both the depth and breadth of the problem, a mixed methods approach was used. The general research approach included a current state analysis and

a jurisdictional scan. Qualitative research was conducted to understand both the context and previous outcomes under the PSAB.

Research was conducted through a review of quantitative data published by Indigenous and Northern Affairs Canada (INAC), interviews with PSAB Coordinators at the National Capital Region, representatives from INAC who manage the PSAB program, and procurement officers in the Pacific Region.

The PSAB Annual Report data available shows how PSAB has performed from 2000 to 2014 and provided context to how targets have been used to determine success, what variables the targets are being measured against, and highlighted the delays in processing PSAB data and subsequently the delays in departments receiving performance feedback. Interviews with PSAB Coordinators provided insight into how departments are individually setting their goals, what factors they consider when doing so, and how they think the program could be improved. Interviews with representatives from INAC provided insight into how they collect and analyze data and discussions with Pacific procurement officers offered insight into how their department's targets and results are being distributed to the regions.

Key Findings

Reviewing the PSAB Annual Report Data from 2000 to 2014 identified three discrepancies that limit the ability to conduct a proper evaluation on whether the PSAB has been successful.

- The use of inconsistent performance measures over time has made it difficult to determine the impact the program is having.
- There is limited use of targets as performance indicators in the Annual Reports.
- It is unclear if contracts awarded to Aboriginal businesses outside of the PSAB program are intended to be included in evaluating the success of the PSAB program.

The results of the interviews with the three groups – PSAB Coordinators, INAC representatives, and Pacific Region procurement personnel – provided insight into the management of the PSAB program and the process of setting targets.

Interviews with PSAB Coordinators identified six key findings in relation to how PSAB targets are being set and how the PSAB program could be improved:

- PSAB Coordinators are solely responsible for setting their Department's PSAB targets.
- PSAB Coordinators unanimously agreed that they are not receiving guidance or direction from INAC with regard to how they should be setting their targets.
- Targets are being set using a mix of historical data and awareness of upcoming projects.
- Targets are not being communicated to the regions.
- Given delay in performance feedback, setting targets for the next year is largely a guess.

- Coordinators identified needing more prompt feedback, more organized data collection and reporting, and better guidance from INAC to improve PSAB performance.

Interviews with INAC representatives provided insight into how the program is managed and what goes into collecting and reporting on the PSAB contracting data. These interviews provided five key findings:

- PSAB performance is influenced by external factors (i.e. budget cuts).
- INAC provides PSAB background information to departments with the call letter that is sent out asking for PSAB targets.
- Departments tend to set their targets one of two ways: legacy or contract analysis
- PSAB success, in terms of Aboriginal business participation and data accuracy, could be improved through aligned IT systems, increased authority for INAC to follow up on targets, and improved outreach to departments.
- Aboriginal businesses are writing to their ministers when departments do not use set-asides, and departments are responding to those complaints.

Results from the interviews with Pacific Region procurement officers supported the findings from interviews with the PSAB Coordinators:

- Procurement officers in the Pacific Region were unaware of their department's target.
- Procurement officers are not actively working toward the PSAB target.
- Knowing the target would help improve PSAB success.

To help inform the recommendations to improve upon the current system, promising practices from Australia and New Zealand have been identified. Australia implemented the Indigenous Procurement Policy (IPP) in 2015 which is almost identical to the PSAB.

New Zealand has taken a different approach to contributing to the socioeconomic development of the Māori. However, lessons such as the following constitute promising practices that should be considered by other nations working to improve Government-Indigenous relationships and contributing to Indigenous economic development:

- Settlements for claims pertaining to the taking of land, resources, and the absence of protective measures for culture are essential.
- Restructuring the government's role in managing Indigenous affairs is vital.
- Economic development plans must match cultural values and be created by a political authority which is recognized as legitimate.
- Economic development cannot occur in isolation from other social issues such as health, housing, and education.

Recommendations

As a result of this research, this paper makes eight recommendations for how the Government of Canada should proceed with their use of the PSAB program, including two recommendations for further research:

Immediate Actions

- PSPC and INAC coordinate on PSAB data that is being collected.
- INAC needs to provide clear guidance to PSAB Coordinators as to what they hope to measure from data collection and decide on what variables they want to record (i.e. set-asides, incidental, overall business volume).
- INAC hire more staff to address the backlog of data and publish annual reports to get them up to date.
- PSPC and INAC to develop and distribute a list of commodities that can be supplied by Aboriginal businesses.

Future Actions

- INAC and Treasury Board collaborate to give more weight to Contract Policy Notices (CPN) that would allow INAC to implement consequences for departments not setting a target or meeting a goal.
- PSAB Coordinators should share departments' targets with PSPC and regional procurement personnel.

Future Research

- Review and collect data on business composition of Aboriginal businesses listed in the Aboriginal Business Directory to determine levels of Indigenous ownership and participation.
- Reevaluate the use of targets. Currently they are not being shared with those doing procurement, are not being assessed against performance in reports, and are not providing feedback until two to three years after the fact. Should targets be retained, redesigned, or dropped?

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1.0 Introduction

1.1 Defining the Problem

The Government of Canada has committed to improving its relationship with Indigenous communities. One of the methods of improving the relationship is to improve the economic situation in Indigenous communities. To accomplish this, the Government created the Procurement Strategy for Aboriginal Business (PSAB, or the Strategy) to direct contracts to Aboriginal¹ businesses where the requirement is destined for an Aboriginal community or when Aboriginal business capacity exists. The Strategy is a national Government of Canada initiative led by what is now Indigenous and Northern Affairs Canada (INAC), formerly Aboriginal Affairs and Northern Development Canada and Indian Affairs and Northern Development. INAC launched PSAB in 1996 to create and strengthen partnerships between Aboriginal business owners, industry sectors, and the Government of Canada (INAC, 2014a, Procurement Opportunities). That said, as of August 28, 2017, PM Trudeau announced that INAC is being dissolved and will be replaced with a Department of Crown-Indigenous Relations and Northern Affairs and a Department of Indigenous Services with the former taking ownership of the Strategy (Trudeau, 2017).

Public Services and Procurement Canada (PSPC) is responsible for purchasing billions of dollars' worth of goods, services, and construction each year (PSPC, 2017). Client departments who purchase more than one million dollars' worth of goods, services, or construction annually are responsible for setting their own performance targets for how they intend to support the Strategy. Currently, PSPC works with and relies on client departments to request voluntary "set-asides"² to support the Strategy. The problem in determining whether the PSAB has been successful in increasing Indigenous participation in federal contracting is that "success" has been determined based on whether or not government departments have achieved or exceeded their yearly performance objectives (INAC, 2010a). However, because government departments are setting these goals for themselves, objectively measuring success is impossible, and because they are set by the client departments, PSPC has no information on what the targets are, or how close departments are to meeting them, and is therefore limited in how much they can intervene or suggest making voluntary set-asides.

1.2 Project Client

The project client is the Commercial Acquisitions division of Public Services and Procurement Canada in the Pacific Region. The federal government buys over \$18 billion worth of goods,

¹ For the purpose of this project, the term "Aboriginal" will be used when relating specifically to the PSAB and other government policies, which use the term "Aboriginal" exclusively. The term "Indigenous" will be used when relating to communities and Government-Indigenous relations.

² Set-aside: a procurement that is only open to Aboriginal Business (INAC, 2014c, The Procurement Strategy for Aboriginal Business).

services, and construction for Canada each year, and of that, PSPC manages about \$15 billion on behalf of other federal departments throughout Canada (Public Services and Procurement Canada, 2017). Their current approach to Indigenous engagement is governed by Comprehensive Land Claim Agreements (CLCA), the PSAB, and the legislation pertaining to Government-Indigenous engagement.

1.3 Project Objectives and Research Questions

The purpose of this research is to better understand the current system for the PSAB targets, the strengths and weaknesses of the current approach, and to make recommendations to improve the program based on the results of this research.

Primary Questions

- How are departments setting their targets for supporting the PSAB initiative?
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Secondary Questions

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- What barriers are preventing departments from meeting their targets?
- What are the consequences for departments when they exceed targets? When they don't meet them?

1.4 Methods and Scope

The general research approach included a current state analysis and a jurisdictional scan. Research conducted included a review of the quantitative data published in INAC's PSAB Annual Reports, interviews with individuals who work with the PSAB program at different levels of involvement, and a jurisdictional scan comparing the PSAB program to the effectiveness of programs and approaches taken in Australia and New Zealand.

The result of this research has produced findings which identified inconsistencies in INAC's measuring and reporting of PSAB data, the factors that are considered when setting PSAB targets, who is responsible for setting them, how that information is distributed, INAC's role in setting targets, and a comparative analysis of Australia and New Zealand.

The scope of this project was limited to understanding how the target system is being applied and how that contributes to PSAB's outcomes. Given the nature of the research question was to determine how the PSAB targets are being set, the scope of the project was limited to government workers who use or manage the program and did not extend to industry or suppliers given that their perspective would not be able to provide insight into the research question.

1.5 Organization of Report

In addition to this Introduction, this report contains sections for Background, Literature Review, Methods, Findings, Discussion and Analysis, and Conclusion and Recommendations.

The Background section provides a brief overview of the environment in which the PSAB exists and is being managed. It provides a brief overview of their client, their role in relation to the PSAB, and a summary of the PSAB program. This section also touches on the shared responsibility PSPC and INAC have for the PSAB and the recent dissolution of INAC which is to be replaced with the Department of Crown-Indigenous Relations and Northern Affairs and the Department of Indigenous Services.

The Literature Review provides context for the need for the PSAB and events that took place that led to its creation. There is a very brief overview of the issues that exist in the relationship between the Government and Indigenous Peoples, and the evolution of the idea that economic development programs were necessary to improve the socioeconomic status of Indigenous Peoples and contribute to the goal of self-government. This section also reviews different evaluations of the PSAB to provide a sense of the overall concerns, as well as reviewing what others have said about the target system. From there, this section explores literature on the use of targets in changing performance outcomes and what factors need to be considered in order for the use of targets to have an impact. In addition to the PSAB and the use of targets, literature discussing the need for modernizing procurement processes and incorporating the idea of social procurement was reviewed.

The Methods section identifies the research approach that was taken in order to collect the data that was gathered and analyzed for this project. A quantitative data review of publicly available PSAB Annual Reports was conducted, interviews were conducted with three different groups of government workers, and a jurisdictional scan was completed of Australia and New Zealand.

The Findings section presents the results of the research. Key findings from the Annual Reports included how performance was being measured, targets versus business volume, and the comparison between set-asides and incidental³ contracts. The interview results were broken down by group – PSAB Coordinators, INAC representatives, and Pacific Region procurement personnel – and provide responses to the interview guides found in Appendix D through F.

The results of the jurisdictional scans of Australia and New Zealand are presented identifying programs these countries are using that are comparable to the PSAB and present the groundwork for identifying lessons learned and promising practices for Canada.

The Discussion and Analysis section integrates and analyzes themes from the Findings and Literature Review, focusing on the purpose of the PSAB, the criticisms of it, the use of target

³ Incidental contract: a contract that is awarded to Aboriginal Business through open competition, not through use of set-asides.

systems, the need for modernized procurement processes, and finally a review of the lessons learned from the jurisdictional scan.

2.0 Background

Public Services and Procurement Canada (PSPC), formerly Public Works and Government Services Canada, works closely with other government departments as the central purchaser of goods, services, and construction over \$25,000.00, with some exceptions where client departments have higher delegated spending authorities. PSPC works closely with different departments to acquire the goods and services necessary for their daily operations (PSPC, 2017).

In Prime Minister Justin Trudeau's mandate letter to Minister Judy M. Foote in 2015, he stressed the importance of pursuing goals with a "renewed sense of collaboration" and the necessity for improved partnerships with provincial, territorial, and municipal levels of government (Trudeau, 2015). Beyond that, he stressed "no relationship is more important to me and to Canada than the one with Indigenous Peoples" arguing it is time to approach the relationship as nation to nation and build on "recognition of rights, respect, cooperation, and partnership" (Trudeau, 2015).

Trudeau's mandate letter emphasized that services provided by PSPC must be "delivered efficiently and in a way that makes citizens feel respected and valued" (Trudeau, 2015). One of the top priorities identified in the mandate letter was to modernize procurement practices so that they are simpler and include practices that will better "support our economic policy goals including green and social procurement" (Trudeau, 2015).

One of the ways PSPC is currently working toward accomplishing these goals is through the "set-aside" program under the PSAB.

There are two types of set-asides established within the PSAB. First, there are mandatory set-asides, where the destination is a community with a population that is 80% or higher Aboriginal and the value of the contract will exceed \$5,000. Second, there are voluntary set-asides where Aboriginal capacity exists and the client department decides to apply a PSAB set-aside.

In order to be considered an Aboriginal business under the PSAB, the following criteria must be met: the business must be owned and controlled by at least 51% Aboriginal people, and if there are more than six full time staff, at least one third of them must be Aboriginal (Indigenous and Northern Affairs Canada, 2014c). Another way to be eligible under the PSAB is if a firm is starting a joint venture, at least 51% must be owned and controlled by Aboriginal business or businesses. The firm must demonstrate that, for the duration of the contract, 33% of the value of the work is performed by the Aboriginal business (Indigenous and Northern Affairs Canada, 2014b).

Procurements invoking these set-asides are not subject to international trade agreements due to the exemption under the North American Free Trade Agreement (NAFTA) for small or minority businesses. Procurements using this set-aside are also exempt from the Canadian Free Trade Agreement (CFTA). Set-asides have no upper dollar value limit (Treasury Board of Canada Secretariat, 1997).

PSPC has a large role in executing the PSAB program, however, Northern Affairs and a Department of Indigenous Services, formerly known as Indigenous and Northern Affairs Canada (INAC) and Aboriginal Affairs and Northern Development Canada (AANDC), is the department responsible for the creation, management, and reporting on the PSAB program. The dissolution of INAC and replacement with a Department of Crown-Indigenous Relations and Northern Affairs and a Department of Indigenous Services was justified in a letter from Trudeau who emphasized that in order to commit to a renewed relationship with Indigenous Peoples, two major issues need to be addressed. First, the government needs to close the socioeconomic gap between Indigenous and non-Indigenous Canadians and second, the government needs to make “foundational changes to our laws, policies, and operational practices based on the recognition of rights to advance self-determination and self-government” (Trudeau, 2017). INAC was never designed to support these two goals, as such the restructuring is necessary and modelled on recommendations from the Royal Commission and will include cooperation and involvement of Indigenous Peoples (2017).

3.0 Literature Review

3.1 Introduction

Literature exists to varying degrees for the various topics being explored in this research. There is a lot of grey literature available in the form of government publications and annual reports, evaluations, etc. However, there is very limited academic literature that focuses primarily on the PSAB program. Literature prior to the 2000's focuses on the need for economic development. The Report of the Royal Commission on Aboriginal People published in 1991 emphasized the need for economic development. After the PSAB was introduced in 1996, there has been literature using the PSAB as an example in discussions on social procurement. Limitations in the literature can be seen in relation to the use performance objectives in the public service and the availability of government publications reviewing and analyzing the PSAB program after 2014. Literature written on the topic from an Indigenous perspective could not be found. So while this program and research on the use of social procurement is directed to Indigenous people, there does not appear to be an Indigenous voice in this conversation.

The key themes that were explored for this literature review included how the need for economic development became a key component in the discussion around the relationship between the Government and Indigenous communities, responses to and analysis of the PSAB program, and the use, benefits and risks to using social procurement as a means to execute social policy goals. There seems to be consensus in the academic literature that moving forward, the relationship between the Government of Canada and Indigenous peoples needs to be one of equal footing, mutual respect, and independence. While there is variation on what steps need to be taken to achieve this, a common priority in the literature is the need for economic development to the point where these nations are able to be self-sufficient. There is limited academic literature written on the PSAB program beyond referencing it as an example of social procurement and even fewer that present any sort of criticism of the program. There is a much wider range of literature surrounding social procurement, since it can be applied to many demographic or ethnic groups, with goals such as creating employment opportunities, addressing discrimination, inequalities, and/or fair wages. While the focus of this project is the use of social procurement in a Government policy context, this concept can also be adopted in the private sector so there is a wide range of academic literature on this concept.

3.2 Government-Indigenous Relationship

A prominent theme throughout the literature has been the need to redefine the relationship between Indigenous people throughout the country and the federal government. The relationship over the past few years remains tense and there are many areas that need to be addressed and considered when proposing strategies to improve it.

Salée and Lévesque explored the issue of the power imbalances that exist between the government and Indigenous communities. They argue the notion of “self-government” in Canada is a misnomer given the power the Canadian government maintains in controlling how and where Indigenous governments can fit into the pre-existing system of governance (Salée and Lévesque, 2010, p. 105). Others critique the effectiveness of programs that have been created by the government with little consultation with the Indigenous communities they are intended to assist. Fleras and Elliott (1992) addressed the tendency for the government to view Indigenous peoples as a “problem to be solved” (p. 39). They criticized that Indigenous peoples remain economically dependent on the government which compromises their goal of self-determination and in addition to promoting the need for economic development, they also stressed the need for land claims to get resolved so that these communities and nations can manage and utilize their own resources (1992, p. 9, 33).

Schouls (2003) explored the Indigenous claims to restitution in the forms of re-appropriating traditional lands and resources and the restoration of original political sovereignty. His analysis focused primarily on the evolution of the relationship and how self-determination was being actively pursued while other articles emphasized the future of the relationship by exploring what factors need to be considered and implemented in order to ensure a successful transition to self-government.

3.3 Indigenous Economic Development

In the early 1990’s the Government of Canada proposed and implemented the *National Strategy for Aboriginal Economic Development* which was followed shortly by the establishment of the Royal Commission on Aboriginal Peoples in 1991 and their report in 1996. In addition to examining the history of the relationship between Indigenous peoples and the Canadian government, the report “sought to grapple with entrenched economic and social problem in Aboriginal communities while also seeking to transform the relationship between Aboriginal nations and Canadian governments” (Royal Commission on Aboriginal Peoples, 1996, p. 1). They laid out a 20-year commitment to addressing the social and economic themes they identified throughout their report.

The report argues that, in order to set up Indigenous self-government for success, factors including defining the parameters of Indigenous nations is necessary, social problems and historical injustices need to be addressed, and economic development planning must be considered (1996, p. 3). The report stressed the importance of economic development as a key factor for moving forward and laid out several recommendations for pursuing an economic development plan including that provincial and territorial governments should join the federal government in establishing effective set-aside programs to benefit Aboriginal businesses (1996, p. 188). The use of set-asides and social procurement measures have become one of the primary ways the government and RCAP have recommended pursuing self-sufficiency for Indigenous communities throughout the country.

In response to the *National Strategy for Aboriginal Economic Development* and the establishment of the Royal Commission on Aboriginal Peoples, the Liberal government called for adoption of procurement policies that would address federal procurement with Aboriginal business in “Creating Opportunity” in 1993 (McCrudden, 2007, p. 178). One of the ways the government of Canada attempted to better engage with Indigenous communities and create opportunities for economic development was through the implementation of the PSAB. The overall goal of the PSAB was to enhance Aboriginal business capacity and encourage greater participation in government contracting. The PSAB was introduced by Treasury Board in 1996. The strategy lays out the different ways government procurements can be set aside for Aboriginal business and also defines what would be considered an “Aboriginal business”.

Anderson (1999) argued that economic development emerged as a key component for the struggle of Indigenous communities’ quest for self-government in two ways. First, he argued that gaining control over land and resources is critical for improving the socioeconomic circumstances of Indigenous peoples (Anderson, 1999, p. 8). By controlling land and resources, it becomes possible to create and develop businesses, thereby contributing to the development of Indigenous economies. Second, he argued that in order to attain true self-determination, it is essential for communities to develop robust and sustainable economies (1999, p. 8). By developing self-sustaining economies, Indigenous communities can reduce the power imbalance and gain real control over their relationships with non-Indigenous governments and the private sector (1999, p. 8). In order to achieve self-sufficiency, participation in the global economy through business development is key (1999, p. 11).

This is what the PSAB hopes to encourage. The socioeconomic goal of the PSAB is to provide assistance in building Indigenous business capacity that in turn will feed back to community development that ultimately contributes to self-sufficiency. Using procurement as a means of stimulating socioeconomic development is a legitimate method for enhancing business capacity for a certain, in this situation, Indigenous demographic. However, developing socioeconomic procurement initiatives, such as the PSAB, cannot address the first component of gaining control of land and resources which Anderson argued was critical for both economic development and the ultimate goal of self-government. Initiatives outside of procurement such as treaties, land claims, and negotiations must be utilized in order to ensure Indigenous communities have the right to control their land and resources.

3.4 Analysis of the PSAB

Following the implementation of the PSAB, INAC has collected and analyzed data to gauge the impact the program is having. INAC has published annual performance reports on the success of the program from 2000 to 2014 and released evaluations of their program in 2007 and 2014.

The evaluation put out by, what was then AANDC, in 2014 identified the primary goal of the PSAB as being to use federal procurement opportunities to enhance viability of Indigenous

businesses with the secondary goal of increasing Indigenous economic development and employment (AANDC, 2014). Part of the intent of the program evaluation was to make a series of recommendations to improve based on surveyed Indigenous businesses and government workers (AANDC, 2014). In this evaluation they reviewed how they had met their goals, concluded there is a continued need for the program, that Indigenous businesses have been winning an increased share of government contracts over time, but that data collection to date does not allow for complete analysis on the impact that is having, and that the main issues around the PSAB have to do with the complexity of the procurement process (AANDC, 2014). Key concerns identified in the report revolved primarily around the performance and effectiveness of the program.

Mah (2014) published a paper evaluating the program, addressing the successes and critically assessing its flaws. She defined the goal of the PSAB as addressing the problem of federal contracts not being regularly awarded to Indigenous businesses and discusses the social procurement approach the government took to correct this problem while saving on administration costs (Mah, 2014, p.71). Concerns she identified with the PSAB program included:

- its inaccessibility for remote communities
- doing little to encourage entrepreneurship and business development in those areas
- oversight of compliance and monitoring by what was then AANDC may be inadequate emphasizing that in order for procurement strategies to be successful, oversight cannot be lax (2014, p. 72-73).

In a 2007 survey by INAC, government respondents identified that while illegitimate joint ventures were not rampant, violators were “not being appropriately penalized for their dishonesty” (INAC, 2014, p. 73). Mah (2014) argues that a proper evaluation of the entire PSAB program’s expected outcomes is unavailable due to the lack of data. She references concerns identified in the literature regarding the use of social procurement and the potential for those targeted to become reliant or dependent on the program. While the government views PSAB as a good policy tool stimulating Indigenous business development, 9% of the Indigenous businesses surveyed in 2007 indicated that 100% of their revenue came from PSAB set-asides and smaller Indigenous businesses not only have issues when competing with non-Indigenous businesses, but still face difficulty when competing with more established Indigenous businesses, which the PSAB does not address (Mah 2014, p. 74-76). Mah (2014) makes the argument that, based on this information, the PSAB may only encourage the growth of a few businesses who may grow to dominate federal contracts, and in this case, then the PSAB would fail to properly stimulate creation of new Indigenous businesses and nurture their development into sustainable firms (p. 76).

Both the AANDC evaluation and the article published by Mah recognized the potential that PSAB may be acting as a vehicle to continue providing existing Indigenous businesses with

contracts, but doing little to foster new businesses. AANDC acknowledged that the criteria for “Aboriginal business” is poorly defined and unverified. Government interviewees in the AANDC report expressed concern about the capability of the reduced resources available to monitor compliance and the fact that there are little if any official verifications that Indigenous firms are completing the work, leaving the program open to abuse (AANDC, 2014, p. 24).

AANDC’s evaluation also included a survey of government workers’ awareness of their department’s PSAB targets. Of the government workers surveyed, 43% said their departments had set targets, 23 respondents said they had not, and 27 were unsure (AANDC, 2014, p. 26).

3.5 Targets and Performance Outcomes

Literature exists on the use of targets and performance objectives in the private sector and areas such as talent retention or promotions, but there is very limited literature relating to the public sector. Newman and Azevedo (2013) reviewed the process for setting reasonable performance objectives for schools in Brazil and discussed some general factors that have to be considered when setting targets. Setting a target too low increases the risk that target would be met without changing behaviours or performance from what would have been realized without a performance management system, resulting in no benefit (Newan and Azevedo, 2013, p. 2-3). By contrast, if a target is set too high, there could be significant costs, and two options may emerge once it becomes clear that the target was unrealistic: either the target can be waived without any repercussions, which undermines the credibility of the system, or insist on retaining the targets, which can breed resentment and affect future productivity (2013, p. 3). It is important to consider these potential outcomes when setting targets and identify what the repercussions are when departments do not meet them.

While setting targets and understanding what those targets are and what is expected to come from them is important, it is also important to follow up on performance and provide feedback on the actual performance outcomes. Greve (2003) argued that organizations can operate largely in isolation, but interact with the environment through performance feedback processes (p. 14). This feedback process is critical for determining how effective the use of targets has been, what impact they have created and whether or not the goals are defined in a way that is valuable to the organization and/or the program (2003, p. 12-13). Greve also presents the theory of learning from performance feedback which can alert the researcher to the problem that the common assumptions on which goals are based may be incorrect (2003, p. 19).

There are two different behavioural theories that can contribute to goal setting. The first is bounded rationality which accepts that “human decision makers have limited information, attention and processing ability to perform maximization tasks” and instead will accept whichever option will satisfy the goal (2003, p. 12). The second is the rational choice paradigm which operates on the assumption that decision makers consider and review all options and make a decision based on which is the best (2003, p. 12). The differences between these two theories

extend to cost. When working from the perspective of the rational choice paradigm costs increase based on time and effort required to review all options and weigh which is the best, while bounded rationality is frequently used to address complex problems in order to simplify decision making and reduce potential costs (2003, p. 13).

When examining a program or organization's goal, the researcher will typically take the organization's goal variable as a given and ask questions about how people accept those goals, aspire to improve performance, and change their behaviour in response to the performance feedback (2003, p. 19). "Since performance below a goal spurs problem-solving activities, as goal-setting theory shows, and increases risk tolerance as risk theory shows, it is clear that major organizational changes are more likely when the organization has performance below the aspirational level" (2003, p. 26).

In an article focused on the use of goal setting in project performance assessments, Masters and Frazier (2007) identified the necessity for feedback in relation to goals (p. 31). While this paper frames the idea of goal-setting at an individual level, the premise can be extrapolated to projects from a departmental viewpoint. They discuss the impact goal setting can have, but warn that it becomes less effective with minimized feedback (2007, p. 32). The link between goal setting and improved performance outcomes is feedback; if no feedback is provided, there is no way for individuals to adjust their behaviour so as to subsequently impact final performance and affect whether those individuals will meet their goal (2007, p. 31). In addition to examining the impact goals and targets have on performance outcomes, it is important to address the role evaluations play in managing programs. "Evaluations can, and should ... be used as an ongoing management and learning tool to improve an organization's effectiveness" (Martinez, 2005). Martinez states that in order for an evaluation to be impactful, it has to include a periodic process of gathering data, analyzing, and reporting that information (2005). The reporting needs to be done in such a way that it can then be used to determine whether the program is effectively carrying out the planned activities. In order to improve the success of the program, evaluations need to be conducted on a regular basis (2005).

3.6 Modernizing Procurement

The Government of Canada has committed to modernizing their procurement initiatives in three main ways: by simplifying procurement practices, lessening the administrative burden, and by supporting green and social procurement (Trudeau, 2015). PSPC, Shared Services Canada, and the Treasury Board Secretariat brought together over 250 stakeholders from the technology industry to discuss what the priorities should be in modernizing procurement practices (Kovacs, 2017). Stakeholders identified "making the process more agile and efficient" given the current rate of technological advancements as the most necessary improvement (Kovacs, 2017). Given that the current procurement policy emphasizes the need to control all potential risks, the government culture has evolved with very rigid and prescriptive procurement solutions which need to be challenged in order to pursue the new procurement modernization initiative (Kovacs,

2017). In order to evolve to this more modern system, attitudes and government culture need to change to see the value in doing green and social procurement (Kovacs, 2017). In order to assist with that change, evaluations need to be done that demonstrate the different ways doing green and social procurements can provide value outside of just monetary savings.

In Prime Minister Trudeau's 2017 mandate letter to the new Minister of PSPC, Carla Qualtrough, he expanded on PSPC's role in modernizing procurement to include developing initiatives to increase the diversity of bidders for government contracts, particularly from underrepresented groups including Indigenous Peoples, by increasing the accessibility of the procurement system while working to increase the capacity of these groups to participate in government contracting (Trudeau, 2017). In addition to this, PSPC has been tasked with developing better vendor management tools to enable the government to hold contractors accountable, publish clear metrics to measure government performance, and make government data more publicly available (2017).

3.7 Social Procurement

The implementation of the PSAB program in Canada is an excellent example of the use of public procurement as a way to achieve social policy objectives. Using government procurements as a means for achieving socioeconomic goals has been used since the 19th century to implement social policies and has evolved through the development of the welfare state (McCrudden, 2004, p. 258). Given that governments not only regulate the market, but participate in it as well, they have the unique ability to create opportunities for economic development for marginalized people in their contracting (2004, p. 257). Barraket and Weissman (2009) defined social procurement as the use of purchasing power to create social value (p. 3). As governments have shifted toward an "investment mindset" where the focus has shifted to outcomes and impacts, they have applied procurement strategies to support social policy objectives (2009, p. 3). Historically, governments across the world have used the concept of social procurement through government contracts to achieve a wide range of socioeconomic goals such as promoting fair labour conditions, fair wages, and tackling unemployment (McCrudden, 2004, p. 258).

Examples of governments responding to evolving socioeconomic concerns using their purchasing power include the Davis Beacon Act from the United States in 1931, post World War II anti-discrimination measures, and human rights statutes enacted in Canada in the 1960's (McCrudden, 2004, p. 258-260). While the individuals targeted by the socioeconomic goals have changed over time, the method of utilizing government contracting to achieve those goals has primarily remained the same. In the 1930's in America, the Davis Beacon Act required the local "prevailing wage" be paid by all contractors on federal construction projects (2004, p. 258). Post World War II, social procurement was used to enforce anti-discrimination laws in the employment context through the use of set-asides for disadvantaged groups for government contracting (2004, p. 259).

Examples of how the Canadian government furthered its socioeconomic goals through the use of procurement include the adoption of non-discrimination and affirmative action in the government contracting process in response to the human rights statutes enacted by the provinces in the 1960's (2004, p. 260). The Federal Contractor's Program was created in 1986 to complement the Federal Employment Equity Act and required all organizations employing more than 100 people who bid on government contracts valued over \$200,000.00 to commit themselves to implementing employment equity (2004, p. 261).

McCrudden (2004) explored the concept of procurement linkages, which consists of attaching factors to the procurement process that go beyond the buying and selling transaction. While there are several arguments in favour of using public procurement as a means of achieving social policy objectives, there are also concerns regarding the effectiveness and appropriateness of the procurement supply and demand relationship to meet social objectives.

Objections to procurement linkages include arguments that the contractual relationship is neither the appropriate means for addressing social issues nor does that relationship have the capability to contribute to social policy goals to the extent that is necessary. McCrudden (2004) identified arguments that the contractual relationship needs to be kept "pure" and uncomplicated by social and political concerns (p. 115). Barraket and Weissman (2009) identified barriers to social procurement from the demand and supply perspectives. From the demand side, the government culture, lack of knowledge of social purpose business, and the complexity of assessing and measuring social value prevent government procurement officers from fully engaging and participating in procurements linked to social policies (Barraket & Weissman, 2009, p. 11). From the supply side, businesses being unfamiliar with the procurement process and limited capacity can inhibit "social purpose" businesses' access to these procurement opportunities and restrict the potential for procurements to contribute to the social policy objectives they intend to achieve (2009, p. 11).

In addition to the logistical concerns regarding the practicality of linking procurement to social goals, there are also concerns about the impact this could have on the economy as a whole. Concerns revolve around how restricting procurements to particular demographics will lead to a smaller economic pie, consequently reducing what can be redistributed through social welfare. There are also concerns that social procurement could increase difficulty in accessing government contracts; that linking social goals to procurement may be a poor way to deliver the desired social policy; and that direct regulation may be more effective (McCrudden, 2004, p. 117-119).

Arguments in favour of procurement linkages are based on the premise that they can be used as an additional enforcement mechanism, and that, if done correctly, can result in increased innovation and produce greater value for the public as a whole. By incorporating equality issues into government policies, public procurement becomes subject to equality disciplines (2004, p. 123). Given that the government's role in contracting is to award contracts on behalf of the

communities they serve, these communities expect that these public contracts go to contractors who do not violate the basic norms of that community (2004, p. 124). Doing so can assist the internalization of external realities and contribute to sustained and increased business capacity of small and minority businesses (2004, p. 126). In addition to promoting the general ideas of equality, the use of procurement to contribute to social goals has the potential to stimulate social innovation, new ideas with potential to improve either quality or quantity of life and by doing so can produce a greater value for public spending by simultaneously fulfilling commercial and socioeconomic procurement objectives (Barraket & Weissman, 2009, p. 9).

3.8 Summary

In the 1990's the literature, development of the *National Framework for Aboriginal Economic Development*, and the RCAP report stressed the need for economic development opportunities for Indigenous people as a key step for reconciliation between the two parties. Other factors such as the ownership over land and resources had been overlooked in favor of creating government run programs such as the PSAB as a means for creating economic opportunities for Indigenous businesses. While the government praises the success of the PSAB by referring to business volume, they acknowledge there are flaws, such as difficulties verifying that contracts are being awarded to businesses that meet the "Aboriginal" definition, which limit the ability to evaluate the impact the program is really having. The use of social procurement in this context reflects an attempt on the Government of Canada's part to mend the relationship and improve economic conditions for Indigenous communities.

That said, objections to procurement linkages present valid criticisms, both from the perspective of keeping the contractual relationship uncomplicated and from being an insufficient means of addressing the social problems that the procurement intended to fix. That said, the government has the opportunity to play a huge role in the economy and in the case of Canada, with the Trudeau government, they have made it clear their intention is to work toward reconciliation with Indigenous peoples and that procurement is going to be a significant factor in helping to achieve that. The literature on these topics range from academic to government reports and evaluations, spanning from the early 1990's to present day. The notion of social procurement is becoming a popular topic and continues to be used to provide assistance to disadvantaged groups with the intent of getting everyone on a level playing field.

4.0 Methods

4.1 Methods

In order to collect data that would encompass both the depth and breadth of the problem, a mixed methods approach was used. The combination of qualitative and quantitative approaches can be incredibly effective for understanding and interpreting research findings (Flick, 2015). The general research approach includes a current state analysis and a jurisdictional scan. Qualitative research was conducted to understand both the context and previous outcomes under the PSAB.

Research was conducted through a review of quantitative data published by INAC, interviews with PSAB Coordinators at the National Capital Region, representatives from INAC who manage the PSAB program, and procurement officers in the Pacific Region, and a jurisdictional scan of Australia and New Zealand.

The PSAB Annual Report data available shows how PSAB has performed from 2000 to 2014 and provided insight into trends and what variables are being measured to determine success. Interviews with PSAB Coordinators provided insight into how departments are individually setting their goals, what factors they consider when doing so, and how they think the program could be improved. Interviews with representatives from INAC provided insight into how they collect and analyze data and discussions with Pacific procurement officers offered insight into how their department's targets and results are being distributed to the regions.

In this research, particular departments were identified for interviews based on their differing circumstances. A qualitative analysis approach works well for situations like this where exceptions and outliers are useful in shedding light on understanding a specific process (2009, p. 7).

The goal of the jurisdictional scan was to learn how Australia and New Zealand are working to improve the economic situation for their Indigenous populations; what programs they using; how similar or different these are from the PSAB; and what makes them more or less successful than PSAB.

4.2 PSAB Annual Report Data

A quantitative data review of the statistics gathered by INAC in the publicly available annual PSAB reports was conducted to determine how and when the PSAB targets have been met and identify any trends over time. Both the client and INAC interviewees identified the value of reviewing these reports to provide context to the problem. The review included published reports from 2000 to 2003, and 2005 to 2014 (INAC, 2002, 2003, 2005, 2010a, 2011b, 2014b, 2016, 2017). The report for 2004 was unavailable. These reports were reviewed to determine the variables INAC had used in the past to evaluate the success of the PSAB program, how the

variables measured changed over time, and how departments' targets compared to actual business volume.

In addition to the time it takes to collect contract data, INAC is also required to verify the data accurately reflects that contracts were awarded to Aboriginal businesses as per the definition in the PSAB. The reports published by INAC have been through that verification process and, while there are inconsistencies in measurement throughout the years, provide an indication of how the PSAB performance has changed over time.

4.3 Interviews

Ethics approval was received December 19, 2017; interview recruitment began in early January 2018; and interviews were conducted between January 19 and February 16 2018. Interviews were conducted with three groups: Group 1: PSAB Coordinators in the National Capital Region, Group 2: PSAB Leads from INAC, and Group 3: Procurement personnel in Pacific Region. Interview requests were sent to 13 individuals identified by the client and INAC; 8 provided consent, 6 were interviewed, and 2 provided email responses.

Interview subjects were selected using purposive sampling based on which individuals are positioned to answer the research question (Flick, 2015), and snowball sampling was used where initial contacts were unavailable or suggested another individual would be better qualified to answer. Refer to Appendices B and C for more information on how interviewees were recruited.

In Group 1, Interview invitations were sent to:

- Department of National Defence (DND) (1)
- Natural Resources Canada (NRCan) (1)
- Parks Canada (1)
- Public Services and Procurement Canada (PSPC) (1)
- Canadian Nuclear Safety Commission (CNSC) (1)
- Correctional Services Canada (CSC) (1)
- Industry Canada (1)

Interviews or email responses were conducted with or received from:

- NRCan (1)
- Parks Canada (1)
- PSPC (1)
- CNSC (1, email)

In Group 2, Interview invitations were sent to (4) and conducted (2) with INAC. The two INAC representatives were interviewed at the same time; sometimes only one provided a response to the question.

In Group 3, Interview invitations were sent to:

- DND (1)
- Parks Canada (2, email)
- NRCan (1)

Interviews or email responses were conducted with or received from DND (interview, 1) and Parks Canada (email, 1).

While a comprehensive investigation and comparison of all government departments that participate in the PSAB would be ideal for understanding where departments are excelling or falling short in terms of meeting their PSAB targets, the resources required to complete such a large sample were not available. By choosing a few select departments on the recommendation of the client, based on how successful they have been in the past in meeting their targets, this research provides a focused comparative analysis of how different departments are approaching the same problem while keeping time and costs reasonable for a student project.

The interviews were conducted in a semi-structured fashion. Interview guides (see Appendices D, E, and F) were constructed consisting of a number of questions that covered the scope of the research questions with the goal of initiating a dialogue with the participant to obtain the individual view of the participant (Flick, 2015). These interviews provided insight into both the process knowledge and content knowledge from the perspective of government departments (Flick, 2015).

4.4 Jurisdictional Scan

Australia and New Zealand were chosen as comparators due to their similar government structure, shared experiences as commonwealth countries with parliamentary government, and similar colonial history. The purpose of the jurisdictional scan is to explore other options for Indigenous engagement and identify promising practices.

Government publications from Australia and New Zealand were reviewed to understand the current approaches each country is taking (Government of Australia, 2015; Department of Jobs and Small Business, 2014 and 2018; Ministry of Business, Innovation, and Employment, 2017; Te Puni Kōkiri, 2014 and 2017). Academic literature was reviewed to provide context and critiques of New Zealand's approach and a report criticizing Australia's IPP was reviewed to explore the shortcomings of the IPP program (Jacobs, 2017).

4.5 Project Limitations

As noted earlier, the search for literature revealed no sources written on this topic from an Indigenous perspective; it would have been preferable to have Indigenous voices heard.

While it would have been ideal to collect and review the raw data on how all eligible Federal departments have performed against their PSAB targets, the scope of this project did not allow for such thorough independent data gathering. The sample chosen for interviews was based on recommendations from the client and INAC and was limited by availability of department representatives. It is important to note the limitation of only interviewing procurement personnel from the Pacific Region; the findings from those interviews may not be comparable or applicable to procurement personnel in other regions.

While interviews are an excellent source of qualitative data, there are limitations to validity. The most prominent limits to internal and external validity for this study are the sample size and resulting potential for bias, which may limit both the validity for PSAB and the generalizability to similar programs (Boyce & Neale, 2006). The interview conducted with INAC program leads was done in a group setting and therefore may have compromised candour, with the potential for interviewees to censor themselves in front of their supervisor or colleague.

In general, the intense time commitment for conducting, transcribing, and analyzing interview data, and the necessity for the interviewer to be appropriately trained, also limit the validity and reproducibility of interview data. Another limitation is the willingness, or lack thereof, for government employees to be honest regarding their successes and failures in executing their PSAB targets; while there is information on past years' experience, there is not enough specific information to determine whether an interviewee is being honest.

Limitations with the PSAB Annual Report data include the three-year delay in reporting results, which limit the ability to understand the true "current state" of the program. Results may also be incomplete; only information collected and verified by INAC, not raw data, was available for review, and data is reported by individual departments that may omit contracts that should be included.

5.0 Findings

5.1 Introduction

This section presents the findings from the review of PSAB annual reports, the interviews conducted with government officials who work with the PSAB program, and the jurisdictional scan.

5.2 PSAB Annual Report Data

INAC has been collecting, verifying, and analyzing departments' and agencies' PSAB contracting performance and comparing them against each department's performance objectives in annual reports released for the years 2000 to 2014. The quantitative data that has been published by INAC is publicly available on their website in the form of annual reports. The reports come from 2000 to 2003 and 2005 to 2014. The results from the year 2004 are not available on the website and the most recent report was published in December 2017 reporting data from the 2014 calendar year. The reports for each calendar year are released two to three years later, delaying the opportunity for departments to review their performance and making it impossible for the previous year's performance to be considered when setting the target.

The process of verifying whether the contract data reported to INAC meets the definition of an "Aboriginal business" requires a significant amount of time, contributing to the slow performance feedback turnaround time. These reports represent the final stage in the target setting cycle. This is where performance feedback occurs and where PSAB Coordinators and departments are able to learn from their past successes or failures and adjust their targets or behaviour accordingly.

The delay in data feedback makes it difficult for departments to plan their PSAB objectives for the upcoming year. This backlog in data availability is a valuable finding in itself.

5.2.1 Measuring Performance

Reviewing the PSAB Annual Reports from 2000 to 2014 revealed that the variables used to measure success have changed twice since these reports started being published in 2000, from breaking down the data by set-asides or incidental and over or under \$25,000; to reporting only the total business volume from 2005-2009; then only reporting the dollar value of set-aside contracts from 2009 onwards (see Figure 1 and 2). Figure 1 shows the dollar value of contracts and Figure 2 shows the number of contracts awarded to Indigenous businesses from 1999 to 2014. The total business volume from 1999 was reported in the 2000 report with no breakdown as to how that value was awarded.



FIGURE 1: Dollar Value of Contracts Awarded to Aboriginal Businesses.

Source: (INAC, 2002, 2003, 2005, 2010a, 2010b, 2014b, 2015, 2016, 2017)

From 2000 until 2003, INAC also reported on the number of contracts that had been awarded to Aboriginal businesses, breaking down set-aside or incidental, and over or under \$25,000 (Figure 2). When broken down by number of contracts awarded, roughly half of all contracts awarded were valued at less than \$25,000 between 2000 and 2003 (Figure 2). From 2005 onwards INAC stopped providing a breakdown and in 2010 stopped providing contract counts in their reports altogether (Figure 2).



FIGURE 2: Number of Contracts Awarded to Aboriginal Businesses

Source: (INAC, 2002, 2003, 2005, 2010a, 2010b, 2014b, 2015, 2016, 2017).

5.2.2 Targets v. Actual Business Volume

In the first four annual reports published by INAC, they published the performance objectives they received from departments with contracting budgets over \$1 million and then compared how those departments actually performed at the end of the year. As can be seen in Figure 3, the targets set by departments stayed relatively consistent throughout the four years, ranging from just over \$80 million to up to \$117 million. Each year they surpassed their goal as demonstrated in Figure 3. (Data labels above the red bars show the percentage by which each reported amount exceeded that year’s objective.) Even in the closest year, 2000, departments still exceeded their goal by 55.5%, yet in the next year, the targets set by departments decreased by \$7 million and in 2003, departments exceeded their goals by 316.5% (Figure 3). In these four years, it is clearly demonstrated that departments were able to easily surpass their goals, yet did not adjust their targets to reflect the volume of set-aside contracts they were capable of issuing. From 2005 onward INAC stopped including departments’ performance objectives in their reports.

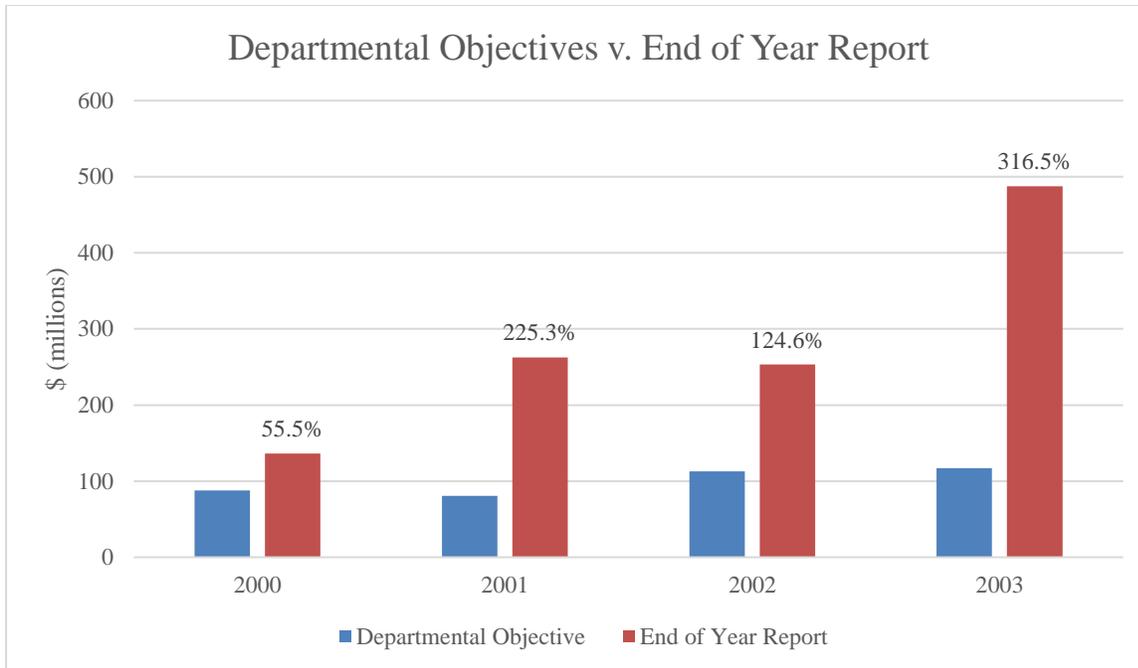


FIGURE 3: Departmental Objectives v. End of Year Report. Taken from INAC’s PSAB Annual Reports from 2000 to 2003. End of year reports are inclusive of all contracts awarded through set-asides and incidentally both over and under \$25,000.

Source: (INAC, 2002, 2003, 2005, 2010a).

5.2.3 Incidental v. Set-Aside Contracts

In the 2014 report INAC published the graph in Figure 4 tracking the dollar value of contracts awarded through PSAB set-asides since 1997, information that had not been consistently reported in annual reports. The graph shows peaks and dips every couple of years from the program’s inception until spiking in 2014.

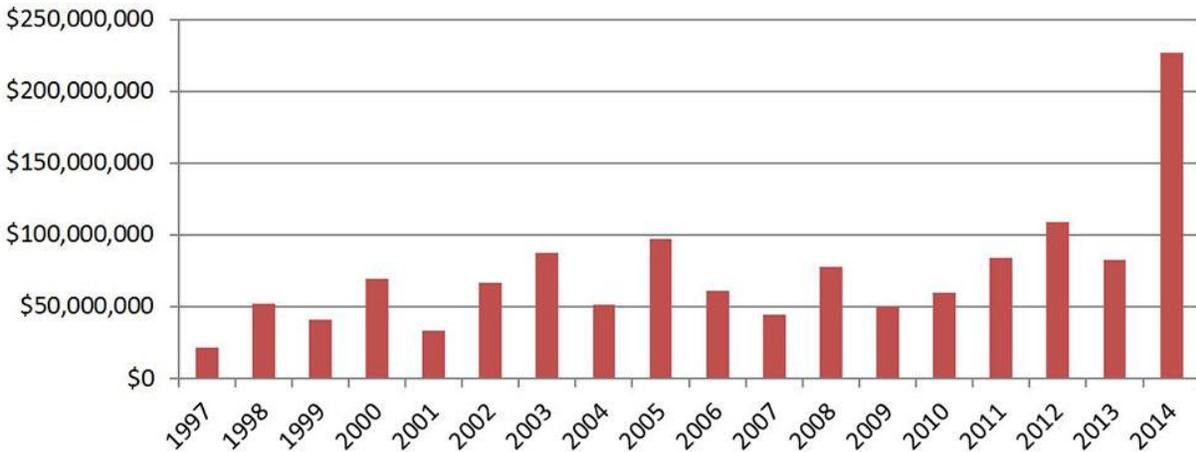


FIGURE 4: Set-aside Contracts Awarded to Aboriginal Businesses, 1997-2014

Source: (INAC, 2017).

External factors play a key role in determining whether a target can be met. In the 2000 report, departments and agencies attributed the increase in contracts being awarded to Aboriginal businesses to increased Aboriginal supplier development rather than to the use of set-asides (INAC, 2002). In 2013, after three years of continuous growth, PSAB performance decreased due to a decrease in overall procurement from \$11 billion in 2012 to \$10.1 billion in 2013 (INAC, 2016). The spike in PSAB performance in 2014 was attributed to an overall increase in government spending “from approximately \$14 billion in 2013 to just over \$28 billion in 2014” (INAC, 2017).

Reviewing the available PSAB annual report data revealed a general upward trend in the use of PSAB set-asides, and also revealed the inconsistencies and delays in reporting.

5.3 Interviews

PSAB Coordinator interviewees (Group 1) are abbreviated as A1-NRCan, A2-PSPC, A3-Parks, and A4-CNRC. INAC Representative interviewees (Group 2) were interviewed at the same time and are abbreviated as B1 and B2 and Pacific Region interviewees (Group 3) are abbreviated as C1-DND and C2-Parks. Refer to Appendix H for Interview Summary and Appendices D through F for interview guides for each group.

5.3.1 Group 1: PSAB Coordinators

1. What is your role in deciding PSAB targets for your department?

PSAB Coordinators are assigned in each department with a budget of more than \$1 million dollars annually and are responsible for setting their department’s PSAB target as they see fit.

A1-NRCan reports PSAB contracting activities for the department annually and sets PSAB targets based on historical data which is what INAC encourages.

A2-PSPC has been a PSAB Coordinator since 2009 and has had “free reign” to set PSAB targets for PSPC. When setting targets, A2-PSPC gets approval from their Director General before sending projected targets to INAC.

A3-Parks is the Director for the Procurement and Contracting Branch of Parks Canada responsible for setting the targets for the agency. Targets are in response to the call letter received from INAC which asks for procurement strategies that have been set aside for Aboriginal business, what is planned to be set aside, and awareness sessions that have been conducted with communities or Aboriginal businesses.

2. What guidance do you get from INAC?

All interviewees agreed that they receive little to no guidance from INAC as to how they should be setting their targets. Parks say they “have received zero guidance from INAC” (A3-Parks). PSPC and NRCan identified they received a call letter from INAC outlining what the PSAB represents and the Treasury Board CPNs are available which state what should be considered are available, but are not sent out by INAC.

A2-PSPC noted that the deeper interpretation of the policy and how targets should be practically set is left up to the interpretation of the Coordinators. A2-PSPC identified that by the time INAC asks for targets, there is not enough time to ask questions before providing targets.

3. What information did you use when setting those targets?

A1-NRCan, A2-PSPC, and A3-Parks indicated they rely on historical data with PSPC viewing targets as a “trending exercise”. Coordinators from CNSC, Parks, and PSPC stated that when they started as Coordinators, they had no idea of the scope of Aboriginal business volume their departments had been doing before and there was no record of what contributed to the decisions for setting the targets the way they had.

Both A1-NRCan and A2-PSPC track upcoming and ongoing projects and projects that are coming to an end. If A1-NRCan is aware of programs that are coming to an end, they will reduce their target by a percentage, saying that target setting is “really a wild guess, not a science”.

A2-PSPC said that since their department has such variability in projects, one \$800 million contract awarded to an Aboriginal firm incidentally can greatly skew the data results. They set their target realistically and will adjust for the next year if they greatly exceed that target based on their own data. A2-PSPC also identified the challenge of delayed data verification and having to wait to learn whether their data was determined to be reliable or not; “you’re setting targets for a moving target. With the data itself you’re at the mercy of how the data is being entered”.

A3-Parks sends their own call letters out to their field units to get a sense of the amount of work that needs to be done. A1-NRCAN and A3-Parks both set their targets conservatively to ensure they will be able to meet them.

A4-CNSC responded by email indicating they set a recurring target of \$200,000 based on their limited, but reliable spending needs.

4. How do you communicate your targets to the regions?

PSAB Coordinators from NRCAN, PSPC, Parks, and CNSC stated they do not share the targets with the regions because it is a “passive target” (A1-NRCAN) and an “educated guess” (A2-PSPC). A1-NRCAN “does not believe that communicating the target will change the outcomes and our targets are currently being met without communicating them”. Since A2-PSPC is more open to setting ambitious or aspirational targets, they do not want the regions to be held accountable if the targets are not met. A3-Parks sets their targets knowing they will meet them and therefore do not see the need to share it with their regions.

While PSAB Coordinators emphasize the importance of and obligation to use the PSAB program to the regions, the targets themselves are not being communicated.

5. What was the target for last year?

A1-NRCAN could not recall their target for last year, but is confident they met it based on their data. A2-PSPC set their target for 2017 at \$37.5 million, A3-Parks set their target at \$1.75 million, and A4-CNSC set their target at \$200,000. The contracting data will have to be verified by INAC which, based on the current backlog, will take at least two to three years. A2-PSPC says they set their target based on concerns about reliability of data and whether the data they submit to INAC meets the Aboriginal business definition. All interviewees identified concerns about the delay in data verification and performance feedback from INAC, which makes it difficult to set accurate, realistic targets.

A key finding from this research, which was identified early on and confirmed through the interviews with the PSAB Coordinators, is that department’s PSAB targets are not published anywhere and were only accessible through these interviews.

6. How will that impact setting next year’s goals?

A1-NRCAN, A3-Parks, and A4-CNSC set their targets knowing they will be able to meet them. A1-NRCAN uses their historical data to determine what percentage to increase or decrease their targets by in order to “set themselves up for success”. A4-CNSC’s has predictable spending needs, so sets the same recurring target every year. A3-Parks reviewed their performance with their team and will increase or decrease their target accordingly. Given the nature of the works for Parks Canada, A3 does not want to over-commit and under-deliver, particularly in the communities where their parks are located; they are operating in predominantly Indigenous areas and it is very important for Parks to meet expectations.

A2-PSPC has taken a different approach by setting aspirational targets based on “knowledgeable trending and optimism”.

Since Coordinators will not receive verification that they have met their target from INAC for two to three years after they have reported their contracting data, setting the target for the next year is largely a guess. As such, interviewees were split between setting their targets conservatively ensuring they would be able to meet them and setting aspirational targets, knowing they may not be met, but set as something to strive for.

7. How do you think you could improve your success in meeting targets?

Quicker response times and better guidance from INAC was identified by both A1-NRCan and A3-Parks as key areas for improving PSAB success. A2-PSPC identified the need for more organized and reliable data collection, targeting specific commodity groups for set-asides, increased understanding of the unpredictability of procurement projects from year to year.

A1-NRCan questioned how effective the reporting can be if it is four years old. Given the current political climate with Prime Minister Trudeau emphasizing the importance of engaging with Indigenous Peoples, “we cannot afford to wait four years to act”. A1-NRCan also stressed the value of PSPC taking a more proactive role in recommending voluntary set-asides.

5.3.2 Group 2: INAC Representatives

Both representatives from INAC were interviewed at the same time but sometimes only one provided a response to the question.

1. What is your role in relation to PSAB targets?

Both INAC representatives work with the PSAB program. B1 is a Senior Program Officer who has been with the program since its inception, works closely with PSAB Coordinators, and reviews policies pertaining to the PSAB. B2 is a Senior Program Manager who is responsible for verifying PSAB Coordinators, sending the call letter out, and collecting PSAB performance objectives.

2. Have you noticed any trends with PSAB target success/failures?

B2 identified an upward trend over the course of the 20-year program with PSAB set-asides increasing from \$10s of millions in the 90’s to over \$217 million in 2014. Circumstances such as the creation of Shared Services Canada which took over the procurement of IT goods and services for all other government departments, the Deficit Reduction Action Plan which reduced spending across the board, and budget cuts have impacted both overall government spending patterns and PSAB spending over the last 20 years. The switch to a new data reporting system where it is now the responsibility of departments and agencies to report their numbers to PSPC has made it challenging for INAC to parse out the numbers for Indigenous procurement.

3. How are targets communicated to departments and the regions?

B2 sends a call letter to the Coordinators with background information such as CPNs, directions for departments and agencies to follow in terms of criteria, whether they have a \$1 million budget and they are supposed to provide performance objectives.

4. Are there common themes among departments when it comes to setting those targets?

B2 identified two approaches departments take when setting their targets. The first is the legacy approach where a target is set and if it is close to being met, the department will continue to use the same target each year due to the consistency of their work. The other is to conduct contract analysis, where departments will review expenses and contracts they anticipate throughout the year, and try to come up with an accurate value for set-aside contracts.

B2 stated that since each department and agency functions differently, in terms of budgets and opportunities to set aside contracts under the PSAB, there cannot be one standard from INAC that lays out how targets should be set.

5. What do you think could be done to improve PSAB successes?

B2 stated that aligning IT systems is a priority; this is improving with more departments and agencies using the same reporting system, which gives them the ability to configure contracts and have the report reflect the set-aside contract value for Indigenous business, but there are still disparate systems contributing to the confusion when interpreting data. Success could be improved by adding more rigour to the CPNs. Right now there are no repercussions if departments and agencies do not provide INAC a target. Addressing the high rate of turnover requires continued outreach and information sharing sessions.

B2 identified the following areas that are contributing to the success of the PSAB:

- The Aboriginal Business Directory is increasing both in terms of number of businesses registered and in the nature and capacity of work that can be done in different sectors.
- The Government is currently participating in a procurement modernization initiative and INAC is internally trying to establish indigenous procurement modernization initiatives, contacting stakeholders to determine how to improve Indigenous procurement and the PSAB program.

6. What are the consequences for departments when they do not meet their targets?

B1 noted that while there are no direct consequences attached to the PSAB, Aboriginal businesses are writing to their ministers, and departments are acting on those complaints and looking at Aboriginal set-asides as an option. B2 identified that there are no formal consequences from INAC if a target is not met, identifying that their priority is increasing participation.

5.3.3 Pacific Region Procurement Officers

1. How familiar are you with your department's PSAB targets?

Neither C1-DND nor C2-Parks were familiar with their department's PSAB targets. C1 had not heard from someone in their department regarding the PSAB since 2010 and C2 has been with Parks Canada since 2013 and was unaware of the target component of the PSAB program.

2. What is your role in relation to PSAB targets?

C1-DND has utilized set-asides for small contracts with Aboriginal businesses when the nature of the requirement calls for it. C1-DND used to be involved with providing contracting data for the PSAB report, but no one has asked for it for years.

C1-DND supports the PSAB efforts by recording contracts awarded to Aboriginal businesses incidentally, but does not have any influence on how targets are set and has not provided feedback to the PSAB Coordinator in the National Capital Region.

C2-Parks has not actively participated in either setting or executing PSAB targets.

3. When have you met or exceeded your departments PSAB target?

4. When have you not met it?

Neither C1-DND nor C2-Parks are aware of the last time their department has met or not met their PSAB target.

5. What do you think could be done that would help your department meet or exceed the goals set by headquarters?

C1-DND argued that by providing PSAB targets to regional contracting officers, those officers would be able to provide more assistance when necessary. They also suggested that it would be beneficial to provide list of commodities which have lots of Aboriginal suppliers so that DND could confidently opt to voluntarily set aside procurements in more situations.

5.3.4 Interview Summary

While conducting the interviews it became clear that the target setting occurs solely in the National Capital Region with no communication of those targets to the regions. There are PSAB Coordinators for each eligible department and they are responsible for setting targets as they see fit with limited guidance from INAC as to how the targets should be set. Departments will take one of two approaches when setting their targets. They will take either a legacy approach or will conduct some contract analysis, and when doing contract analysis may set their targets either conservatively or aggressively. The primary influencing factor is reflecting on past performance and being aware of upcoming and ending projects. While coordinators speak about setting targets themselves up for success, there are currently no formal consequences connected to the PSAB if a department fails to meet their target.

The primary areas identified as having room for improvement include improving IT systems for reporting to create better, more organized data, quicker turnaround times for verifying data, and the need for clearer instructions and expectations from INAC.

5.4 Jurisdictional Scan

5.4.1 Australia

The Government of Australia's goal of "Closing the Gap" aims to halve the gap in employment outcomes between Indigenous and non-Indigenous Australians by 2017 (Department of Indigenous Affairs and Department of Finance, 2015, p. 5). One of the initiatives used to assist with this goal was the Indigenous Opportunities Policy (IOP), which was later replaced by the Indigenous Procurement Policy (IPP).

Australia implemented the IPP, a nearly identical Indigenous procurement plan to the PSAB, in 2015, with the same criteria for Indigenous business, the requirement for mandatory set-asides when procuring goods or services for a primarily Indigenous community, and the use of a target strategy (Department of Indigenous Affairs and Department of Finance, 2015). A key difference is that the targets in Australia had been set for the whole government for the first five years of the program, not by individual departments as with the PSAB (Department of Indigenous Affairs and Department of Finance, 2015, p. 46-47). A flaw in Australia's target system is that departments are able to report Indigenous procurement volume either by the number of contracts awarded or by the dollar value (Department of Indigenous Affairs and Department of Finance, 2015, p. 17). Australia's system has been critiqued based on the challenges the different reporting measurements presented for evaluation, concern about whether this program is the most effective way to create socioeconomic change, and the potential for businesses to take advantage of the "Indigenous business" definition (Jacobs, 2017, p. 28).

Indigenous Opportunities Policy 2011 to 2015

The IOP is central to the National Partnership Agreement on Indigenous Economic Participation, with the goal of increasing the number of Indigenous Australians trained and employed by awarding government contracts to organizations that have an Indigenous training, employment, and supplier plan. These plans need to demonstrate how they intend to provide training and employment opportunities to local Indigenous Australians and how they will utilize small and medium Indigenous enterprises (Department of Jobs and Small Business, 2014, p. 5).

The definition of an Indigenous business under this plan is very similar to the definition of an Aboriginal business under the PSAB, stating that the business must be at least 51% Indigenous Australian owned with an Australian Business Number (ABN) (Department of Jobs and Small Business, 2014, p. 5). The policy stated that for projects over \$5 million in regions where there are "significant Indigenous populations," which is defined as a population where the proportion of Indigenous people in the region is equal to or higher than the national average, officials must

consult with the IOP administrators, the Commonwealth Indigenous Coordination Centres, and community council or group as appropriate while planning the project (Department of Jobs and Small Business, 2014, p. 4).

Suppliers bidding on contracts over the \$5 million threshold for regions with 3% or more Indigenous populations had to have an approved IOP plan for training and employing Indigenous people and use of Indigenous suppliers (Department of Jobs and Small Business, 2018).

In May 2011 the government introduced an exemption for small and medium Indigenous enterprises in the Commonwealth Procurement Rules (CPR) which operated separately from, but complementary to, the IOP (Department of Jobs and Small Business, 2018). “Exemption 17” allows Commonwealth entities to purchase from Indigenous Small and Medium Enterprises (SMEs) without complying with the usual rules set out in division 2 of the CPRs (Department of Indigenous Affairs and Department of Finance, 2015, p. 8, 10).

Indigenous Procurement Policy

In June of 2015, the Indigenous Procurement Policy replaced the IOP and very closely resembles the PSAB. The IPP set targets for Commonwealth departments, created mandatory set-asides for certain procurements, and outlined minimum Indigenous participation requirements (Department of Indigenous Affairs and Department of Finance, 2015, p. 6). The IPP applies mandatory set-asides to all remote procurements and all other new domestic procurements with estimated values between \$80,000 and \$200,000 (Department of Indigenous Affairs and Department of Finance, 2015, p. 25). In order to satisfy the mandatory set-aside requirement, the procurement officer must conduct a search for Indigenous businesses on the Supply Nation Directory and document the outcomes of their search (Department of Indigenous Affairs and Department of Finance, 2015, p. 27).

Success of the policy was intended to be evaluated based on performance against the targets published on the Indigenous Procurement website, where data is publicly available, identifying the number and dollar value of contracts that have been awarded (Department of Indigenous Affairs and Department of Finance, 2015, p. 8).

The IPP relies on their Supply Nation website, which maintains a list of Indigenous enterprises meeting the definition of over 51% Indigenous ownership, much as INAC relies on the use of the Aboriginal Business Directory to verify Aboriginal businesses (Department of Indigenous Affairs and Department of Finance, 2015, p. 8). If a business is not listed on the Supply Nation website, the procurement officer has the authority to conduct further research to confirm whether the business is at least 51% Indigenous owned, and if so can use Exemption 17 to contract with the business (Department of Indigenous Affairs and Department of Finance, 2015, p. 8, 10).

Targets

When the IPP was introduced in 2015, the Australian Government set targets for the percentage of domestic contracts to be awarded to Indigenous businesses for the first five years ranging from 0.5% in fiscal year 2015-16 to 2.5% in 2018-19, and 3% in 2019-2020 (Department of Indigenous Affairs and Department of Finance, 2015, p. 13). The targets in Australia are calculated “based on the average number of domestic contracts entered into over the previous three financial years that data is available for” (Department of Indigenous Affairs and Department of Finance, 2015, p. 13).

In the first 11 months of the 2015-16 fiscal year, the Commonwealth Government exceeded their initial target of 256 contracts (0.5% of the 51,266 average for the previous three years), awarding 993 contracts to Indigenous businesses (Department of Indigenous Affairs and Department of Finance, 2015, p. 14; Pitt & Pitt, 2016). Following the success of the first years of the program, the government announced in February 2017 that they would revise the target for the 2016-17 fiscal year to 3% (Jacobs, 2017, p. 13).

This target system is based on the number of contracts awarded, with the option to convert to a dollar value target, which is intended to provide contracting officers flexibility and enable contracts to be managed efficiently and according to business need (Department of Indigenous Affairs and Department of Finance, 2015, p. 17).

5.4.2 New Zealand

New Zealand’s approach to engaging with the Indigenous population differs significantly from Canada and Australia. While the programs and departments they have created serve a broader range of functions than either the PSAB or the IPP, the attitude and culture shift that has occurred in New Zealand is an excellent example of how to improve Government-Indigenous relations and socio-economic conditions that should be referenced by any country with similar goals.

New Zealand has made much more drastic changes to the way their government engages with the Māori people in recent years than either Australia or Canada, and their approach to engaging with the Māori is much different than the PSAB or the IPP. They completely dismantled their Department of Māori Affairs in 1989, replacing it with Te Puni Kōkiri (the Ministry of Māori Development), which gave authority back to the Māori to manage their own affairs (Fleras & Elliott, 1992, p. 173). Te Puni Kōkiri is the principal advisor on Government-Māori relations, monitors policy and legislation, and provides government with high quality advice (Te Puni Kōkiri, 2014). New Zealand has also settled more than 50 claims for restitution for the taking of land, resources, and lack of protective measures for Māori culture (Mulholland, 2016, Treaty Settlements). The restitution of resources, power over their own affairs, and strong encouragement and support from the New Zealand government for investment in the Māori economy has created steady economic growth for the Māori.

The New Zealand government has improved their relationship with and economic conditions of the Maori through the Waitangi Tribunal and subsequent restructuring of their government. For more information on the Treaty of Waitangi refer to Appendix G.

Māori Progress

Te Puni Kōkiri works within the government and with communities to accomplish these goals through protections and restoration of cultural attributes and increasing skill development and access to economic opportunities for Māori (Te Puni Kōkiri, 2017a). The agency has a lead role in the government's efforts to revitalize the language, and in 2016 the parliament passed *Te Ture mō Te Reo Māori 2016 – the new Māori Language Act* which is written in the Māori language and English with the Māori text prevailing which is a first for the New Zealand legal system (Te Puni Kōkiri, 2017b).

Since the introduction of the Te Puni Kōkiri agency and settlements from the Waitangi Tribunal, the Māori economy has been growing at a rate of 5% per year from \$16 billion in 2006 to \$50 billion in 2016 (Ministry of Business, Innovation and Employment, 2017, p. 41-42).

In the *Māori Economy Investor Guide* (2017), the Ministry of Business, Innovation and Employment attributes increased Māori economic growth to Māori owning and managing natural resources, the alignment of global business values with traditional Māori values, Māori enterprises being in a phase of active growth, the development of a highly connected Māori enterprise system, and the emergence of a new generation of visionary Māori business leaders.

6.0 Discussion and Analysis

The purpose of this chapter is to evaluate and contextualize the information reported in Chapter 5. The review of the PSAB Annual Reports and interviews provided clarification on the operation of the current system but at the same time brought new questions to light. The jurisdictional scans of Australia and New Zealand provided insight into how countries with similar backgrounds as Canada are approaching improving their relationships with their Indigenous populations by establishing various programs to improve economic opportunities.

The discussion in this chapter will address the information learned from the Findings, identify common themes and discrepancies, and identify promising practices from the jurisdictional scans.

6.1 Purpose of the PSAB Program

The need for a program that contributes to the economic development of Indigenous communities throughout the country was identified by AANDC in their 2014 PSAB Evaluation (AANDC, 2014), in the RCAP's 1996 report (Royal Commission on Aboriginal Peoples, 1996), and throughout the academic literature by Fleras and Elliott (1992), Schouls (2003), and Anderson (1999). However, it is questionable as to whether the PSAB program is the most helpful solution for addressing that need.

Government procurement has its limitations in terms of how much it can contribute to social policy goals. While the concept of social procurement claims to be very beneficial for accomplishing both the contracting needs of the organization and social outreach, there are several factors that need to be present in order to ensure the procurement is effective in both its contracting goals and its social impact. The current structure of the PSAB does not account for many of the aspects that McCrudden (2004) and Barraket and Weissman (2009) argue are necessary for successful social procurement.

- McCrudden (2004) identified the benefit of using procurement linkages as an additional enforcement mechanism to ensure participation in contributing to social policy objectives (p. 123). There are currently no structures in place within the PSAB that give INAC or anyone else the authority to impose consequences when departments either do not set a target or fail to meet it.
- The PSAB has a very narrow mission for awarding more contracts to Aboriginal businesses and increasing Aboriginal business capacity. It has no mandate related to the broader social issues that exist for Indigenous Peoples in Canada. Part of the justification of this narrow focus is due to the nature of the complex procurement process and the contractual relationship (McCrudden, 2004, p. 115, Barraket & Weissman, 2009, p. 11).

One of the ways the PSAB program does support McCrudden's definition of successful procurement linkages is that it successfully limits competition so that small businesses may be able to increase capacity (2004, p. 126).

6.2 PSAB Criticism

In the evaluation of the PSAB in 2014, both Mah (2014) and AANDC (2014) released evaluations that addressed areas in need of improvement. Mah (2014, p. 72-74) identified the following key shortcomings of the PSAB:

- Its inaccessibility for remote communities;
- Doing little to stimulate innovation and entrepreneurship in those communities;
- Inadequate oversight on compliance by AANDC; and
- It is not possible to perform a comprehensive evaluation of the PSAB program's expected outcomes due to a lack of verified, up to date contracting data.

The lack of availability in verified, up to date contracting data has been a concern both for determining the success of the program and because it limits the ability of PSAB Coordinators to set realistic targets.

PSAB Coordinators from NRCan and PSPC both identified the need to develop a list of commodities which have multiple Aboriginal suppliers to improve departments' ability to voluntarily set aside procurements under this program.

Concerns exist that the PSAB may only encourage growth of a few businesses that may grow to dominate the program (Mah, 2014, p. 76). AANDC's 2014 report noted concerns around the performance and effectiveness of the program (AANDC, 2014, p. 23). These concerns cannot be objectively measured or evaluated due to the two to three-year delay in publicly reporting verified PSAB contracting data. This concern was also brought up in the interview with the PSAB Coordinator for PSPC. They identified their concern that there is very little follow up or verification of businesses who have registered as "Aboriginal" through the Aboriginal Business Directory and that determining whether a business meets the criteria set out in the PSAB program is left up to INAC. Not knowing whether a business does indeed meet the definition set out in the PSAB creates confusion and delays in reporting and publishing contracting data.

6.3 Target Systems

The process of setting targets has been left up to individual departments, described by most interviewees as a trending exercise based on past performance. Some interviewees try to set themselves up for success. During the interviews with PSAB Coordinators who are using the contract analysis approach it became clear that there are two different attitudes they have taken when it comes to actually setting the targets. One way to do it is to set conservative targets that the department is sure they can meet. Doing this can ensure a positive outcome but may limit the

chance to encourage doing more. The other way is to set aspirational targets, something to strive for rather than something that is guaranteed. While this might encourage more people to consider using a set-aside, it can also risk giving an inappropriate negative result (a missed target) for a department that intentionally set ambitious targets as a way to motivate participation.

The purpose of targets is to achieve a desired outcome and encourage people to change their behaviour if necessary in order to achieve that. In order for people to know if they need to change their behaviour they first need to know the target they are striving for and second need to know how close they were to meeting past targets.

Performance feedback is a key component in the target setting process (Masters & Frazier, 2007, p. 32). It provides the opportunity for those working toward target to reevaluate and adjust as necessary (Greve, 2003, p. 13). PSAB Coordinators identified this as a challenge in the current target system. They argued that it is difficult to set new targets when you do not know if you have met the target from the year before, especially since so many rely on historical data when setting their targets.

Goal setting can be impactful in creating change, but it becomes less effective with minimized feedback (Masters & Frazier, 2007, p. 32). “Evaluations can and should ... be used as an ongoing management and learning tool to improve an organizations effectiveness” (Martinez, 2005). The Annual Reports are not being utilized to their full capacity to learn from past performance given the two to three-year delay in feedback to the Coordinators. To improve success of the program, the reports need to be done quickly and regularly (Martinez, 2005).

While there are so many factors that exist outside of procurement officers’ and PSAB Coordinators’ control that could reduce the impact the PSAB is having, the tendency for coordinators to set goals they know they can achieve, combined with delayed verification of performance, greatly reduces the chance that a department will perform below their goal and therefore limits the opportunity or willingness of departments to make major changes to improve outcomes. As Greve identifies, it is when organizations do not meet their goals, and problem-solving activities and risk tolerances go up, that major changes can be embraced and implemented (Greve, 2003, p. 36). There is also the risk that waiving an unmet target can undermine the whole purpose of setting them in the first place and again comes back to the need for feedback in relation to goals (Newman & Azevedo, 2013, p. 3; Masters & Frazier, 2017, p. 32). If there is no feedback provided on how goals were set, then there is no chance for improving the program (Masters & Frazier, 2017, p. 33).

6.4 Modernizing Procurement

Modernizing procurement has been a key focus in the government, particularly following Trudeau’s mandate letters. The need for simplifying the procurement process and making government contracts more accessible is part of the mandate Trudeau assigned PSPC. Several

interviewees identified the need for improved IT programs and more fully committing to true and comprehensive social procurement measures.

Both INAC and the coordinators would benefit from modernized procurement processes. The need for publishing clear metrics and making data more publicly available will both contribute to the modernization goal of diversifying the pool of bidders on government contracts and help the government internally manage their objectives. PSAB Coordinators expressed how valuable better, more organized data would be for making a greater impact through the PSAB program. Given the support this initiative has from within PSPC to the Prime Minister, making changes in the name of modernizing the procurement process would be very well received in this current political climate.

6.5 Lessons Learned

Australia

Australia's launch of the IOP in 2011 followed by the IPP in 2015 mirror many aspects of Canada's PSAB program including the 51% ownership Indigenous business definition and the use of targets system, mandatory set-asides in primary Indigenous locations. Given the program's similarities, the criticisms Australia's program has received are particularly valuable for Canada to consider. Four key lessons learned from Australia include:

- Necessity of a clear system to measure performance against targets
- Being realistic about the limits of social procurement
- Potential risk of businesses taking advantage of set-aside programs
- Emphasizing the targets rather than the overall goal of the program

Despite the apparent increase in Indigenous business participation, Charles Jacobs argued that the target system and flexible reporting process make it difficult to measure the success of the program (2017, p. 13). While he supports the concept of using government procurement as a cost effective way to address Indigenous economic development, he critiqued other aspects of using procurement to achieve social outcomes, the measurement of IPP data, limitations on government procurement needs, and the potential risk for businesses to present themselves as Indigenous to win government contracts.

Allowing departments to report the contracts they have awarded to Indigenous businesses either by number of contracts or by the monetary value of the contract award can significantly inflate the apparent success of the policy and create inconsistency in measurement of the overall figures (boosting totals with a large number of low value contracts) (Jacobs, 2017, p. 15). Jacobs also notes that the majority of the 1509 IPP contracts awarded in 2015-16 were valued at less than \$10,000 (2017, p. 15). These inconsistencies in IPP reporting make it incredibly difficult to measure the real impact the policy is having (2017, p. 16). Much like Canada's inconsistent

evaluation metrics published in the PSAB Annual Reports, non-comparable data makes it difficult to objectively determine the impact a program is having.

A significant concern Jacobs identified is the potential for businesses to take advantage of the 50% ownership quota to win contracts under this policy. Jacobs describes the phenomenon as “black cladding” when a business presents itself as Indigenous by doing one of two things. The first is increasing Indigenous ownership to over 51% requirement, but giving little active responsibility for decision making to Indigenous owners (2017, p. 18). Another way businesses could be taking advantage of this policy is through forming joint partnerships under the pretense that the Indigenous business will be completing a set percentage of the work, but having the non-Indigenous company do all the work and pay a fee to the Indigenous company for allowing them to use their Indigenous status to win the contract (2017, p. 18). This is a problem that the client for this project is also concerned about, and while there is no concrete data to support these suspicions either in Australia or Canada, the risk is there and has to be considered during the data verification process.

Jacobs argued that while the IPP has been declared a success, its introduction has “clouded the Indigenous-business eco-system” and it has since become difficult to distinguish between businesses that had been operating successfully in the open market prior to the introduction of the IPP and new businesses that have been created to take advantage of the policy (2017, p. 13).

Pursuing social objectives through procurement can compromise concepts of non-discrimination, value for money, and transparency, and the efforts procurement officers now have to expend in order to ensure compliance with the IPP is a significant increase in both time and financial expenditure, which counteracts the original benefit of using procurement as a way to contribute to closing the wealth gap between Indigenous and non-Indigenous Australians without increasing government costs (2017, p. 14).

Putting so much focus on meeting the targets set out in the IPP distracts from the original intention to close the wealth, health, and opportunities gap that exists in Australia. Providing so much flexibility for departments to meet targets undermines the goal of providing opportunities for growth and development for Indigenous businesses and communities. Making it easier and more flexible for departments to check a box confirming they have met the target lessens the impact and value of reports claiming progress has been made since targets are being met. While the use of targets can be a good way to encourage departments to use the IPP, or the PSAB, it is important to remember what may occur if the original goal and purpose of the policy is forgotten.

New Zealand

New Zealand’s approach to redefining their relationship with the Māori population has been praised by many and is producing positive socioeconomic outcomes for the Māori. There are six

key lessons that can be learned from how New Zealand approached redefining their relationship with the Māori population:

- The importance of settlements for claims pertaining to the taking of land, resources, and the absence of protective measures for culture.
- The need to reduce the government's involvement in managing Indigenous affairs.
- The value of combining activist and organizational pressure with legal support from treaties.
- The need for development plans to be created by a political authority which matches cultural values and is recognized as legitimate.
- The importance of remembering that economic development cannot occur in isolation of other social issues such as health care, housing, and education.

The use of the Waitangi Tribunal to provide settlements for over 51 claims provided restitution and acted as an essential starting point for changing the terms of the relationship. Criticisms around this approach revolve around the fact that the process and settlement structure was defined by the government with limited consultation or input from the Māori.

By dismantling the Department of Māori Affairs in 1989, and replacing it with Te Puni Kōkiri in 1992, New Zealand took a huge leap toward creating conditions for Māori self-government. Minimizing the government's role in managing Māori affairs significantly altered the terms of the relationship.

The new approach Canada is taking in restructuring government departments responsible for managing Indigenous services very closely resembles the approach New Zealand has taken, and if Canada can commit to reconciliation efforts and handing control back to Indigenous Peoples, it is possible that Canada could see the same sort of results New Zealand has.

The overarching theme from New Zealand is the necessity of consultation and Indigenous involvement in the design and execution of socioeconomic plans targeting Indigenous Peoples and businesses. If any changes are to be made with the PSAB, the Canadian government needs to welcome and encourage meaningful Indigenous consultation throughout the process.

While the Māori have seen excellent success and economic improvement both within New Zealand and in the global economy, challenges still remain with the profit motivation driving decision making. As governments and the private sector become more familiar with the value of social procurement, this attitude may become less prevalent in the future, but as of now, it remains a factor that needs to be considered and provisions, such as the PSAB and other social procurement plans, remain valuable in counterbalancing this attitude.

6.6 Summary

It is agreed upon in the literature and by interviewees that the use of social procurement is a positive way to contribute to the social policy goal of improving socioeconomic conditions for

Indigenous Peoples and preparing them for successful self-government. However, the current state of the PSAB does not feature many of the key components identified as necessary for successful social procurement as identified by McCrudden (2004 and 2007) and Barraket and Weissman (2009). The program is difficult to evaluate due to inconsistent data, and the structure of the target system is missing a performance feedback component which is critical to improving performance outcomes.

Everyone from the Prime Minister to experts in the field to those working directly with the PSAB identified the need to modernize procurement processes. There is a need to make government procurement more accessible and less administratively burdensome, particularly for the benefit of small and medium enterprises.

The jurisdictional scans of Australia and New Zealand offered insight into how different countries are addressing the same problem that Canada has. The similarities Australia's IPP shares with the PSAB means the criticism the IPP has received is valuable for those evaluating the PSAB. Concerns around the target system and data collection are lessons that Canadian PSAB workers can learn from. The very different approach New Zealand has taken identifies alternative areas of focus that have been very successful in growing the Māori economy and should be considered when developing socioeconomic development plans and programs for Indigenous Peoples in other regions.

7.0 Conclusion and Recommendations

7.1 Conclusion

During the course of this research, the purpose and function of the target system in the PSAB program became more clear. The need for a program that creates economic opportunities for Indigenous businesses is agreed upon in the literature. The use of procurement as a means to attain these social policy objectives is cautiously supported by academics who see the value in linking procurement to social policy goals.

The benefit of using targets as a means to achieve the desired performance outcome is well supported in the literature. Factors that need to be addressed in the target setting process in order for it to be successful in maximizing performance outcomes include:

- Performance feedback: Providing regular and timely performance feedback is a key component to the target setting process as it creates the opportunity to reevaluate and adjust as necessary (Masters & Frazier, 2007, Greve, 2003, p. 13)
- Target setting: Setting a target too low increases the risk that target would be met without changing behaviours, and setting a target too high will result in either the target being waived (undermining the entire process) or penalized (which can result in resentment, and impact future performance) (Newan and Azevedo, 2013, p. 2-3). There can be benefits to using aspirational targets, that cannot immediately be met, as this can allow an organization to become less averse to risk and more willing to develop creative solutions (Greve, 2003, p. 36).

These considerations were also brought up from the discussion on lessons learned from Australia and New Zealand. Critics of Australia's IPP identified the necessity of a clear system for measuring performance against the targets and the danger of putting too much emphasis on meeting targets and not enough on the overall vision of the program. Even in New Zealand, which has developed a very comprehensive self-government strategy and has seen tremendous growth for the Māori, they continue to struggle with getting people to see past the profit motive and seeing value in a way that extends beyond monetary savings.

Current PSAB target design has the following deficiencies:

- The two to three-year delay in performance feedback from INAC.
- The tendency for PSAB Coordinators to set targets in a way that will guarantee they meet them.
- The lack of consequences and follow up when a department does not meet their target. There is no opportunity to learn from mistakes and improve under the current target system.

7.2 Recommendations

This paper has eight recommendations for how the Government of Canada should proceed with the PSAB Program, including two areas in need of further research. The recommendations are divided into three sections: immediate actions, future actions, and future research; and are directed at PSPC and INAC.

Immediate Actions

1. PSPC and INAC should coordinate on PSAB data collection.
2. INAC should provide clear guidance to PSAB Coordinators as to what they hope to measure from data collection and decide on what variables they want to record (i.e. set-asides, incidental, overall business volume).
3. INAC should hire more staff to address the backlog of data and publish annual reports to get them up to date.
4. PSPC and INAC to develop and distribute a list of commodities that can be supplied by Aboriginal businesses.

Future Actions

5. INAC and Treasury Board should collaborate to give more weight to CPNs that would allow INAC to implement appropriate consequences for departments not setting a target or meeting a goal.
6. PSAB Coordinators should share departments' targets with PSPC and regional procurement personnel.

Future Research

7. Review and collect data on business composition of Aboriginal businesses listed in the Aboriginal Business Directory to determine levels of Indigenous ownership and participation.
8. Reevaluate the use of targets. Currently they are not being shared with those doing procurement, are not being assessed against performance in reports, and are not providing feedback until two to three years after the fact. Should targets be retained, redesigned, or dropped?

Implementing these recommendations could improve the PSAB program and result in greater economic impacts for Indigenous businesses across the country.

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Appendices

- Appendix A: Ethics Approval
- Appendix B: Interview Recruitment Emails
- Appendix C: Consent Form Template
- Appendix D: Group 1 Interview Guide
- Appendix E: Group 2 Interview Guide
- Appendix F: Group 3 Interview Guide
- Appendix G: Interview Summary
- Appendix H: Treaty of Waitangi (New Zealand)

Appendix A: Ethics Approval



Office of Research Services | Human Research Ethics Board
Michael Williams Building Rm B202 PO Box 1700 STN CSC Victoria BC V8W 2Y2 Canada
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Certificate of Approval

PRINCIPAL INVESTIGATOR: Bronwen Grieve
UVic STATUS: Master's Student
UVic DEPARTMENT: MADR
SUPERVISOR: Dr. Rebecca Warburton

ETHICS PROTOCOL NUMBER:	17-409
Minimal Risk Review - Delegated	
ORIGINAL APPROVAL DATE:	19-Dec-17
APPROVED ON:	19-Dec-17
APPROVAL EXPIRY DATE:	18-Dec-18

PROJECT TITLE Understanding the Target Process of the Procurement Strategy for Aboriginal Business

RESEARCH TEAM MEMBER None

DECLARED PROJECT FUNDING: None

CONDITIONS OF APPROVAL

This Certificate of Approval is valid for the above term provided there is no change in the protocol.

Modifications

To make any changes to the approved research procedures in your study, please submit a "Request for Modification" form. You must receive ethics approval before proceeding with your modified protocol.

Renewals

Your ethics approval must be current for the period during which you are recruiting participants or collecting data. To renew your protocol, please submit a "Request for Renewal" form before the expiry date on your certificate. You will be sent an emailed reminder prompting you to renew your protocol about six weeks before your expiry date.

Project Closures

When you have completed all data collection activities and will have no further contact with participants, please notify the Human Research Ethics Board by submitting a "Notice of Project Completion" form.

Certification

This certifies that the UVic Human Research Ethics Board has examined this research protocol and concluded that, in all respects, the proposed research meets the appropriate standards of ethics as outlined by the University of Victoria Research Regulations Involving Human Participants.

Dr. Rachael Scarth
Associate Vice-President Research Operations

Certificate Issued On: 19-Dec-17

17-409
Grieve, Bronwen

Appendix B: Interview Recruitment Emails

From: Bronwen Grieve
To: Participant
Subject: PSAB Performance Target Research

Hello,

I am a Master's of Dispute Resolution student at the University of Victoria. As part of my degree I am required to complete a final research project. My project is being completed for a client – the Commercial Acquisitions branch of Public Services and Procurement Canada in the Pacific region.

The title of my research is *Understanding the Target Process of the Procurement Strategy for Aboriginal Business*. The purpose of this research is to better understand the current system for the PSAB targets, the strengths and weaknesses of the current approach, and to make recommendations to improve based on the results of this research. Specifically, this research will aim to identify common themes as well as discrepancies in client departments' approaches to executing their PSAB targets, develop promising practices, and identify areas in need of further research with a report and recommendations.

I am wondering if you would be willing to take part in a 45-minute phone interview to discuss:

Group 1: how the PSAB performance targets are set for your department and what factors have helped or hindered meeting those targets?

You are being asked to participate in this study because of your position, knowledge, and participation in setting the national PSAB target for your department.

Group 2: how the PSAB targets set by National Headquarters region are being locally executed?

You are being asked to participate in this study because of your position and experience as a regional lead in INAC working with the PSAB.

Group 3: how your department manage the PSAB performance targets and what has helped or hindered those efforts in the Pacific region?

You are being asked to participate based on your position and experience in purchasing goods and services through PSAB set-asides and your knowledge of how effectively the Pacific region of your department is meeting the performance target for the department nationally.

Please see attached consent form (required as a part of the University of Victoria Ethics Board process) and proposed interview questions.

If you have any questions, please feel free to email me back or call me at 902-877-9585.

Thank you,

Bronwen Grieve

University of Victoria MADR Candidate

Appendix C: Consent Form Template

(see next page)



Understanding the Target Process of the Procurement Strategy for Aboriginal Business

You are invited to participate in a study entitled *Understanding the Target Process of the Procurement Strategy for Aboriginal Business* that is being conducted by Bronwen Grieve.

Bronwen Grieve is a graduate student in the School of Public Administration at the University of Victoria and you may contact her if you have further questions by emailing bgrieve@uvic.ca or calling 902-877-9585.

As a graduate student, I am required to conduct research as part of the requirements for a Master's in Dispute Resolution. It is being conducted under the supervision of Dr. Rebecca Warburton. You may contact my supervisor at 250-721-8066.

This study is also being conducted for a client. The client is Ravinder Rakhra, A/Regional Director, Procurement Branch within the Pacific Region of Public Services and Procurement Canada.

Purpose and Objectives

The purpose of this research is to better understand the current system for the PSAB targets, the strengths and weaknesses of the current approach, and to make recommendations to improve based on the results of this research. Specifically, this research will aim to identify common themes as well as discrepancies in client departments' approaches to executing their PSAB targets, develop promising practices, and identify areas in need of further research with a report and recommendations.

Importance of this Research

Research of this type is important because the Government of Canada has committed to improving their relationship with the Indigenous Peoples across the country. One of the ways the Government is working towards this goal is by developing programs and policies that can improve economic development for Indigenous communities, such as the Procurement Strategy for Aboriginal Business (PSAB). The problem in determining whether the PSAB has been successful in increasing Indigenous participation in federal contracting is that "success" has been determined based on whether or not government departments have achieved or exceeded their yearly performance objectives. However, because government departments are setting these goals for themselves, objectively measuring success is much more difficult, and because they are set by the client departments, Public Services and Procurement Canada (PSPC) has no point of reference for what those targets are, or how close the department is to meeting it, and is therefore limited in how much they can intervene or suggest making voluntary set-asides.

Participants Selection

Group 1: You are being asked to participate in this study because of your position, knowledge, and participation in setting the national PSAB target for your department.

OR

Group 2: You are being asked to participate in this study because of your position and experience as a national lead in (*either* PSPC *or* INAC) working with the PSAB.

OR

Group 3: You are being asked to participate based on your position and experience in purchasing goods and services through PSAB set-asides and your knowledge of how effectively the Pacific region of your department is meeting the performance target for the department nationally.

What is involved

If you consent to voluntarily participate in this research, your participation will include a 45 minute phone interview at a time of your choosing. Notes will be taken from this phone interview.

Inconvenience

Participation in this study may cause some inconvenience to you, in that it will take time from your regular duties.

Risks

There are no known or anticipated risks to you by participating in this research.

Benefits

The potential benefits of your participation in this research is that you will be provided with a report on the findings of how other departments are setting their PSAB performance targets, what factors contributed to the success or prevented departments from meeting their targets, along with promising practices.

Voluntary Participation

Your participation in this research must be completely voluntary. If you do decide to participate, you may withdraw at any time without any consequences or any explanation. If you do withdraw from the study you will be asked if your data may still be used in the study. If you do not wish for your data to be used it will be destroyed.

Anonymity

Dissemination of results could include quotes from participants and will include the department they work for, which could reveal their identity to someone working in this field. You will be given the option to be identified by name or not, however, the department you work for will have to be included. All quotes used will require your approval.

Confidentiality

There are some limits to the extent to which I can guarantee confidentiality. Participants may be well known in their position, and also, through the potential for snowball sampling, other individuals within those departments could be aware of who may have been interviewed.

Published information may contain departmental and organization identifiers and all information provided to the researcher will relate to the professional work of the participant. No information of a personal nature will be collected.

Dissemination of Results

Appendix D: Group 1 Interview Guide

Group 1: PSAB Coordinators in the National Capital Region

1. What is your role in deciding PSAB targets for your department?
2. What guidance do you get from INAC?
3. What information did you use when setting those targets?
4. How do you communicate your targets to the regions?
5. What was the target for last year?
 - a. Did you meet it?
 - b. What reasons do you have for the success/failure of meeting the goal?
6. How will that impact setting next year's goals?
7. How do you think you could improve your success in meeting targets?

Appendix E: Group 2 Interview Guide
Group 2: INAC PSAB Leads in National Capital Region

1. What is your role in relation to the PSAB program?
2. Have you noticed any trends with PSAB target success/failures?
3. How are targets communicated to departments and the regions?
4. Are there common themes among departments when it comes to setting those targets?
 - a. Is there a standard that departments follow?
 - b. What causes departments' goals to differ?
5. What do you think could be done to improve PSAB successes?
 - c. What is being done well, what could be improved?
6. What are the consequences for departments when they do not meet their targets?

Appendix F: Group 3 Interview Guide
Group 3: Procurement personnel in Pacific Region

1. How familiar are you with your department's PSAB targets?
 - a. How have they been communicated to you?
2. What is your role in relation to PSAB targets?
 - a. What do you do to support them?
 - b. Do you have any influence on how targets are set?
 - c. Do you provide feedback to headquarters?
 - i. What results do you see from that?
3. When have you met or exceeded your departments PSAB target?
 - a. What factors contributed to this success?
4. When have you not met the PSAB target?
 - a. What factors prevented you from doing so?
5. What do you think could be done that would help your department meet or exceed the goals set by headquarters?

Appendix G: Interview Responses

PSAB Coordinator interviewees (Group 1) are abbreviated as A1 for NRCan, A2 for PSPC, A3 for Parks, and A4 for CNSC. INAC Representative interviewees (Group 2) are abbreviated as B1 and B2 and Pacific Region interviewees (Group 3) are abbreviated as C1 for DND and C2 for Parks.

5.3.1 Group 1: PSAB Coordinators

1. What is your role in deciding PSAB targets for your department?

A1: PSAB Coordinator for NRCan and Manager of Procurement Policy and Reporting. Reports PSAB contracting activities for the department annually and sets PSAB targets based on historical data which is what INAC encourages.

A2: Has been a PSAB Coordinator since 2009 and has had “free reign” to set PSAB targets for PSPC. PSPC has a huge amount of decentralized responsibilities for departmental procurement as well as procurements that are undertaken on behalf of other departments. The targets set by PSPC don’t include procurements done for other departments. A2’s role is for procurement happening within the department. When setting targets, A2 gets approval from their Director General before sending projected targets to INAC.

A3: The Director for the Procurement and Contracting Branch of Parks Canada responsible for setting the targets for the agency. Targets are in response to the call letter received from INAC which asks for procurement strategies that have been set aside for Aboriginal business, what is planned to be set aside, and awareness sessions that have been conducted with communities or Aboriginal businesses.

2. What guidance do you get from INAC?

A1: INAC sends a call letter which used to be directed to the PSAB Coordinator and is now directed to the Director General. The Treasury Board Contracting Policy Notice (CPN) is available on the Treasury Board Secretariat’s website, but is not included with the call letter.

A2: The information INAC provides in their call letter focuses on what the program represents and what the CPN says should be considered. The deeper interpretation of the policy and how targets should practically be set is left to the interpretation of the Coordinators. A2 has recently reached out to INAC because setting the targets is a labour intensive activity that by the time INAC asks for targets there is not enough time to go back to them with questions on how to approach setting them. When A2 spoke with INAC they discovered they are probably one of the longest term Coordinators and discussed concerns of lost continuity with such high turnover. Continuity is really instrumental to being able to approach target setting in a reasonable way given the reliance on past target setting and performance. When A2 took the position in 2009, their predecessor was no longer with the department and A2 had no way to figure out how they decided on past targets.

A3: Receives zero guidance from INAC.

3. What information did you use when setting those targets?

A1: Base targets on historical data, known programs that are being created or “sun-setting” specifically in the north, NRCan has a huge presence up north. The number of programs that are in operation dictates how many transactions are done annually and subsequently influences what value will be targeted to be set aside under the PSAB. If A1 is aware of programs that are coming to an end they will reduce their target by a certain percentage saying that it’s “really a wild guess, not a science”.

A2: When first tasked with setting targets, referred to historical data available and viewed it as a trending exercise. When the data reporting moved to a new financial management system, the data itself was very different and couldn’t compare to past data from the old system which essentially had A2 starting from scratch. They identified that the way targets had been set in the past appeared to set rather low in an attempt to set the department up for success. A2 has since set PSPC’s targets more aggressively, up to 60% higher than original targets.

Given the variability in projects within PSPC, an \$800 million contract awarded to an Aboriginal business incidentally can skew data results. PSPC sets targets in the range of \$30 to \$50 million because there are not a lot of contracting opportunities for this department that meet the criteria of requiring a mandatory set-aside. If they greatly exceed their target, then A2 will increase the target by 10-15%, however, whether the target is met or not depends on whether the data is determined to be reliable or not. “You’re setting targets for a moving target, with the data itself, you’re at the mercy of how data is being entered”.

A3: Like A2, when A3 started as a Coordinator they had no idea of the scope of Aboriginal business Parks was doing, so they referred to the past two to three years. Send their own call letter out to Parks field units to get a sense of the amount of work that needs to be done. A3 had already sent their call letter out at the time of the interview so they would have a target decided by the time INAC sends their call letter out in June/July. Sets target conservatively based on the information they receive from their field units. When A3 receives INAC’s call letter in the summer, they review how many contracts have already been awarded to Aboriginal businesses and determines whether they are comfortable increasing the target based on that.

A4: Sets a recurring target of \$200,000 which is met through awarding contracts to Aboriginal businesses incidentally through regular contracting activities. The rationale for the annual target of \$200,000 has been lost due to employee turnover.

4. How do you communicate your targets to the regions?

A1: Does not communicate the target to the regions because it is a “passive target”. If the procurement is for a community up north you know that either the Comprehensive Land Claims Agreements will apply or it will be a mandatory set-aside, telling the regions the targets will not

increase the number of contracts awarded to Aboriginal businesses. Suggested that PSPC should have knowledge of commodities that have lots of Aboriginal suppliers and make suggestion to voluntarily set aside a procurement for an Aboriginal business. A1 does not believe that communicating the target will change the outcomes and their targets are currently being met without communicating them.

A2: Given that targets are “educated guesses” A2 does not want the regions to be held accountable if targets are not met. While the targets themselves are not communicated, the department does communicate the opportunities and obligations PSPC has to work with the PSAB, along with the mandatory training for procurement officers.

A3: Has sought input from the regions when setting targets, but does not communicate the targets to them because when targets are set A3 knows that they are already met or will be met.

5. What was the target for last year?

A1: Could not recall offhand, but was sure they met it. Received a letter dated August 30, 2017 congratulating them on meeting their target for 2013. A1 is concerned about the delay and the disconnect between their target and INAC’s verification because the letter identified that their target was less than \$250,000 but A1 set their target in the millions. A1 is concerned about the possibility that INAC is evaluating on different terms than the Coordinators are aware of, but has been unable to confirm this with INAC.

A2: Set the 2017 target for \$37.5 million based on concerns about reliability of data. While A2 can see the contracting data that has been forwarded to INAC, they cannot see if INAC has validated that the contracts were actually awarded to businesses that meet the PSAB definition of “Aboriginal”. A2 is unaware of what INAC is considering acceptable, and if they knew that they would be able to adjust their targets accordingly.

The verification process is difficult because at the electronic level there is only one system, the Aboriginal Business Directory (ABD). It would be beneficial if there were some sort of alignment with other IT systems out there. A2 argued that it is irresponsible to say internally that the ABD exists, but is not authoritative, while publically claiming that it is authoritative, which is an issue that INAC needs to address.

It’s difficult to say whether the target from 2016 was met, given the numbers A2 reviewed, they have, but INAC will not verify that data for another two to three years. Therefore, at this point, the targets are merely aspirational, but A2 still takes it quite seriously if they don’t meet them. The factors that contribute to either meeting or not meeting a target include variability, decentralization, and who has bearing on how procurements are done.

A3: In 2017 A3 committed to a projected performance objective of \$1.75 million in contract value to be issued to registered Aboriginal businesses. They will not know if they have successfully met that goal until at least June of 2018. A3 indicated that it would be very helpful if there was some sort of format in which Coordinators were expected to respond to the call

letters. INAC used to ask the Coordinators if they had met their goal, but now INAC only asks for PSAB targets and Coordinators are to report their contracting results to PSPC.

6. What will that impact have on setting next year's goals?

A1: When unaware of all the details of which programs are coming to an end, A1 will “use a ballpark figure of 10-20% off that historical data” to set themselves up for success.

A2: Can either set targets conservatively so that you know you can meet them, or take the approach that since data from one year to the next is so variable, the targets have to be aspirational. A2 has taken the latter approach, basing targets on knowledgeable trending and optimism.

A3: Reviews performance with their team, if target was not met or if the contracting budget decreases A3 will lower the target. Focuses heavily on training with staff and getting their clients to view PSAB as an option. A3 does not want to over commit and under deliver, particularly in the communities where their parks are located, they are actually operating in predominantly Indigenous areas and it is very important for Parks to meet expectations.

7. How do you think you could improve your success in meeting targets?

A1: Quicker response times between Coordinators reporting contracting results to INAC and INAC verifying and publishing the results. A1 questioned how effective the reporting can be if it is four years old. In the current political climate with Prime Minister Trudeau saying this is an important issue, we cannot wait four years to act. There is also the need for better guidance from INAC, and more assistance from PSPC in promoting PSAB as an option. One way PSPC could do this is to have a better knowledge of what commodities are available through Aboriginal suppliers.

A2: Data collection needs to be more organized and reliable to improve Coordinator's ability to establish targets based on trends. Improving data would take a serious commitment of resources which would be aided by a consolidated strategy. There needs to be more consideration in targeting specific commodity groups as set-asides. Social procurement options cannot be a “one size fits all” approach and engagement and relationship building with the demographics the social procurement plan is targeting is key to its success. There needs to be a better understanding of how and why targets can shift so drastically, due to unpredictability of procurement projects over years, and while it does not look like a good news story when targets are set high and missed, it would not be any more beneficial to be setting easy targets and not having to strive for them.

A3: Getting more support from INAC and the Office of Small and Medium Enterprise with respect to training and PSAB awareness sessions where it could have the most impact.

4.3.2 Group 2: INAC Representatives

1. What is your role in relation to PSAB targets?

B1: Senior Program Officer who has been with the program since in inception, works closely with PSAB Coordinators and reviews policies pertaining to the PSAB.

B2: Senior Program Manager, responsible for verifying PSAB Coordinators and contact information, send out call letter to Coordinators, and collect their PSAB performance objectives.

2. Have you noticed any trends with PSAB target success/failures?

B2: There has been an upward trend throughout the 20-year program, increased from set-asides valued in the \$10's of millions in the 90's to over \$217 million in 2014. Circumstances such as the creation of Shared Services Canada which took over the procurement of IT goods and services for all other government departments, the Deficit Reduction Action Plan which reduced spending across the board, and budget cuts have impacted both overall government spending patterns and PSAB spending over the last 20 years. The switch to a new data reporting system where it is now the responsibility of departments and agencies to report their numbers to PSPC has made it challenging for INAC to parse out the numbers for Indigenous procurement.

3. How are targets communicated to departments and the regions?

B2: Every year a call letter is sent to the Coordinators with background information such as CPNs, directions for departments and agencies to follow in terms of criteria, whether they have a \$1 million budget and they are supposed to provide performance objectives.

4. Are there common themes among departments when it comes to setting those targets?

B2: Normally departments set their targets through one of two approaches. The legacy approach is where a target is set and if it is close to being met, the department will continue to use the same target each year due to the consistency of their work. The other approach is to conduct contract analysis, where departments will review expenses, contracts they anticipate throughout the year, and try to come up with an accurate value for set-aside contracts.

B1: Treasury Board Secretariat sends out CPNs to departments annually with what is anticipated they should be reporting on, but departments are able to set their own reporting standards. Each department and agency functions differently, in terms of budgets and opportunities to set-aside requirements under the PSAB therefore there cannot be one standard from INAC that lays out how targets should be set.

5. What do you think could be done to improve PSAB successes?

B2: Aligning IT systems, this is improving with more departments and agencies using SAP which gives them the ability to configure contracts and have the report reflect the set-aside contract value for Indigenous business, but there are still disparate systems contributing to the confusion when interpreting data. Success could be improved by adding more rigour to the CPNs. Right now there are no repercussions if departments and agencies do not provide INAC a target. The high rate of turnover requires continued outreach and information sharing sessions. The ABD is increasing both in terms of number of businesses registered and in the nature and capacity of work that can be done in different sectors. The Government is currently participating

in a procurement modernization initiative and INAC is internally trying to establish indigenous procurement modernization initiatives, contacting stakeholders to determine how to improve Indigenous procurement and the PSAB program.

6. What are the consequences for departments when they do not meet their targets?

B2: There are no consequences if a department does not submit a performance objective, and if they do not meet their objectives, “it is important to us, but not the most important”. INAC is more interested in having departments set a target and be working toward it rather than having a perfect performance. Having the participation is key.

B1: One of the consequences that departments may have when they are not meeting their targets is that Aboriginal businesses are writing to their ministers. With the new government and the mandate Ministers received to narrow the gap between Indigenous and non-Indigenous Canadians has improved performance in many departments. Departments have been acting on those complaints and are looking at Aboriginal procurement more frequently as an option.

4.3.3 Pacific Region Procurement Officers

1. How familiar are you with your department’s PSAB targets?

C1: The targets for DND have not been communicated to the regions, the last time C1 had heard from someone in their department regarding the PSAB was in 2010. Hypothesized that the regions are not being informed because the targets are already being met.

C2: Has been with Parks Canada since 2013 and had no knowledge of the target system under the PSAB.

2. What is your role in relation to PSAB targets?

C1: We do small contracts with Aboriginal businesses when the nature of the requirement calls for it, i.e. the Raven Aboriginal program, a youth program that happens every summer where Indigenous people come from across the country to learn about defense and public service. Due to the nature of this requirement, services for the program are procured through the use of set-asides. C1 used to be involved with providing contracting data for the PSAB report, but no one has asked for it for years, “I don’t know if it is because they have just been pulling that information I have been, it’s possible they are still interested, but just not coming to us because they are able to draw it from the financial system themselves”.

C1 supports to the PSAB efforts by recording contracts awarded to Aboriginal businesses incidentally, does not have any influence on how targets are set and has not provided feedback to the PSAB Coordinator in the National Capital Region.

3. When have you met or exceeded your departments PSAB target? / 4. When have you not met it?

C1: Not aware of if or when the PSAB targets have been met which could be that due to the size of DND as an organization.

5. What do you think could be done that would help your department meet or exceed the goals set by headquarters?

C1: Passing on PSAB targets to contracting officers, by sharing targets officers in the regions would be able to provide more assistance when necessary. Would be beneficial to provide list of commodities which have lots of Aboriginal suppliers so that DND could confidently opt to voluntarily set aside procurements in more situations.

Appendix H: Treaty of Waitangi (New Zealand)

The Treaty of Waitangi was signed February 6, 1840 by representatives of the British Crown and Māori Chiefs from the north island of New Zealand; it is written in both English and Māori, and is a binding compact of moral and legal significance (Fleras & Elliott, 1992, p. 179). This treaty has been viewed by the Māori as a starting point for a bicultural society and has provided a basis for the Māori to assert their right to a distinct status in New Zealand society, with guarantees of cultural integrity and social equality (1992, p. 179). However, prior to the shift to a bicultural approach, the New Zealand government, like so many other colonial governments, went through a series of Anglo-conformity policy strategies that aimed to absorb the Māori people into the mainstream (1992, p. 176). From 1865 to 1945 the government adopted assimilation policies; from 1945 to 1978, integration became the new goal; and from 1978 to 1988, development focused on communities and being culturally sensitive (1992, p. 181-183).