

Procurement

AS A SOCIO-ECONOMIC POLICY INSTRUMENT



Worthy cause or futile endeavour?

SHOULD GOVERNMENT PROCUREMENT BE USED AS A POLICY INSTRUMENT TO FURTHER THE CAUSE OF INNOVATION WITHIN THE CANADIAN ECONOMY?

We know there is a need for greater levels of innovation in Canada. There has been a long-standing practice of leveraging government procurement policies as a means of achieving a broad range of socio-economic policy objectives. Is this an effective tool, and should it be used for this purpose?

There is consensus that accelerated levels of innovation are essential to the nation's continuing economic prosperity. Canada's innovation track record, as measured by such things as patent applications, R&D spending, productivity, and commercialization of innovation is at the lower end of the scale relative to other G8 and OECD countries.

Canadian governments have made innovation a strategic priority and have implemented a wide range of policy initiatives, subsidies, investments and other measures to support innovation. Last fall, the Prime Minister's Advisory Council on Science and Technology held a roundtable titled "Using Canadian Government Procurement to Improve Technology Development, Diffusion, Adoption and Adaptation." The Council provides the Prime Minister with expert, non-partisan advice on national science and technology goals and policies, and their application to the Canadian economy.

The Council was interested in examining Government of Canada (GOC) procurement policies with a view to determining what, if any, specific actions could be taken to further leverage the Government's \$14 billion annual procurement process to bolster such innovation contributors as technology development, diffusion and commercialization.

This interest in procurement as a possible instrument of socio-economic policy is neither new, nor surprising.

According to Public Works and Government Services Canada, at present there are some 34 separate pieces of legislation, regulation and policy in place within the GOC which either govern or strongly influence the procurement process, 18 of which specifically relate to the use of procurement as a policy instrument aimed at achieving a wide range of social, economic and environmental benefits for Canadians.

In the area of trade policy, for example, the GOC has legislated trade agreement obligations through NAFTA and the WTO which have an enormous impact on the procurement process, and which attempt to use government procurement to affirm our commitment to trade liberalization.

Canada, like most OECD members, has a range of policies that attempt to utilize procurement to achieve objectives in the areas of social, economic and environmental policy, including employment equity, green procurement, Aboriginal procurement, industrial and regional development and the commercialization of intellectual property, to name only a few.

As early as the 19th century, linkages were established between public procurement and: labour standards; efforts to reduce the rate of unemployment during

periods of recession; and, providing employment opportunities to disabled workers. Into the early part of the 20th century, public procurement was being used in the United States as a means of addressing racial inequality and discrimination.

The use of government procurement as a policy lever to attain socio-economic benefits is a long-standing and growing practice. But do we know how effective this practice is? And how it works?

For instance, while it can certainly be claimed that efforts in this area have led to the realization of various gains and benefits (for example, in the areas of Aboriginal employment, regional economic development, and job creation), there is limited hard data and other empirical evidence illustrating a clear and causal link between government procurement and the realization of measurable and attributable socio-economic benefits. The data is sketchy, to say the least, and not just here in Canada.

Findings published late last year. Walt Lastewka's (former Parliamentary Secretary to the Minister of Public Works) Task Force on the Government-Wide Review of Procurement, identified that there was very little evidence to substantiate that the use of procurement as a mechanism to achieve socio-economic objectives had either attributable benefits or attributable costs to society, despite the many claims made on both fronts. The Task Force recommended that the GOC consider evaluating the entire practice of using procurement as a means of achieving socio-economic policy objectives.

In the context of the Canadian innovation agenda, this raises further questions. While recognizing the inherent bias toward specific government action in the policy making process (as opposed to inaction), one is nevertheless tempted to at least ask the question: Is government procurement policy even capable of affecting innovation and delivering benefits in the form of increased patent applications, R&D spending, productivity and the commercialization of new technology?

Assuming for the moment that it is, we can't help but recognize that procurement policy is already quite complex, and that it is affected by the inevitable conflicts caused by the multiple competing policy objectives already influencing procurement professionals.

The achievement of any policy objective

hinges to a great extent on the strength of its implementation. In particular, it hinges to a significant degree on people – in this case, the efforts of government procurement officers and program managers within the public service, who will ultimately be responsible for its implementation. Successive Auditors General have repeatedly observed that government managers are, in large measure, simply not aware of existing procurement policies and their requirements.

The current Auditor General has observed that procurement is often undertaken by non-specialist practitioners, many of whom lack both the training and the knowledge required to conduct procurement activities in compliance with the many policy obligations already in force.

Issues of competing policy objectives and implementation capabilities aside, one of the biggest factors influencing government procurement practitioners is time. Time is the enemy of procurement practitioners, who are under constant pressure to find ways of accelerating a very slow-moving and labour-intensive process.

In the face of these realities, is it realistic to expect that the procurement process is even capable of delivering real, measurable and attributable advancements in the area of innovation – or any other new policy area for that matter?

The roundtable participants discussed the size of the potential opportunity, the probable consequences of using procurement to realize this opportunity (both intended and unintended), and its inherent limitations. At the end of its deliberations, the roundtable suggested several ideas for the Council's consideration, many of which differed from traditional procurement thinking.

One of these ideas was that Canada, as opposed to other small market countries such as Sweden, Denmark and others, has been too strategy-averse when it comes to the timely, responsive and even activist implementation of a national policy vision in the area of innovation. Many participants voiced their concern that the Canadian government is too focused on gathering data and studying issues, as opposed to taking concrete action – such that by the time there is enough data or consensus to identify a problem or an opportunity, it has become too late to implement an effective response.

Another notion was that Canada spreads itself too thin in the use of procurement as a socio-economic policy

lever – 34 policy goals for public procurement are simply far too many. Can government realistically expect the procurement process to be capable of achieving so many different and often competing policy objectives? There was also support for the notion that if trade agreement obligations and/or other policies currently prevent Canada from pursuing its own self-interest in the area of innovation (as was specifically argued with respect to the Agreement on Internal Trade), then specific action should be taken to remove these obstacles.

And finally, on the role of small and medium-sized enterprises (SMEs) in innovation, having a government contract is a tremendous asset for an SME when prospecting in international markets. Many participants were in favour of removing trade agreement and other procurement obstacles that currently prevent the Government from using its procurement process to become a first-user (or at the very least, an early adopter) of new and innovative Canadian technologies.

So, should government procurement be used as a policy instrument to further the cause of innovation within the Canadian economy? Most of the participants at the Council's roundtable certainly think that it should. However, they differed from traditional policy discussions in their belief that the path to achieving this goal is to remove many of the existing procurement policies, which are seen to inhibit innovation, as opposed to layering the procurement process with yet another competing policy objective, the ultimate success of which we will likely never be able to determine.

Very good advice for a new government with a keen interest in improving the procurement process.



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