

Tailored to fit

by Barbara Allen

Strategic public procurement stimulates the economy

TO SAY THE PROFILE of public sector procurement has risen in recent years is an understatement. From the Parliamentary Secretary's Taskforce on Government-Wide Review of Procurement to the Gomery Inquiry, procurement has been scrutinized.

Last fall, at an event jointly organized by the Prime Minister's Advisory Council on Science and Technology Secretariat (ACST, acst-ccst.gc.ca/home_e.html) and the Institute for Research on Public Policy (www.irpp.org), procurement experts met to discuss how to use Canadian government procurement to improve technology development, diffusion, adoption and adaptation. The objective was to provide strategic policy advice for the government of Canada on how to leverage its procurement policies and practices to support and enable technology development and innovation throughout the economy. While not the first attempt to examine procurement's role in the promotion of technology and innovation, this was the first high-level, cross-sectoral consultation on strategic level procurement in the Canadian public sector. The ACST – whose members include eminent Canadians representing different sectors of business, academia, and research institutions, drawn from across Canada¹ – provided an excellent forum to draw on from across government and industry at the strategic policy level.

Over three sessions on non-defence procurement, defence procurement, and lessons from private sector practices, the group gathered knowledge and ideas that could be used to formulate policy recommendations. Two key areas were highlighted: how to stimulate innovation, and the accessibility of the US market.

Discussants emphasized that to stimulate innovation, mindsets must shift from a 'lowest-cost' to a 'best value for money' framework. Many experts noted that access

to international markets needs to be improved and, because of the small size of the domestic market, government must be an early adopter – a test-bed for innovations. This does not mean politically motivated subsidies but targeted technology development that meets government requirements and provides future export opportunities. It is critical that the US market be accessible to Canadian companies, especially important as in recent years it has become increasingly isolationist. In terms of support for R&D, US defence procurement contracts contain a 2 percent overhead dedicated for R&D work in the performing company – possibly something for Canada to consider.

Other issues of concern were the barriers to creative use of procurement in the *Agreement on Internal Trade (AIT)*, the risk averseness of the federal government with regard to innovation policies and practices generally, and the possible negative impacts of recent centralizing trends.

The key policy actions highlighted were:

- The Canadian government has 34 policy goals for procurement. This is too complex as the government can not invest in everything.
- Canada needs to learn lessons about leveraging procurement from other small market countries.
- Innovation promotion will add dollars to procurement, but this is necessary.
- Both recognition and substantive action are needed with regard to the potential effect of demand aggregation on SME involvement in the public sector market.
- Raising public awareness and understanding the government's role as first adopter is critical to the foundation of an innovative environment for business.
- Canada has been 'strategy averse' when it comes to procurement. An integrated strategy that takes account of the *AIT* and industrial policy is required.

With respect to the importance of this consultation roundtable and the state of

procurement in Canada more generally, there are three key points.

First, this roundtable set an important benchmark for the analysis of procurement at the highest levels. Procurement has long been used as a lever in public policy in a multiplicity of ways, but without an overarching strategic framework of related and coordinated policies. The trend internationally, is to think of procurement more broadly – indeed strategically – clearly articulating how procurement interacts with other levers, and how the economy can benefit. For example, possibly developing case studies around successful SMEs and communicating this widely.

Second, the connection between procurement, innovation and technological development is critical to Canada's economic success. Getting the procurement policy right is key to how SMEs develop in Canada. How the innovation chains and technology networks can benefit from effective government planning and competitive positioning needs to be clear.

Third, it is important not to see the change of government as a setback in terms of the strategic development of procurement policy. Thus far, the response at the bureaucratic level to the consultation report has been positive, and now the work of the roundtable and resulting report will be reviewed with the new political staff and policy directors. The new government has an opportunity to have a positive impact on innovation and technology in Canada through the development of a new, integrated procurement policy. The previous government's taskforce was a good start, not the end of the story. The time for action has come and it must go beyond tinkering with RFP approaches to the thoughtful consideration of strategic policy across sectors and government departments. ■■■

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