



Crown-Indigenous Relations  
and Northern Affairs Canada

Relations Couronne-Autochtones  
et Affaires du Nord Canada

# Indigenous Participation

within federal government procurement

2019



Canada

# The Indigenous business environment is evolving

## Entrepreneurship

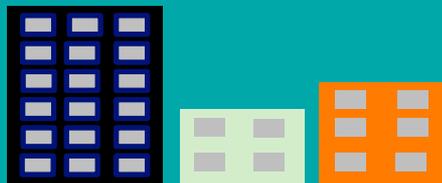


Indigenous people are creating new businesses at 9x the rate of the average Canadian.

## Business

# 43,305

number of Indigenous business owners in Canada.



# 12%

percentage of Indigenous community-owned businesses that are considered large (with 500+ employees).

# \$32B

total combined income of Indigenous households, businesses and government sectors



# \$27.7B

## ANNUALLY

Potential increase in GDP resulting from increased economic opportunities for Indigenous peoples ( a boost of 1.5% to the Canadian economy).

## People



# 5%

percentage of the Indigenous population in Canada



# 21%

increase in the number of working age (25-64) Indigenous people from 2006 to 2011

# 38%

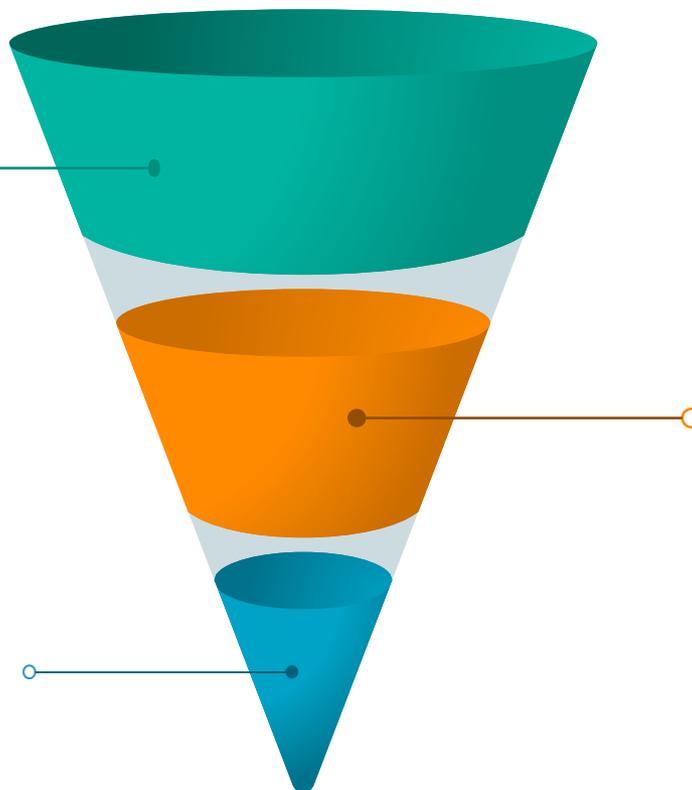
percentage of Indigenous peoples who had completed some type of post-secondary education certificate, diploma or degree



# Procurement is a Powerful Catalyst for Business Development

- **INDIGENOUS ECONOMIC DEVELOPMENT INITIATIVES (INCLUDING FEDERAL PROCUREMENT)**

- **POSITIVE SOCIO-ECONOMIC OUTCOMES**
- **INCREASED SELF-RELIANCE**



- **NEW BUSINESS CREATION**
- **BUSINESS GROWTH**
- **EMPLOYMENT**
- **ECONOMIC RECONCILIATION**



# Indigenous Businesses as defined by the Government of Canada's Procurement Strategy for Aboriginal Business (PSAB)

- A sole proprietorship, limited company, cooperative, partnership or not-for-profit organization in which,
  - Indigenous persons have majority ownership and control meaning at least 51%, and
  - In the case of a business enterprise with 6 or more full-time employees, at least 33% of the full-time employees are Indigenous
- A Joint-venture agreement in which an Indigenous business or Indigenous businesses as defined above must have at least 51% ownership and control. All joint ventures also require that Indigenous content is at least 33% of the total value of the work to be performed.



# Our Role

## CIRNAC helps other federal government departments fulfill their Indigenous procurement requests by:

- Acting as the Indigenous Participation Component (IPC) Authority on request
- Providing evidence of Indigenous business capacity to fulfill a particular requirement
- Providing advice and guidance on successfully implementing Indigenous procurement policy
- Educating procurement specialists on the benefits of utilizing PSAB
- Maintaining a network of over 100 procurement specialists who act as PSAB coordinators within their respective departments



## CIRNAC helps eligible Indigenous businesses enhance their business capacity by:

- Educating on Indigenous procurement policy
- Providing tools and mechanisms to increase visibility
- Encouraging partnerships and joint-ventures to increase capacity and skills development
- Intervening on procurements to advocate for Indigenous participation and thereby enable businesses to:
  - Demonstrate their capabilities
  - Enter into new supply chains



# Overview of Federal Indigenous Procurement

## MANDATORY SET-ASIDE

A mandatory set-aside is used for procurements that are destined for an area, community or group in which Indigenous people make up at least 80% of the population and where the Indigenous population will be the recipient of the good, service or construction.

## VOLUNTARY SET-ASIDE

Also known as “selective set-asides”, voluntary set-asides may be employed if Indigenous capacity exists and operational requirements, best value, prudence, probity and sound contracting management can be assured.

## JOINT VENTURE

A joint venture is a mechanism that allows Indigenous and non-Indigenous businesses to bid on procurements that have been set-aside under PSAB. Provided that the Indigenous firm has 51% ownership and control of the joint venture and at least 33% of the value of the work is performed by the Indigenous business.

## INCIDENTALS

An Incidental PSAB set-aside exists where a procurement has not been set-aside (i.e. open tenders - Indigenous businesses competing against non-Indigenous businesses), and where a self-declared Indigenous business, as defined by PSAB eligibility criteria, wins the contract.

## INDIGENOUS PARTICIPATION COMPONENT

An IPC is a portion of the value of a contract that is set-aside for Indigenous participation, which can be direct or indirect (or both). Direct IPCs refer to Indigenous sub-contracting, employment and training. Indirect IPCs refer to scholarships and bursaries. An IPC may also be referred to as an Aboriginal Participation Component (APC).

## CONDITIONAL SET-ASIDE

When it is impossible to determine Indigenous business capacity, a conditional set-aside can be used. This means that a procurement is open to Indigenous and non-Indigenous businesses. However, if two or more Indigenous businesses submit a bid, then the procurement is set-aside under PSAB.

## MODERN TREATIES (CLCAS)

Modern treaties (CLCAs) are constitutionally protected agreements. Of the current 24 modern treaties in effect, 22 have economic measures/procurement obligations. PSAB applies only after modern treaty obligations have been met.



## What is an Indigenous Participation Component (IPC)?

- A policy mechanism under the Procurement Strategy for Aboriginal Business (PSAB)
- A portion of the value of a contract that is set-aside for Indigenous participation, which can be direct or indirect (or both)
  - Direct IPCs refer to Indigenous sub-contracting, employment and training
  - Indirect IPCs refer to scholarships and bursaries
- May also be referred to as an Aboriginal Participation Component (APC)
- Flexible and can be tailored to a particular procurement – depending on the direct and indirect forms of participation that are built into the contract



# IPC Breakdown

Prime contractors are able to achieve their target of Indigenous participation through these measures as defined within the terms and conditions of the contract:

## SUBCONTRACTING

- Must meet the Government of Canada's definition of an Indigenous business (PSAB definition)
- Must be registered in the Indigenous Business Directory, which allows Canada to perform audits to ensure the integrity of the policy
- Receipts are provided by the Prime Contractor to CIRNAC

## HIRING

- The prime contractor must be able to provide the status card or other form of ID recognized by the Government of Canada to prove Indigenous status
- Payroll information is provided to CIRNAC

## TRAINING

- Training Indigenous people for skilled labour can be included as a means of creating long-lasting socio-economic benefits for First Nations communities
- Proof of Indigenous status provided to CIRNAC, as well as cost of training

## SCHOLARSHIPS, BURSARIES AND OTHER INDIRECT FORMS OF PARTICIPATION

- When sub-contracting, hiring and training have been exhausted, a prime contractor can use indirect forms of participation to achieve the IPC target
- Note that the indirect forms of participation are usually still related to the work at-hand (i.e. if the contract included welding, a scholarship may be issued for students in the welding program) Note that sufficient proof would be required to be provided to CIRNAC.



## More on the Flexibility of an IPC

**Mandatory or Weighted and rated criteria:** Depending on the type of requirement, the client department can choose to either make the IPC component mandatory as part of bid submissions or a weighted and rated criteria.

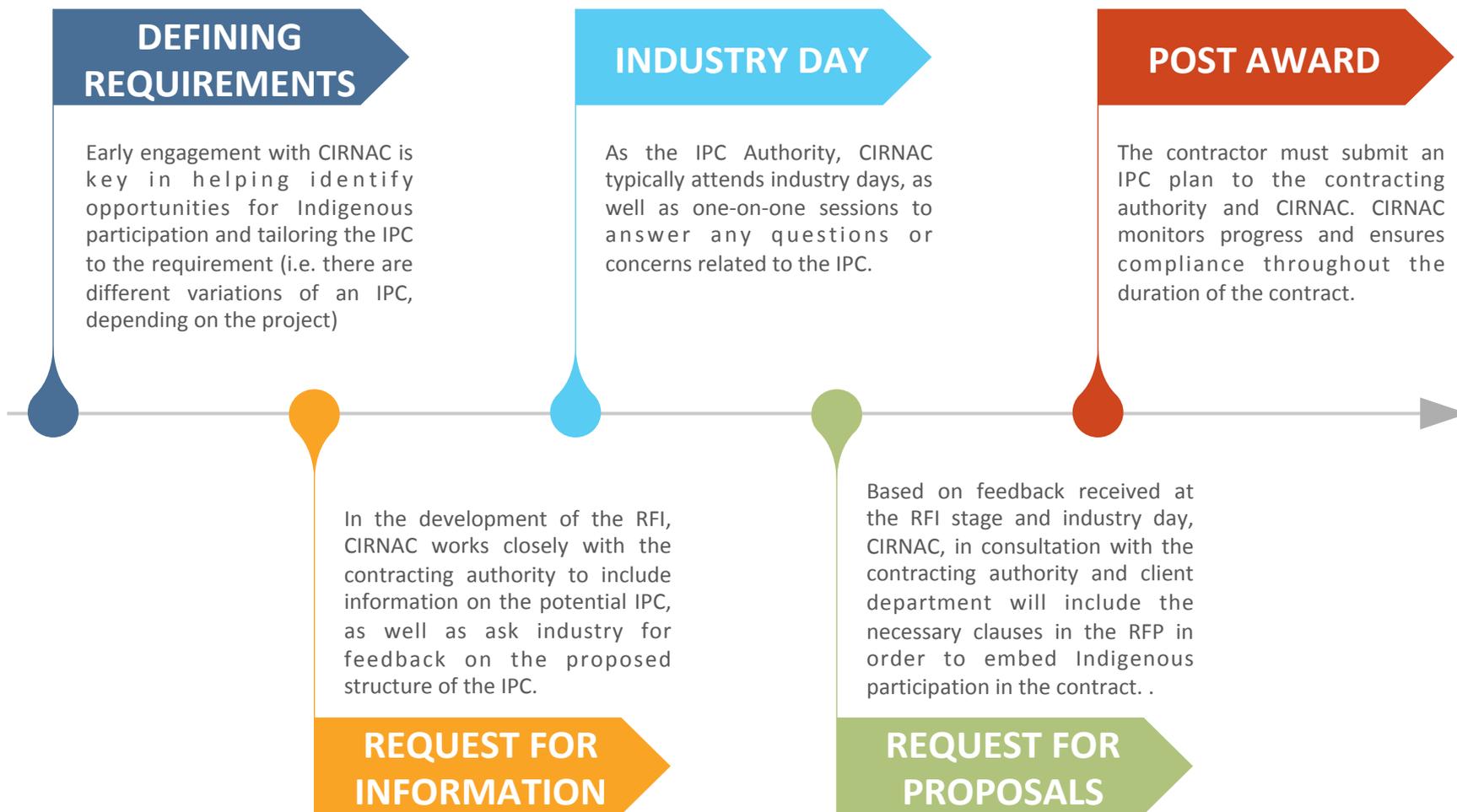
**Incentives and Disincentives:** Strengthening contract governance mechanisms through an enhanced performance measurement framework which leverages financial rewards, holdbacks, and fee credits based on the contractor's compliance, or non-compliance, with the service level standards contained in the Contract. Eligibility to a performance incentive fee could be attached to achieving a minimum overall score.

**Scaled up Approach:** In long-term contracts where Indigenous capacity is limited, a scaled-up IPC approach may be utilized (i.e. the IPC would slowly increase over time with each option exercised).

**Penalties:** An IPC is built into the terms and conditions of the contract. Failure to achieve IPC targets can result in cancellation of the contract at the contracting authority's discretion.



# CIRNAC's Involvement in the Procurement Process



# IPC Plan

The IPC Plan must describe the methods by which the contractor will implement, manage, monitor and report progress on its IPC activities, leading to the achievement of the proposed IPC commitments.

**breakdown** of the IPC transactions and their total value

supporting documentation certifying that the Indigenous firms stated in the IPC Report **meet the definition of an Indigenous business**, and that Indigenous employees stated in the IPC Report **meet the definition of Indigenous people**



**Detailed transaction sheets** that breakdown the direct benefits and indirect benefits incurred

invoices, pay stubs, receipts, and/or any other documentation that **provides evidence** that the transactions claimed in the IPC Report were made in the amount claimed



# Benefits of Partnering with CIRNAC

## Primary Point of Contact

- Having CIRNAC as the IPC Authority enables the client department and contracting authority to focus their efforts on other aspects of the requirement.
- CIRNAC takes the lead on all inquiries related to Indigenous participation

## Advice and guidance throughout the duration of the contract

As the IPC Authority, CIRNAC provides advice on wording for RFIs and RFPs, attends industry days, one-on-one sessions, reviews IPC plans, etc.

## Policy & Legal Backing

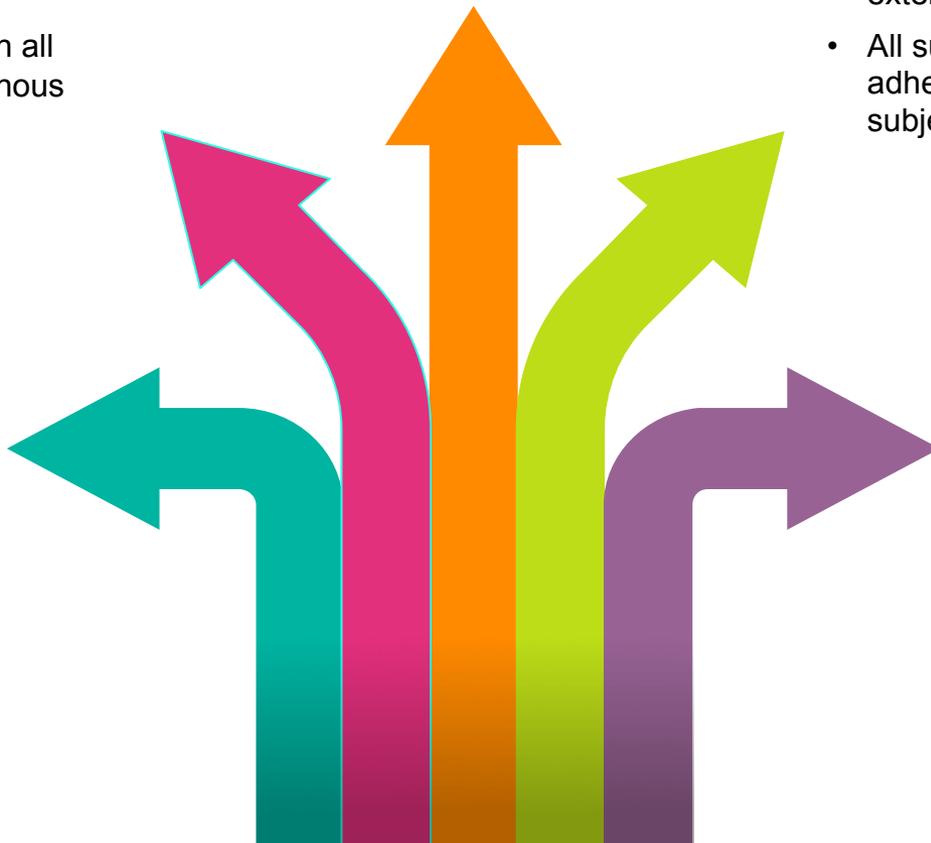
Using an IPC is backed by Treasury Board (TB) Contracting Policy (i.e. PSAB) and legal opinions from CIRNAC and TB Legal services and the Justice Trade Law Bureau

## Assurance and Accountability

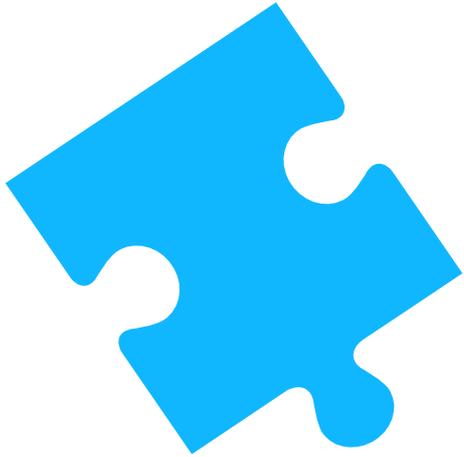
- Prime contractors are required to submit an IPC Plan and provide regular update to CIRNAC for the duration of the contract
- The IPC Plan is reviewed by external auditors
- All sub-contractors are required to adhere to PSAB criteria and are subject to random audits

## Achieve Departmental Targets

Starting in 2018, CIRNAC is now accepting data from IPCs that can be counted towards departmental Indigenous procurement targets

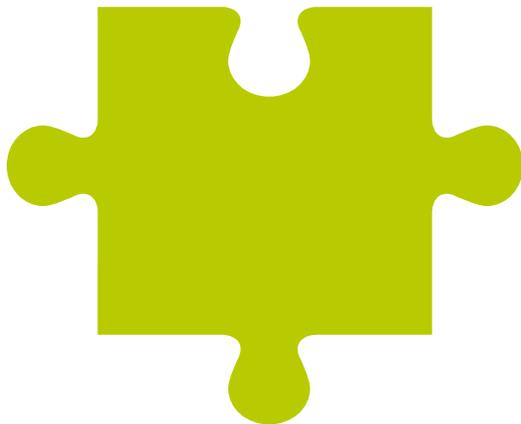


# Other types of “Indigenous Participation Components”



## Within Modern Treaties (CLCA)

- When contracting within a modern treaty, the economic measures within the modern treaty must be respected
- Certain modern treaties have “IPC-like” policies such as the Inuit Benefit Criteria as part of the Nunavut Land Claims Agreement
- In the absence of alternative, consistent, and rigorous methods for addressing economic obligations in modern treaties, PSAB is the default policy framework that can be applied. PSAB respects the definition of an Indigenous business as defined by the modern treaty.



## Public Services and Procurement Canada (PSPC)’s Pilot Projects

- As part of the Government of Canada’s initiative to modernize procurement, PSPC has been conducting pilot projects on Indigenous procurement by embedding “Indigenous Benefit Plans” into certain contracts.
- Indigenous Benefit Plans are structured similarly to IPCs



# Need More Information on Indigenous Procurement?

1-800-400-7677

[aadnc.saea-psab.aandc@canada.ca](mailto:aadnc.saea-psab.aandc@canada.ca)

The [PSAB website](#) can also provide you with  
more information



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# Annex



## Recent Examples

### Medical Transportation Systems Solutions

**Client Department:** Indigenous Services Canada (ISC)

**Contracting Authority:** PSPC

**Indigenous Participation:** An IPC is being considered for inclusion in the contract– the percentage is yet to be determined.

**Current Status:**

- There is currently [a Request for Information \(RFI\) posted on Buyandsell.gc.ca](#) (Closing May 30, 2019)

### Real Property Project Management Services

**Client Department:** PSPC's Parliamentary Precinct Branch

**Contracting Authority:** PSPC

**Indigenous Participation:** The requirement is set-aside under PSAB (meaning only Indigenous businesses can compete) and also includes an IPC.

**Current Status:** There is currently a [Request for Proposals posted on \(closing May 13, 2019\)](#)

### Light Icebreakers

**Client Department:** Canadian Coast Guard

**Contracting Authority:** PSPC

**Indigenous Participation:** An IPC is being considered for inclusion in the contract. Three percent of the value of the retrofit work would be set-aside for Indigenous participation.

**Current Status:** There was [a Request for Information \(RFI\) posted on Buyandsell.gc.ca](#) (closed on April 5th, 2019) to request feedback from interested parties. The information collected will inform CCG on next steps.

