Opinion

Public Services and Procurement Minister Filomena Tassi is pictured in Ottawa on Oct. 27. The federal government has a key role to play in creating alignment across all levels of government to include non-financial criteria and define value for taxpayer-funded contracts, but voluntary standards are unlikely to have much impact, writes Leor Rotchild. *The Hill Times photograph by Andrew Meade*

Can public procurement change the world?

The Canadian public procurement system currently remains overly dominated by low-price awards, and efforts to integrate sustainability criteria into public procurement in Canada have been largely superficial to date.

Leor Rotchild

Opinion

Canada's federal government recently took decisive action against modern slavery in China. Last month, the Canada Border Services Agency seized two large shipments of clothing linked to forced labour in China and blocked them from entering the country. Public Services and Procurement Canada (PSPC) also recently stopped sourcing personal protective equipment (PPE) from a major supplier until the company can prove there is no forced labour in its supply chain.

These are very positive developments, but they only hint at what is possible. The public sector has a huge opportunity to leverage procurement as a strategic tool to transform markets and drive positive social, environmental, and economic change. Globally, Canada lags the G7 in the development of sustainable public procurement policies.

Purchases made by Canadian public sector organizations account for roughly $200-billion, or 13 per cent of GDP. However, in most public sector requests for proposals (RFPs), the government focuses on awarding contracts to lowest cost providers. This provides no incentive for businesses to deliver any positive environmental or societal outcomes.

In the U.K., the government requires all firms bidding on contracts valued over five million pounds to provide a carbon-reduction plan. A "social value" weighting of 10 to 30 per cent is also applied to U.K. taxpayer-funded contracts to provide a competitive advantage to sustainable and purpose-driven businesses during the request for proposal process.

There are many examples of leading Canadian companies with advanced environmental, social, and governance (ESG) performance. Yet, there is little evidence that responsible business conduct delivers any advantage for government procurement eligibility in Canada. While the Canadian government has publicly announced its goal to achieve net-zero emissions by 2050, the commitment has yet to be integrated into its public procurement systems.

Some progress exists. The Canadian Centre for Greening Government is making great strides to embed a net-zero objective and plan for a zero-waste, circular economy into its contractual agreements with the construction and building materials sector. In May of this year, PSPC and the Treasury Board committed to "using our purchasing power to contribute to socio-economic benefits for Canadians."

However, these developments are nascent and still very siloed, so circular procurement decisions, for example, are not at all connected to social procurement, which might take forced labour and local community benefits into account.

Another limiting factor is that nearly 90 per cent of public sector spending does not take place at the federal level at all. Provincial governments and large municipalities make most of the public procurement decisions in Canada and provincial governments have been dubbed "the missing middle" when it comes to sustainable procurement policies. Only Manitoba and Nova Scotia have adopted a comprehensive approach. Fortunately, some of Canada's major cities are leading the way toward more sustainable public procurement policies, but these approaches lack consistency across jurisdictions, which in turn leads to business uncertainty.

The federal government has a key role to play in creating alignment across all levels of government to include non-financial criteria and define value for taxpayer-funded contracts, but voluntary standards are unlikely to have much impact. The experience of countries with best practices in sustainable public procurement, including Japan, the Netherlands, and the U.K., suggest that only mandatory requirements will have the desired effect.

Moving to mandatory sustainable public procurement requirements is one of the six key recommendations proposed in the new research paper on the subject, published by Canadian Business for Social Responsibility (CBSR). Other recommendations include the creation of a centralized knowledge hub and open data repository to foster continuous peer-to-peer learning, document best practices, and enable an evidenced-based approach to future policy improvements.

It may seem counter-intuitive to add more criteria to public procurement decisions during a global health crisis and massive supply chain disruptions. However, based on the vulnerabilities exposed by the pandemic, we might conclude that considering broader societal needs and multi-dimensional risks can stimulate a more inclusive and sustainable post-pandemic recovery, leading to greater resiliency, transparency, and local capacity in our supply chains.

Some pundits assert that governments should act more like businesses. In the business world, supply chain issues are being elevated from reputational risk to a legal liability, including the risk of substantial fines and potential prison sentences for corporate directors who fail to act to alleviate known supply chain risks.

The Canadian public procurement system currently remains overly dominated by low-price awards, and efforts to integrate sustainability criteria into public procurement in Canada have been largely superficial to date. Robust and mandatory sustainable public procurement policies for all levels of government in Canada would incentivize companies to reduce their emissions, eliminate waste, meet diversity and inclusion objectives, and audit their supply chains to ensure no forced labour was used in the process. *Moving to Mandatory*—CBSR's research paper on sustainable public procurement in Canada—provides a detailed roadmap for how to go about this.

When Canada's public sector goes shopping this holiday season, do we want our tax dollars to find the cheapest bargains possible, or do we want to invest that $200-billion into changing the world for good?

Leor Rotchild is the executive director of Canadian Business for Social Responsibility (CBSR), a non-profit, professional association for Canadian companies championing business as a force for good. He is also the host of the podcast Pipelines & Turbines.

The Hill Times