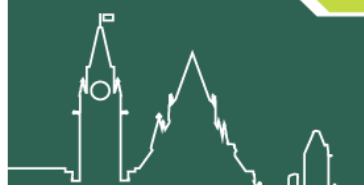




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Final Report

2010-604

The Evaluation of the Office of Small and Medium Enterprises

July 5, 2012

Office of Audit and Evaluation



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MAIN POINTS

What was examined

- i. This evaluation examined the ongoing relevance and performance of the Public Works and Government Services Canada (PWGSC) Office of Small and Medium Enterprises (OSME) as it assists small- and medium-sized enterprises in navigating the federal procurement system and advocates on their behalf for changes to that system. The Department's Acquisitions Branch is responsible for OSME. The services provided by OSME are included under sub-activity 1.1.3 (Strategic Acquisition Support Services) of the Program Activity Architecture, and represent approximately \$4 million in annual expenditures.

Why it is important

- ii. Small and medium enterprises (SMEs) are an integral part of the Canadian economy. Ninety-eight percent of businesses in Canada are considered small (fewer than 100 employees). There are approximately 2.4 million SMEs in Canada and, according to Statistics Canada, they account for 45% of gross domestic product, 60% of all jobs, and 75% of net employment growth. Small and medium enterprises want to do business with the federal government, however many find it challenging. The Government of Canada is committed to assisting small and medium-sized enterprises gain access to government markets. The Office of Small and Medium Enterprises, assists SMEs in navigating the federal procurement system and advocates on their behalf for changes to that system.
- iii. PWGSC is the hub of the federal procurement system, purchasing approximately \$16 billion worth of goods and services each year to support the delivery of federal programs and services. Federal procurement is carried out within a framework of more than 15 Acts of Parliament and more than 35 policies. These acts and policies require that federal contracting be conducted in a manner that will stand the test of public scrutiny, increase access, encourage competition, reflect fairness, and respect existing trade agreements.

What we found

- iv. There is a continuing need for OSME to assist SMEs navigate the federal procurement system and to advocate for the reduction of unnecessary barriers to small and medium enterprises' participation within that system. As the largest purchaser for the Government of Canada, PWGSC must play an active role in the reduction of unnecessary barriers to federal contracting opportunities and as such the original rationale for the program is still sound.
- v. OSME activities are aligned with governmental and departmental priorities. OSME activities are aligned with federal government priorities to "identify and remove

unnecessary, job killing regulations and barriers to growth”¹ to support small and medium enterprises. OSME is well situated within PWGSC in light of the department’s accountability and ownership of the procurement function, within which the program holds a unique role as the advocate for SMEs in the federal government procurement process.

- vi. OSME has been successful in improving policies and procedures, so as to enhance access to procurement activities by SMEs. OSME has had success in increasing understanding of SME issues related to procurement and has had an impact on PWGSC contracting officers and procurement processes. OSME participates in the creation of procurement strategies that provide SMEs fair and equitable access to federal procurement opportunities. In terms of reducing barriers, significant progress has been made on approximately 50% of the identified barriers. Most notably OSME has addressed over-bundling of requirements in federal tenders and the issue of payment wait times for suppliers.
- vii. OSME’s outreach activities have been successful in attracting participation. By the end of 2009-2010, OSME had held almost 4,000 events, at which over 57,000 SMEs participated.
- viii. While 54% of OSME clients felt that OSME services helped them navigate the federal procurement process, there remain SME needs/expectations which have not yet been met by OSME activities. Additional research is required into the nature and rate of participation by SMEs in the federal procurement process. Research will ensure that program activities are focused towards those Canadian SMEs most likely to be interested in doing business with the Government of Canada, on reducing the barriers they face, and on helping them to better understand and navigate the federal procurement process.
- ix. Efficiency of outreach activities has improved over time. Additional approaches to the dissemination of information (such as internet broadcasting and increased use of partnerships) could be explored to continue to increase the efficiency of regional offices.

¹ Canada, Speech from the Throne 2010, March 3, 2010, pg. 10.

Management Response

- x. Overall the evaluation is a fair and reasonable assessment of the OSME program. We are pleased that the evaluation is generally positive, and agree with the indicated areas of potential improvement.

Recommendations and Management Action Plan

Recommendation 1: The Assistant Deputy Minister, Acquisitions Branch, should develop a plan to increase the effectiveness of outreach activities directed at SMEs through the use of technology and increased partnerships arrangements.

Management Action Plan 1.1: a) Develop a draft plan to increase the efficiency of its outreach activities to SMEs through technology and increased partnership arrangements. b) Approve plan.

Management Action Plan 1.2: Buyandsell.gc.ca “button” campaign to encourage other websites to link to buyandsell.gc.ca by placing a visible presence and link on their own sites.

Management Action Plan 1.3: Explore partnerships with Rural Secretariat to extend reach of OSME services to rural communities that may not otherwise think of doing business with the federal government.

Management Action Plan 1.4: Explore partnerships with Service Canada across Canada to build on the positive experience in Ontario and extend that approach across Canada.

Management Action Plan 1.5: Work with the Canadian Association of Defence and Securities Industries to develop a seminar specifically suited to the needs of complex procurement.

Management Action Plan 1.6: Develop a strategy for leveraged seminar delivery through the use of other delivery vehicles. (webinars, etc)

Recommendation 2: The Assistant Deputy Minister, Acquisitions Branch, should conduct research to identify the sub-population of SMEs most likely to benefit from OSME’s activities and on the rate and nature of SME participation to ensure program activities are appropriately targeted.

Management Action Plan 2.1: Refresh logic model to reflect revised organization.

Management Action Plan 2.2: a) Draft revised performance measures plan and circulate for consideration. b) Approve revised performance measures plan for OSME activities.

Management Action Plan 2.3: Begin base lining performance, monitoring and reporting in accordance with timelines approved in performance measures plan.

Recommendation 3: The Assistant Deputy Minister, Acquisitions Branch, should develop a knowledge transfer strategy to ensure that intelligence gathered regarding the participation of small and medium enterprises in the federal market place is shared with federal procurement and materiel managers external to PWGSC.

Management Action Plan 3.1: The integrated “one-stop-shop” Business Intelligence Tool currently being developed and tested at www.GCSpendAnalytics.ca will provide fact-based empirical intelligence/information on all facets of procurement/contracting (as well as Government spend) to not only PWGSC procurement and material managers but to all decision makers in Government who need instant access to improved information in order to help them make better decisions faster.

Management Action Plan 3.2: Greater use of appropriate vehicles (e.g. Buyandsell.gc.ca, Procurement Today, GCPedia, etc.)

Management Action Plan 3.3: Develop a policy and guideline for use in PWGSC on SME participation in public procurement. This will provide a policy basis for the reduction of barriers to SME participation.

Management Action Plan 3.4: Develop a guidance document on identifying and reducing barriers to help procurement officers in PWGSC and elsewhere identify and reduce barriers to SME participation.

INTRODUCTION

1. This report presents the results of the evaluation of the Office of Small and Medium Enterprises, which covered the period of April 2005 to March 2010. The Audit and Evaluation Committee of Public Works and Government Services Canada approved this evaluation as part of the *2010/11-2014/15 Risk-Based Multi-Year Audit and Evaluation Plan*.

PROFILE

Background

2. Public Works and Government Services Canada (PWGSC) purchases approximately \$16 billion worth of goods and services each year from thousands of suppliers. Included in this supplier pool, are small and medium enterprises (SMEs). Small enterprises are defined as those employing less than 100² people while medium enterprises are defined as those employing over 100 but under 500 people; 99.7% of businesses in Canada are classified as small or medium. There are approximately 2.4 million³ SMEs in Canada, which range from one-person consulting shops to larger publicly traded companies. SMEs are present in almost every industrial sector, and represent a large portion of the Canadian economy. Statistics Canada estimates that SMEs account for 45% of gross domestic product, 60% of all jobs in the economy, and 75% of net employment growth.
3. In 2005, PWGSC launched a federal procurement renewal process, which involved the mandatory use of standing offers and supply arrangements for groups of commodities. PWGSC established the Office of Small and Medium Enterprises (located in the national capital area) to conduct outreach activities and to advocate on behalf of SMEs with respect to federal procurement to help navigate the renewed process.
4. OSME contributes to the commodity management process. Commodity management enables the government to analyze and understand the demands and environments of certain commodities and the best ways of managing their procurement. Initially implemented to increase efficiencies in procurement, the process is now refocused to deliver more strategic procurement approaches as well as standardized and simplified processes and tools. Commodity management helps to strike the balance between competing and sometimes conflicting government priorities such as operational

² In the case of service-producing enterprises (as opposed to good-producing ones), OSME defines such a firm as small when it employs fewer than 50 people.

³ Approximately one-half of these businesses (1.13 million) do not have employees registered with the Canadian Revenue Agency. Their workforces may consist of contractors, family members and/or owners. The category “indeterminate” was created for this sub-section of businesses. Workforce information is not available for this category.

requirements, efficiencies, savings, and speed, as well as long-standing socio-economic and environmental objectives.

5. The 2006 Federal Accountability Action Plan recognized the need to create a regional presence to assist SMEs and the government approved funding for the establishment of six regional OSME offices. The regional offices are located in Halifax (Atlantic), Montreal (Quebec), National Capital Region, Toronto (Ontario), Calgary (Western), and Vancouver (Pacific).
6. In the 2010 Federal Budget, the Government committed to helping Canadian enterprises bring innovation to the marketplace by creating the Canadian Innovation Commercialization Program. OSME was selected to lead this two-year pilot initiative which will see government departments and agencies adopt and demonstrate the use of prototype products and technologies developed by Canadian enterprises.

Authority

7. The Department of Public Works and Government Services Act grants PWGSC and its Minister authority to improve the government procurement process. The Act states that “the Minister shall investigate and develop services for increasing the efficiency and economy of the federal public administration and for enhancing integrity and efficiency in the contracting process.”
8. The Federal Accountability Act provides further authority by stating that “the Government of Canada is committed to taking appropriate measures to promote fairness, openness, and transparency in the bidding process for contracts with Her Majesty for the performance of work, the supply of goods, or the rendering of services.”

Resources

9. OSME is made up of 57 full-time equivalent positions distributed across the country in its regional offices and headquarters.
10. Headquarters and regional office funding combined represents approximately \$4 million a year in expenditures by PWGSC. In 2005, the Government approved OSME headquarters activities but did not grant associated funding. Acquisitions Branch has funded the headquarter activities of OSME on a year-to-year basis through its existing A-Base since 2005. Beginning in 2007, the regional offices have received an ongoing annual appropriation base of \$3.46 million.

Roles and Responsibilities

11. OSME headquarters is part of Acquisitions Branch; its employees report to the Director General of OSME. In the regions, staff report operationally to the Regional Directors General and functionally to the Director General of OSME.
12. OSME responsibilities are to inform SMEs about the federal procurement process through outreach activities and to affect policy changes by influencing PWGSC contracting policies and procedures.

Stakeholders

13. OSME's principal stakeholders are SMEs that wish to conduct business with the federal government as well as SME associations across the country. PWGSC procurement services and senior management are secondary stakeholders of the program, as OSME provides advice and guidance to effect change to the procurement process.

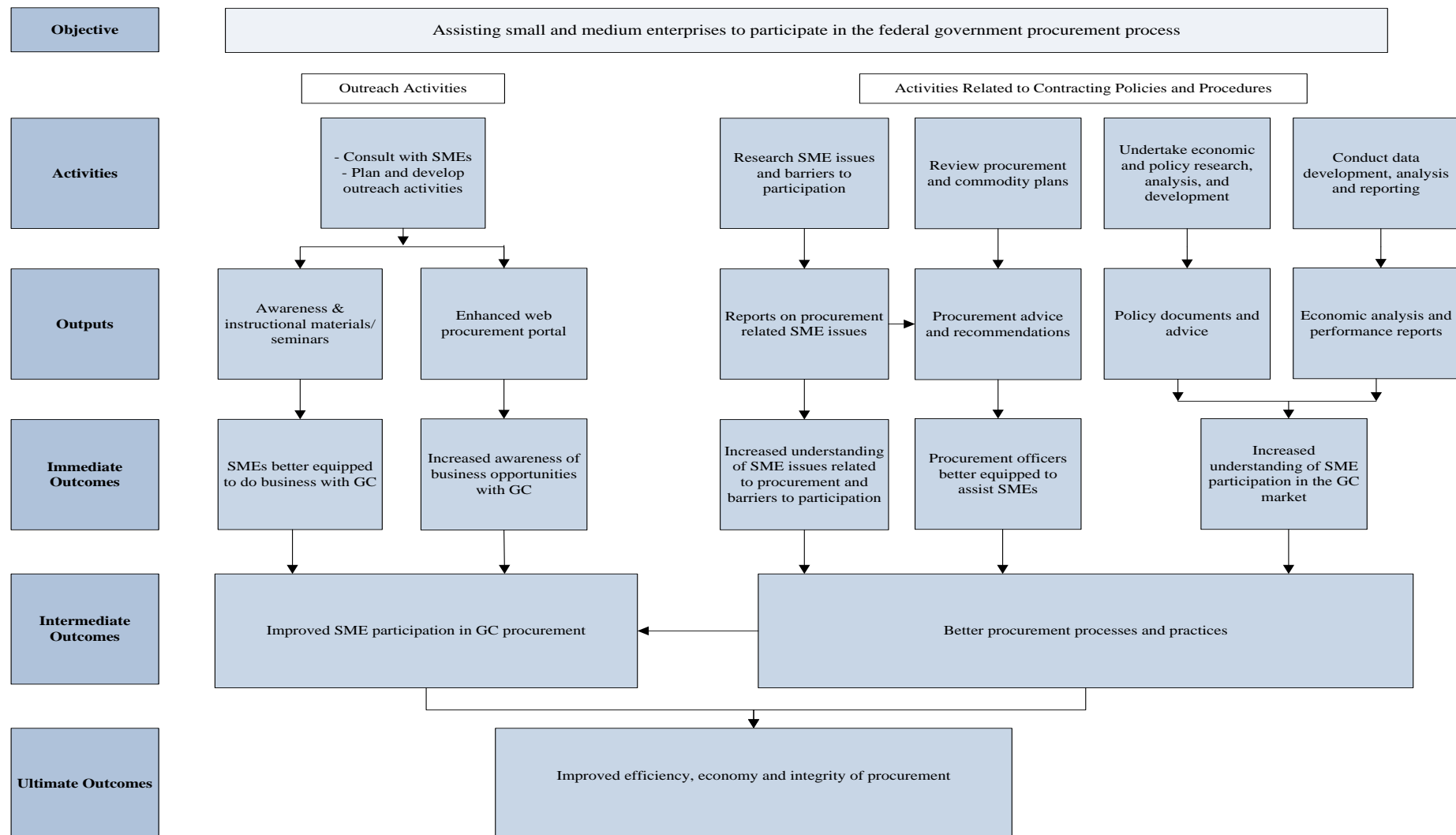
Logic Model

14. A logic model is a visual representation that links a program's activities, outputs and outcomes; provides a systematic and visual method of illustrating the program theory; and shows the logic of how a program, policy, or initiative is expected to achieve its objectives. It also provides the basis for developing the performance measurement and evaluation strategies, including the evaluation matrix.
15. A logic model for the program was developed based on a detailed document review, meetings with program managers, and interviews with key stakeholders. It was subsequently validated with program staff. The logic model is provided in Exhibit 1.

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Exhibit 1

Logic Model for the Office of Small and Medium Enterprises



Program Activities

16. OSME's headquarters was established in the national capital region in 2005. The establishment of the regional offices followed in 2006. OSME does not interfere with ongoing tenders. OSME's mission is to conduct three main activities:⁴
- Encourage and assist small and medium enterprises (SMEs) to participate in the federal government procurement process;
 - Improve the links between supply and demand and influence change within government acquisitions; and
 - Conduct economic analyses of Government of Canada procurement and the private sector.
17. OSME conducts its activities through a national headquarter office and six regional offices:
- Atlantic (Serving Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland & Labrador)
 - Quebec (Serving Quebec but excluding the Outaouais area)
 - Ontario (Serving Ontario but excluding the National Capital Region)
 - National Capital Region (Ottawa/Outaouais areas)
 - Western Region (Serving Alberta, Saskatchewan, Manitoba, Nunavut, Northwest Territories)
 - Pacific (Serving British Columbia, Yukon)
18. National headquarters employs 32 FTEs. Regional offices each employ four FTEs, except for the NCR regional office which employs five FTEs.
19. OSME's resourcing reflects the distribution of SMEs across Canada. Over 50% of SMEs are located in Ontario and Quebec, as detailed in Exhibit 2 below.

Exhibit 2: SME Distribution by Region

Region	2006-2007	2007-2008	2008-2009	2009-2010	Average
Atlantic	7.4%	7.4%	7.2%	7.2%	7.3%
Quebec	21.8%	21.9%	21.9%	21.8%	21.8%
Ontario	33.6%	34.1%	34.5%	34.7%	34.2%
Western	21.5%	20.9%	20.8%	20.9%	21.0%
Pacific	15.7%	15.7%	15.6%	15.5%	15.6%

Source: Industry Canada – Key Small Business Statistics 2007-2010

⁴ OSME's mission statement taken from its website: <http://tpsgc-pwgsc.gc.ca/app-acq/pme-sme4/index-eng.html>

Outreach Activities

20. OSME consults with SMEs and industry associations representing SMEs to ensure their concerns are heard and to provide assistance in navigating the federal procurement process.
21. OSME's National Headquarters office was established in 2005 as part of a federal procurement renewal process undertaken by PWGSC. OSME was to contribute to the renewal process through various activities, including researching SME issues and barriers to participation. In order to do so, OMSE has had to spend considerable time and effort establishing contact with the SME community and forming relationships with its various associations.

Awareness and instructional materials/seminars

22. OSME informs SMEs about government procurement procedures and processes through its outreach activities. The majority of information sessions for SMEs have been delivered through OSME's regional offices. OSME offers free seminars to explain the federal purchasing process and how to sell goods and services to the Government of Canada (see Appendix A for a complete list of seminar topics). OSME also partners with other federal departments and other government jurisdictions to deliver seminars and provide information to SMEs. OSME regional offices have also formed partnerships with associations and other levels of government to disseminate information on federal business opportunities.

Enhanced web procurement portal

23. The development and content of the new Buy and Sell website (buyandsell.ca) has been a key OSME activity. This website was launched too late in the evaluation process in order for the Office of Audit and Evaluation to include it in the evaluation.
24. The Buy and Sell website was developed to be a one stop location for both suppliers and government buyers. For suppliers (businesses) it is the main point of information on how to do business with the government.
25. The information on the site for businesses includes:
 - *Business Seminars*: Free business seminars on various topics, including the fundamentals of selling goods and services to the Government of Canada.
 - *Supplier Registration Information (SRI)*: Information on how to register for SRI, for businesses who want to do business with the Government. SRI is used by federal government buyers to identify potential suppliers for purchases not subject to any of the trade agreements.
 - *MERX (Electronic Tendering System)*: New opportunities are listed daily from all levels of government from across Canada.
 - *Key Contacts*: List of contacts include departmental heads of purchasing (Materiel Managers) and purchasing officers in PWGSC.

- *Procurement Allocation Directory (PAD)*: List of key purchasing contacts in PWGSC including a list of the products and services they buy.
 - *Contract History*: Information on contracts awarded by PWGSC on behalf of all federal government departments and agencies for the last three years.
26. The website also provides information on supply arrangements and standing offers with links to the different purchasing tools and how to apply. It is also a source of information about PWGSC and its services.

Activities Related to PWGSC Contracting Policies and Procedures

Research SME issues and barriers to participation

27. In the fall of 2005, OSME consulted with a group of 155 businesses to learn about their experiences with the federal procurement process and documented a number of barriers to participation. In addition to monitoring previously identified barriers, OSME (through ongoing interactions with SMEs and regional offices) continues to identify potential barriers and determine where to focus its efforts in order to have the greatest impact on behalf of SMEs.
28. OSME works within PWGSC's Acquisitions Branch to reduce perceived barriers faced by SMEs as they attempt to access the government procurement process. Examples of this include simplifying the language in bid solicitations and contacts; educating procurement specialists on SMEs' concerns and on barriers through presentations; and developing guidelines for creating procurement strategies that provide SMEs fair and equal access to federal procurement opportunities.

Review procurement and commodity plans

29. As a member of the commodity management team, OSME is responsible for reviewing the commodity team's strategic options and providing input on the impacts of each strategy on SMEs. In order to do this, OSME undertakes consultations with suppliers at forums or online. Client requirements and other information is used to determine the approach for the consultation process and support the proposed procurement strategy during consultations.

Undertake economic and policy research, analysis, and development

30. OSME has dedicated resources to undertaking economic and policy research to support its operations and activities, including a research paper proposing a quantitative approach to targeting outreach activities prepared by its Strategic and Horizontal Policy Directorate.

Conduct data development, analysis and reporting

31. OSME has conducted data development and analysis in support of the development of annual financial reports.

FOCUS OF THE EVALUATION

32. The objective of this evaluation was to determine the relevance and performance of OSME activities, including economy and efficiency, in achieving expected outcomes. The evaluation also explored alternative ways of achieving the expected results.
33. An evaluation matrix—including evaluation issues, questions, indicators and data sources—was developed during the planning phase. Multiple lines of evidence were used to assess the program. These included:
- a) *Document Review:* Over 60 documents were reviewed to gain an understanding of the Office of Small and Medium Enterprises and its context. In addition, financial data, performance measurement, and other types of data were reviewed. The analysis of this data was used in assessing the success of OSME.
 - b) *Interviews:* The evaluation team conducted interviews with 15 program stakeholders internal to PWGSC. The qualitative analysis of the interviews provided information about the program's activities, outputs, expected outcomes, stakeholders, relevance, and performance from the perspective of program managers and internal recipients of OSME services.
 - c) *Surveys:* Three surveys were conducted. A survey of Acquisitions Branch procurement officers was designed and distributed to 28 procurement officers within PWGSC. The response rate was 64.3%. A survey was also designed for associations and partners of OSME which was sent to 78 individuals internal and external to the Government of Canada. The response rate was 34.6%. A client survey was designed and distributed to 500 OSME clients external to PWGSC. The response rate was 17.8%.⁵
34. More information on the approach and methodologies used to conduct this evaluation can be found in the About the Evaluation section at the end of this report. The evaluation matrix is provided in Appendix B.

FINDINGS AND CONCLUSIONS

35. The findings and conclusions presented below are based on multiple lines of evidence used during the evaluation. They are presented by evaluation issue (relevance and performance).

⁵ OAE procurement officer survey 18 responses of 28. OAE associations and partner survey 27 responses of 78. OAE OSME client survey 89 responses of 500 sent.

RELEVANCE

36. Relevance is measured as the extent to which the program addresses a demonstrable and continuing need, is aligned with federal government priorities and departmental strategic outcomes, and is an appropriate role and responsibility for the federal government.

Continuing Need

37. Continuing need assesses the extent to which the program continues to address a demonstrable need and is responsive to its clients. Lines of evidence utilized to evaluate continuing need included the continued relevance of the original program rationale, legislative or policy requirements and use of the program's services. Based on these criteria, the evaluation found that there is a continuing need for the services provided by OSME.

38. The original rationale for the program identified in 2005 remains valid: help SMEs in accessing government business through two activities, increase SME understanding of the government's niche markets, and simplify procurement practices. In June 2009, the Standing Committee on Government Operations and Estimates made the following observation:

“What began as a study on the bundling of information technology contracts became a study on the conditions surrounding SMEs as they try to access federal government contracts. The committee was impressed with the strong desire of SMEs to do business with the federal government and therefore it would like to address the concerns raised by SMEs with respect to the procurement process.”⁶

39. OSME's original rationale was reiterated in the federal government's response to the Standing Committee on Government Operations and Estimates, where it stated:

“Through the Office of Small and Medium Enterprises the Government is committed to creating an ongoing dialogue between the Government and SMEs to create a better understanding of SMEs concerns and to ensure these concerns are continually addressed by the government in the future.”⁷

40. Barriers to competition continue to exist for SMEs seeking to do business with the federal government. In addition to perceived barriers created by multiple acts of parliament governing procurement, policy instruments, and trade agreements, additional barriers can arise within tendering instruments such as;

⁶ In Pursuit of Balance: Assisting Small and Medium Enterprises in Accessing Federal Procurement, Report of the Standing Committee on Government Operations and Estimates, June 2009.

⁷ Canada, Government Response to The Standing Committee on Government Operations and Estimates report, page 8, 2009.

- Over-bundling of contract requirements resulting in tendering instruments not broken down into appropriate tendering streams requiring successful bidders to be compliant in all categories;
 - Company size requirements/minimum number of employees; and
 - Government of Canada payment cycles that require companies to carry costs.
41. PWGSC, as the largest purchaser for the Government of Canada, seeks to remain responsive to the needs of suppliers and the departments it serves. The Department's National Strategies for goods and services (Commodity Management procurement model) place a greater emphasis on the inclusion and consideration of socio-economic factors when procuring goods. OSME is part of this function, as it informs and advocates on behalf of SMEs.
42. There are currently no legislative or policy requirements for PWGSC to provide assistance to SMEs who wish to participate in the federal procurement process. However, at the time of this evaluation, Industry Canada and PWGSC were tasked with clarifying existing roles and responsibilities by developing a government policy on SMEs. This policy is intended to underline the importance of SMEs in the Canadian economy and to identify OSME as the entity advocating on behalf of suppliers in procurement across government. This policy is being undertaken in response to the Standing Committee's recommendation that "the federal government's services and programs for SMEs must be coordinated in such a way as to actually assist SMEs in their ability to access federal contacts."⁸
43. Use of OSME services have increased steadily over the life of the program. From 2006 to 2010, a total of 57,395 SME representatives attended OSME presentations or seminars, with four times as many participants in the last year than in the first, indicating increased use of the program's services. Nevertheless, there remains a large proportion of the community that has not benefited from OSME's activities. The Canadian Federation of Independent Business conducted a survey related to federal procurement for its members. Responses to the survey indicated that only 5.9% of survey respondents were aware of OSME's role. This result is corroborated by the annual statistics of OSME. Consequently, demand for OSME is likely to increase as more firms become aware of the program. As such, the provision of assistance to the SME community in navigating the procurement process is warranted, at least until more is known about the number of SMEs with the community which would be interested in pursuing business opportunities with the federal government. However, it should be kept in mind that, with its current level of resources, OSME will be able to provide outreach services to only a proportion of this sub-population.
44. There is a continuing need for OSME's services. The original rationale for the program remains sound. Clarification of roles and responsibilities concerning SMEs

⁸ In Pursuit of Balance: Assisting Small and Medium Enterprises in Accessing Federal Procurement, Report of the Standing Committee on Government Operations and Estimates, June 2009.

is being addressed through the development of a policy which will document PWGSC's roles and responsibilities. While OSME has reached a large number of SMEs, there remain members of the SME community who could benefit from OSME's services.

Aligned with federal and departmental priorities

45. Program alignment is determined by assessing program linkages with federal government priorities and with departmental strategic outcomes. By assisting SMEs to participate in the federal procurement process, the evaluation found that OSME contributes to federal government priorities and to the strategic outcome of PWGSC.
46. The importance of SMEs to the Canadian economy has been publicly recognized by the Standing Committee on Government Operations and Estimates, the Speech from the Throne (2010), and the Federal Budget (2010). Also recognized is the need for the federal government to assist SMEs access federal contracts.
47. In June 2009, the Standing Committee on Government Operations and Estimates presented its report *In Pursuit of Balance: Assisting Small and Medium Enterprises in Accessing Federal Procurement*. The House of Commons concurred with the Government Response to the Standing Committee's recommendations. In the Government Response, PWGSC (through OSME) is identified as one of the key players to implement the recommendations. The contributions of OSME identified as part of the Government Response are summarized in Appendix C.
48. As part of Canada's Economic Action Plan, announced in the March 2010 Speech from the Throne, the government recognized the importance of SMEs in the Canadian economy. "Small and medium-sized businesses are the engines of the Canadian economy, responsible for the creation of most new jobs. To support them, our Government will continue to identify and remove unnecessary, job-killing regulation and barriers to growth."
49. In the March 2010 Budget, the Government committed to playing an important role in helping Canadian business introduce innovations into the marketplace by launching the Canadian Innovation Commercialization Program. The two-year pilot initiative, led by OSME, will see the federal government purchase and test pre-commercialized products and technologies developed by Canadian companies. Budget 2010 provided \$40 million over two years to support up to 20 demonstration projects. This was the only new project funding provided in the federal budget.
50. In addition to aligning with government priorities, OSME also aligns with PWGSC's strategic outcome to deliver high-quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions. OSME supports the departmental strategic outcome by working towards improved efficiency, economy and integrity in the procurement process. In the Minister's Message of the 2011-12 Report on Plans and Priorities, PWGSC makes the following commitment: "Our Office of Small and Medium Enterprises will

continue to work with suppliers, making it easier for them to do business with the Government of Canada and improving access to procurement opportunities.”

51. The evaluation found that OSME’s mandate is closely aligned with current federal government priorities articulated by the Standing Committee on Government Operations and Estimates, Speeches from the Throne, and Federal Budgets. Its outcomes are also closely aligned with PWGSC’s strategic outcome by helping the department improve the efficiency, economy and integrity of the procurement process.

Appropriate role and responsibility for the federal government

52. To determine if the program is an appropriate role for the federal government potential program devolution of responsibility to another level of government or to the private sector was assessed, as was potential decentralization to other federal departments and agencies. Based on these criteria, the evaluation found the services provided by OSME are an appropriate role and responsibility for the federal government and a good fit within PWGSC.
53. The federal government has a responsibility to ensure that federal procurement processes are fair and transparent. The federal government cannot devolve its responsibility to review and address perceived barriers to federal procurement faced by SMEs to provincial governments or the private sector, as it is responsible for the contracting process and the efficiency of its associated policies and processes. In terms of decentralizing these responsibilities to other government departments, PWGSC remains responsible for federal procurement and cannot devolve its responsibilities to develop better procurement processes and practices for SMEs. This responsibility stems from the Department of Public Works and Government Services Act, which states that “The Minister under this or any other Act of Parliament shall investigate and develop services for increasing the efficiency and economy of the federal public administration and for enhancing the integrity and efficiency in the contracting process.”⁹
54. PWGSC is responsible for 85% of the total value of federal public procurement and for ensuring that its procurement activities are carried out within a framework of more than 15 Acts of Parliament and more than 35 policies. As such, PWGSC needs to remain responsible for the information communicated to suppliers regarding the procurement process. The federal government has to retain the responsibility to ensure suppliers can access information on its procurement procedures and processes.
55. Other federal departments and agencies also offer services and programs to SMEs without duplication among the various programs. Many departments have pieces of the SME service puzzle: PWGSC, Industry Canada, and regional developmental

⁹ DPWGS Act, Section 7(1).

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agencies (See Exhibit 3 for complete list). Services to SMEs range from start-up advice, to statistics, to financial and consulting services, to advice and counselling on export opportunities. While Industry Canada also plays a major role in advocating for SMEs, OSME is situated within PWGSC due to PWGSC's accountability and ownership of the procurement function, where it plays a unique role as the advocate for SMEs in the federal government procurement process. Stakeholders indicated that there is no duplication among programs, while noting that there exists a need to exchange information across departments. This concern may be addressed once the new SME policy defining the roles and responsibilities of federal government departments comes into force.

Exhibit 3: Federal Departmental Roles and Responsibilities for Small and Medium Enterprises

Federal Department	Responsibilities
Public Works and Government Services Canada	PWGSC carries out procurement activities for departments and agencies. It also houses the Office of Small and Medium Enterprises which supports SMEs by working to reduce barriers to facilitate their access to federal contracts and by simplifying requirements for SMEs that want to do business with the federal government.
Industry Canada	<p>The Minister of Industry Canada has jurisdiction over policy issues relating to small businesses. The department coordinates several programs to assist SMEs.</p> <ul style="list-style-type: none"> • Publishes a semi-annual report called <i>Key Small Business Statistics</i> which provides baseline data on the small business sector in Canada. • Administers the Canada Small Business Financing Program. • Manages a website called SME Direct which is designed specifically for SMEs. The website offers numerous diagnostic and benchmarking tools, links to informative websites, relevant databases, and other resources to assist SMEs in their decision-making. • Publishes the <i>SME Quarterly</i> which provides a snapshot of the recent performance of Canada's small business sector.
Business Development Bank of Canada	The Business Development Bank of Canada provides SMEs with a series of research and reports offering knowledge of the SME sector. In addition, the Business Development Bank of Canada plays a leadership role in delivering financial and consulting services to Canadian SMEs, with a particular focus on the technology and export sectors of the economy.
Regional development agencies (Western Economic Diversification, FedNor, Canada Economic Development for Quebec Regions, Atlantic Canada Opportunities Agency)	<p>The federally-funded regional development agencies provide a range of programs to SMEs. Examples of the programs each agency offers are:</p> <ul style="list-style-type: none"> • Western Economic Diversification funds the Western Canada Business Service Network, a group of several independent organizations that provide services to help create and build small businesses across the West. • FedNor provides assistance for SMEs making exporting decisions through workshops provided by the Forum for International Trade Training Going Global series. • Canada Economic Development for Quebec Regions administers a Business and Regional Growth program which reinforces the conditions conducive to the sustainable growth of Quebec's regions and SMEs. • Atlantic Canada Opportunities Agency encourages and assists SMEs to become more innovative in the development of new products, services, and technologies through Fastforward - An Innovation Guide for Small and Medium Enterprises.

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Source: Canada, House of Commons. Report of the Standing Committee on Government Operations and Estimates. In Pursuit of Balance: Assisting Small and Medium Enterprises in Accessing Federal Procurement.

Conclusions: relevance

56. There is a continuing need for the OSME's services. The original rationale for the program remains sound. Clarification of roles and responsibilities concerning SMEs is being addressed through the development of a policy which will document PWGSC's roles and responsibilities. While OSME has reached a large number of SMEs, there remain members of the SME community who could benefit from OSME's services.
57. OSME activities are aligned with governmental priorities and departmental strategic outcomes by assisting SMEs in accessing federal business opportunities and by removing unnecessary barriers to participation within procurement processes.
58. Assisting SMEs in navigating the federal procurement process is an appropriate role and responsibility for the federal government. The OSME program is appropriately located within PWGSC and does not duplicate services provided by other federal departments.

PERFORMANCE

59. Performance is the extent to which a program or initiative is successful in achieving its objectives and the degree to which it is able to do so in a cost-effective manner that demonstrates efficiency and economy.

Outcome Achievement

60. The outcomes presented in a logic model are designed so that their achievement will contribute to the Department in achieving its strategic outcomes. This evaluation examined the performance of OSME in providing advice and expertise in support of an ultimate outcome of improved efficiency, economy, and integrity of government procurement; however, there is not yet a lot of performance information available on the intermediate and ultimate outcomes of OSME due to the relatively recent implementation of the program. To measure the achievement of program outcomes, performance information was supplemented with data collected by the evaluation¹⁰

Immediate Outcomes

61. Immediate outcomes represent the most easily attainable objectives of the program. They are short-term outcomes that stem from the program activities and outputs. They can usually be attributed to the activities undertaken by the program. OSME's short-term or immediate outcomes result from activities that promote learning,

¹⁰ Details on supplemental data collection are located in the *About the Evaluation* section of this report.

awareness or knowledge. OSME's immediate outcomes are grouped into two streams: 'Activities related to Contracting Policies and Procedures' and 'Outreach Activities.' Immediate outcomes are discussed under their respective streams below, where they are identified in italics and followed by an assessment of their performance.

Immediate Outcomes for Activities Related to Contracting Policies and Procedures

Increased understanding of Small and Medium Enterprise issues related to procurement and barriers to participation

62. OSME has increased understanding within PWGSC of SME issues related to procurement and barriers to participation. In the fall of 2005 OSME consulted with a group of 155 businesses. Based on these consultations a list of 60 perceived barriers was developed. The barriers were categorized into three groups: complexity of documents and processes, SME capacity, and evaluation criteria. The OSME-led analysis of barriers has further clarified which ones may be eliminated or reduced in contrast to those with a rationale (i.e., international trade agreements and contracting law requirements). In addition to monitoring previously identified barriers, OSME headquarters (through ongoing interactions with SMEs and regional offices) continues to identify potential barriers and determine where to focus its efforts in order to have the greatest impact for SMEs.
63. Furthermore, OSME participates in the Interdepartmental Acquisitions Branch Contracting Advisory Board. This provides an opportunity to discuss important horizontal issues that impact on small and medium enterprises, such as proposed procurement policy changes and modifications, procurement reform, commodity management initiatives, socio-economic issues, and greening of government procurement.

Procurement officers are better equipped to assist Small and Medium Enterprises

64. There is evidence that procurement officers are becoming better equipped to assist SMEs as a result of OSME initiatives. OSME provides feedback from industry that helps procurement officers better understand the needs of SMEs. OSME has worked directly with procurement officers in some cases to ensure SMEs receive information on new processes.
65. Interviewees from the Acquisitions Branch agree that OSME provides information that helps procurement officers and has helped improve processes. Furthermore, 57% of procurement officers responding to an Office of Audit and Evaluation survey said the Acquisitions Branch definitely had (and another 21% replying that it somewhat had) received advice on how to address some of the barriers faced by SMEs from OSME. Some procurement officers noted that advice was provided directly to them on several occasions. Nevertheless, some respondents to this question suggested that OSME requires more in-house expertise regarding the procurement process in order to better formulate its advice.

Increased understanding of Small and Medium Enterprise participation in the federal market

66. Evidence of OSME's increased understanding of SME participation in the federal marketplace is limited; however, there are initiatives underway to increase understanding. Information on how many SMEs have won federal contracts is available but the total number of bids received from SMEs is not tracked, nor is there available information on the characteristics of SMEs that would be interested in participating in federal procurement. Such information would be useful for targeting outreach activities and further improve understanding of barriers to SME participation in the federal marketplace. Program personnel believe end-to-end tracking of SME involvement in the procurement process would be difficult and impractical; nevertheless, sample-based research could provide useful information on the participation of SMEs in the federal market to support optimal investments of limited time and resources.
67. An example of OSME contributing to increased understanding of SME participation in the federal market is its work with the Treasury Board Secretariat to include two questions related to the Directive on Payment Requisitioning and Cheque Control in its annual Management Accountability Framework exercise. Through these questions, federal departments are now asked to report on the number of payments made to suppliers within 30 days and the number of interest payments made on overdue invoices. Departmental answers to these questions increase understanding of one element of the SME experience when participating in the federal procurement process.
68. No formal mechanism exists for directly sharing intelligence and best practices regarding SME participation in the federal market place with federal procurement/materiel managers across government departments. As approximately 15% of the total value of government goods and services is procured directly by other federal departments, a formal approach to intelligence sharing with other federal materiel managers could assist in increasing understanding of SME involvement in the federal market place. Furthermore, SMEs stand to benefit from any resulting improved access to this portion of the federal market as these contracts, with their smaller scope and dollar value, are more likely to be of interest to them.

Immediate Outcomes for Outreach Activities

Small and Medium Enterprises are better equipped to do business with the Government of Canada

69. To date, OSME has made progress in equipping SMEs to do business with the federal government; however, there may be some SMEs needs/expectations which have not yet been met.

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70. The number of OSME outreach activities (seminars, tradeshow, and presentations) has increased each year from 334 in 2006 to 1,559 in 2009, representing an increase of 367% in outreach activities since the program was implemented. Exhibit 4 below provides information on outreach activities taken by National Headquarters and regional offices by year of operation.

Exhibit 4: OSME Outreach Activities by region (Seminars, trade shows, presentations)

	2006-2007	2007-2008	2008-2009	2009-2010	Total 2006 to 2009
Atlantic	29	55	83	112	279
Quebec	82	223	209	308	822
Ontario	64	172	169	384	789
NCR	41	51	55	199	346
NHQ	-	-	6	61	67
Western	38	88	159	129	414
Pacific	80	380	436	366	1,262
Total	334	969	1,117	1,559	3,979

Source: OSME Regional Office Outreach and Assistance Reports

71. From 2006 to 2010, a total of 57,395 SME representatives attended OSME presentations or seminars (as detailed in exhibit 5 below). Participation at OSME events increased each year, with four times the participation in 2009-2010 compared to the first year (2006-2007) of program outreach activities. Given the limited financial resources allocated to OSME, this degree of participation is a positive result.

Exhibit 5: Number of participants by region (Seminars)

	2006-2007	2007-2008	2008-2009	2009-2010	Total 2006 to 2010
Atlantic	380	1,009	1,380	1,621	4,390
Quebec	824	1,638	1,756	3,126	7,344
Ontario	1,555	4,572	4,788	8,030	18,945
NCR	1,723	578	840	3,173	6,314
NHQ	-	170	117	459	746
Western	904	940	1,566	2,508	5,918
Pacific	792	2,420	4,607	5,919	13,738
Total	6,178	11,327	15,054	24,836	57,395

Source: OSME Regional Office Outreach and Assistance Reports

72. Interviews with OSME staff report that after attending a seminar, some SMEs told them that they felt more comfortable with the federal procurement process and that they were more capable of deciding whether or not they wanted to do business with

the government. At the time of the evaluation, OSME had begun to put in place a standardized feedback form for seminar participants across the country. However, this new process could not yet be used to demonstrate and attribute OSME outreach activities with the outcome of SMEs being better equipped to do business with the federal government.¹¹ While a direct measure of the impact of outreach activities on this outcome is not available, there are proxy measures which suggest that OSME has better equipped SMEs to do business with the federal government.

73. The Office of Audit and Evaluation conducted a survey with SMEs who had used OSME¹² services to help determine the effectiveness of OSME outreach activities. When asked to what extent OSME had helped them navigate the federal procurement process, 54% of survey respondents to the Office of Audit and Evaluation survey of SMEs answered “Some to a Great extent.” Fifty-six percent responded that OSME’s performance in assisting them to understand the procurement process as a whole was “Good to Excellent.” In addition, of the 5.9% of survey respondents to the October 2009 Canadian Federation of Independent Businesses survey, who were familiar with OSME, 62.6% rated the assistance provided by OSME to help SMEs understand the procurement process as “Acceptable to Good.”¹³ It should be noted that this is the first time the surveys have been administered and, as such, there is no baseline available to facilitate an assessment of these results.
74. While the survey results indicate that the achievement of this outcome has not been complete, there are examples of OSME better equipping SMEs to do business with the Government of Canada. One such example comes from OSME’s work with suppliers in Petawawa (Ontario) regarding changes to the Regional Individual Standing Offers process. SMEs in the area who were already working with the government were not aware of upcoming changes to the process and were not aware that they would have to provide new bids. OSME intervened to ensure that they were informed of this new process. As a result, SMEs were better equipped to do business with the Government of Canada. This example is supported by the 79% of procurement officers who responded to the evaluation survey¹⁴ who indicated that OSME has helped SMEs navigate the federal procurement process by “Some to a Great extent.”

Increased awareness of business opportunities with the Government of Canada

75. As noted by key interviewees, OSME’s involvement in the development of the new buyandsell.gc.ca website should lead to SMEs being better equipped to do business with the federal government. The Buy and Sell website was developed to be a one

¹¹ Key stakeholder interviews and survey data were used to help assess the achievement of this outcome.

¹² 500 surveys were sent out to 4,959 SMEs who had attended OSME seminars; 89 responses were received.

¹³ Canadian Federation of Independent Businesses, Federal Procurement Survey, October 2009, Q. 13.

¹⁴ Office of Audit and Evaluation received 18 responses from the 28 procurement officers who were sent a survey.

stop shopping for both suppliers and government buyers. For suppliers (businesses) it is the main point of information on how to do business with the government.

76. Key interviewees have suggested that, through OSME strategic partnerships and seminars, SMEs are made aware of Government of Canada business opportunities. These seminars explain the wide range of goods and services that the federal government procures. In addition, 67% of SMEs responding to the evaluation's survey indicated that they were more aware of government opportunities because of OSME activities.
77. The Buy and Sell website should contribute to the achievement of this program outcome as buyers and sellers will be able to find each other more easily. As the website was launched later in the evaluation process, the Office of Audit and Evaluation did not evaluate its effect.

Intermediate Outcomes

78. Intermediate outcomes flow from the program activities and outputs that successfully achieve immediate outcomes. Intermediate outcomes may include activities that affect behavior, practice, decisions, and policies.

Better procurement processes and practices

79. OSME has brought forward the concerns of SMEs to ensure they are considered during the commodity management process resulting in better procurement processes and practices. In the fall of 2005 OSME consulted with a group of 155 businesses. Based on these consultations a list of 60 perceived barriers was developed. At the time of this evaluation, covering the period from 2005 to 2010, 31 of the barriers (approximately 52%) have been addressed. The barriers are categorized into three groups: complexity of documents and processes, SME capacity, and evaluation criteria (see Appendix D for the complete list of barriers). To date, the following progress has been achieved:
- 78% of the barriers stemming from evaluation criteria have been addressed;
 - 33% of the barriers related to complexity of documents and processes have been addressed; and
 - 12% of SME capacity barriers have been addressed.
80. PWGSC procurement officers believe that OSME is having a positive effect on procurement processes and practices, with 57% of procurement officers who responded to the evaluation survey believing that OSME has been "Effective to Very effective" in reducing barriers to SME participation in the procurement process.
81. OSME has made substantial progress in terms of addressing payment wait times. SMEs had identified the length of time federal departments take to pay and the inconsistency of the application of interest payments on overdue accounts as barriers to SME participation in federal business opportunities. Some small businesses had

decided they do not want to work with the federal government because departments do not respect payment timelines. To combat this barrier, OSME has succeeded in having the Treasury Board Secretariat include two questions related to the Directive on Payment Requisitioning and Cheque Control in its annual Management Accountability Framework exercise. Through these questions, federal departments are now asked to report on the number of payments made to suppliers within 30 days and the number of interest payments made on overdue invoices. The result contributes to departments' annual Management Accountability Framework (MAF) ratings. This is one example where OSME has used the intelligence and feedback it receives from SMEs to address government processes that can negatively impact SMEs.

82. Another example of how OSME has influenced federal procurement processes and practices is through its role as business owner of the contract for the Government Electronic Tendering Service. This is an online system that advertises government contracting opportunities to potential bidders. The system is operated by Mediagrip Interactive Technologies Inc. as MERX. As the business owner for the contract, OSME has pushed for improvements to the system to benefit suppliers. For example, OSME wanted to breakdown the language barrier for suppliers. Consequently, it has worked to remind federal procurers of goods and services of their obligations under the Official Languages Act to ensure opportunities are published in both languages on MERX.
83. As well, other OSME's efforts over the last five years have led to additional improvements in federal procurement processes and practices including:
- Simpler language in bid solicitations and contracts;
 - Better compliance with official language obligations by procurement officers; and
 - Guidelines for creating procurement strategies that give business enterprises fair and equal access to federal procurement opportunities.

Improved Small and Medium Enterprise participation in federal procurement

84. Improved participation by SMEs in federal procurement may manifest in a number of ways, including:
- Increased opportunities to enter into the procurement process by SMEs;
 - Easier navigation of the procurement process by SMEs; and
 - Greater participation of SMEs in the federal procurement process.
85. Through OSME's work in reducing barriers to SME participation in the federal procurement process it has increased opportunities for SMEs to enter into the federal procurement process. In particular, OSME-lead changes to evaluation criteria for federal procurement opportunities (including Standing Offers and individual procurement exercises) have increased opportunities for SMEs to enter into the federal marketplace. The number of new opportunities available to SMEs has not

been tracked on a systematic basis. Furthermore, through OSME's involvement in the development of more SME-friendly commodity management strategies, groundwork for results in this outcome area have been laid. In the future, standing offers will no longer lock in suppliers for periods of three to five years. Prices will be refreshed throughout the term of the standing offer; the frequency will depend on the commodity. Different commodities within the same commodity strategy will also have different standing offer timeframes. This will make it easier for SMEs to enter into the procurement process because they will not need to submit a bid for all the products in order to qualify. SMEs will also have more opportunities to offer their product or service since the duration of the standing offers will be variable.

86. Through its work in reducing barriers related to complexity of documents and processes and through its outreach activities, OSME has contributed to increasing SMEs understanding of and ability to navigate the federal procurement process. Simpler language in bid solicitations and contracts eases SME's participation in the federal marketplace.
87. Whether OSME has contributed to greater participation of SMEs in the federal procurement process is unclear due to limited information on the population of SMEs that could be potentially influenced to participate as a result of OSME activities. In 2009, OSME conducted preliminary research into the issue of program reach, commissioning a quantitative study to support strategic outreach to Small and Medium Size Businesses. Using Statistics Canada data from 2007, the study used a multivariate approach to identify potential priority areas for the program's reach. This study identified priority areas for each region, with "Professional, Scientific and Technical Services" the most common top industry identified for targeting. The study identified total SMES within priority areas, without further refinement, based on the many external variables which may influence an SME's decision to participate in the federal marketplace over another. While OSME does use some targets in the management of its outreach activities, additional research into the issue could build on the work started in 2009 to further help target OSME's limited resources more effectively and identify appropriate and realistic outreach participation rate targets for the program.
88. As noted elsewhere in this report, OSME's goal is not to ensure that SMEs receive more contracts, but to ensure that they are not negatively impacted or disadvantaged by changes made to procurement instruments or processes. As such, the evaluation has not assessed the effect OSME has had on contracts awarded to SMEs.¹⁵ Furthermore, given the numerous factors that impact on the success of SMEs in winning contracts, this is likely not an appropriate outcome measure for OSME.

¹⁵ What the Government of Canada buys from one year to the next is linked to that year's priorities. For example, in years where military procurement is high, it is unlikely that SMEs will bid on and win large military contracts.

Ultimate Outcome

89. Ultimate outcomes are the final goals or results expected of the program. These cannot always be attributed solely to the program as external forces or department-wide activities may also have influence on the final results. These outcomes are generally at a more strategic level and demonstrate social, economic, and environmental consequences. In the early phases of a program these may not always be demonstrable.

Improved efficiency, economy and integrity of procurement

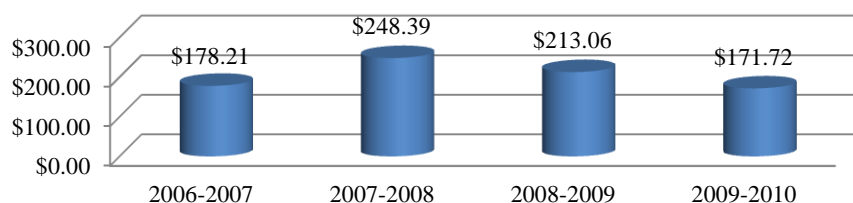
90. OSME was created to level the playing field for SMEs and to help SMEs understand the federal procurement process. The procurement function has undergone considerable transformation since the inception of OSME. In fact, how procurement recognizes value has now changed. In addition to price and quality, socio-economic factors such as environmental and sustainable development options and potential impacts on SMEs all need to be considered when determining value for federal government purchases.
91. The reduction of unnecessary barriers to participation means that more suppliers are able to compete for federal business opportunities. By including socio-economic objectives in procurement instruments, the overall value to government is considered in the contracting process. These factors contribute to the improvement of the efficiency, economy and integrity of the federal procurement process.

Efficiency and Economy of the OSME Program

92. The assessment of efficiency and economy considers the extent to which a program is using the most appropriate and efficient means in achieving its expected results relative to alternative design and delivery approaches.
93. Over the four-year period from April 2006 to March 2010, the cost per SME contact has decreased, providing evidence that OSME has increased its efficiency. Over the same period the number of contacts has increased year over year from 12,936 to 35,598, an increase of 175%.
94. Since 2007-2008 the cost per contact has been decreasing each year and was \$171.72 for fiscal year 2009-2010 (see Exhibit 6 below). In the fiscal year 2006-2007, the program expanded its outreach program delivery to the regions and was not fully operational during this year.

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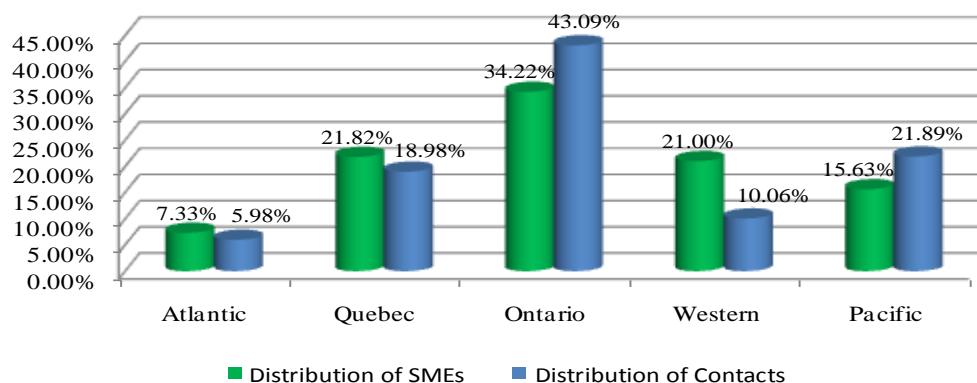
Exhibit 6: Cost per Contact^{16, 17}



Source: OSME Regional Office Outreach and Assistance Reports, OSME Financial Reports

95. In Exhibit 7 below, the regional distribution of SMEs is compared with the SME contacts made by OSME offices during the period from April 2006 to March 2009. Two regions, Ontario and Pacific, have succeeded in contacting a higher proportion of the SME population within their provinces. Atlantic and Western regions have contacted a lower proportion; however, these regions have geographically challenging areas to serve. Atlantic region is comprised of four provinces and Western region includes three provinces and two territories. With similar staffing complements to the other regions, these offices must contact a larger number of provincial and regional governments as well as industry associations in order to explore and build partnership opportunities thus increasing their cost per contact and limiting their reach.

Exhibit 7: Percentage Regional Distribution of SMEs vs. Percentage Contacts made by OSME Regional Offices, 2006 to 2009



Source: Industry Canada - Key Small Business Statistics and OSME Regional Office Outreach and Assistance Reports

¹⁶ The cost per contact calculated as the total cost of the program divided by the number of contacts. The total number of contacts includes in-person, telephone, e-mails, seminars and tradeshows. It does not include website visits.

¹⁷ Regional offices were not fully operational in 2006-07

Alternative Delivery Options

96. OSME has two main groups of activities: (i) outreach and (ii) shaping contract policies and processes.
97. No federal organization other than PWGSC currently fulfils the role of informing SMEs about federal procurement processes: the department is uniquely positioned to do so. Other departments do not inform suppliers on the federal procurement process. There is a potential role for OSME to share knowledge and best practices with other federal departments regarding communicating procurement practices, processes and opportunities to SMEs. Furthermore, PWGSC is able to use the information it collects when interacting with SMEs to promote improvements to the procurement process, creating a synergistic role for the department which cannot be duplicated elsewhere.
98. The private sector offers government procurement training. These courses range from \$50 for online training to \$1,124 for a two-day classroom course. The focus of these courses is mainly 'Request For Proposal' writing; the information provided is different from that provided by OSME to suppliers. Information provided by OSME with respect to navigating the federal procurement process is not currently available through the private sector.
99. Some OSME outreach activities are delivered in collaboration with other levels of government, associations, and non-governmental organizations in order to reach as many businesses as possible. The OSME regional offices have formed partnerships with associations and other levels of government to disseminate information on federal business opportunities. Distances can present challenges when conducting outreach activities. In an attempt to serve three provinces and two territories, Western region has begun using webinars and telephone seminars to provide information to isolated suppliers.
100. There is no alternative to the role OSME plays within government and the services it provides to SMEs. Alternative methods of delivery for federal business opportunities information sessions and the sharing of existing practices could be explored to continue to increase the efficiency of regional offices.

International Comparison

101. While OSME's mandate is not to increase the number of contracts awarded to SMEs, it is important to note that Canada has done comparatively well in awarding federal procurement contracts to SMEs.
102. During five years of procurement transformation activities, government business with SMEs has increased in dollar value as shown below in Exhibit 8.

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Exhibit 8: Total Contract Value of Federal Contracts Awarded to Canadian Small and Medium Enterprises¹⁸

Year	2006-2007	2007-2008	2008-2009	2009-2010
Dollar Value (in billions)	\$4.2	\$4.8	\$5.7	\$5.4
% of Total value	46%	49%	38%	42%

Source: Acquisition Information System (AIS) July 27, 2010.

103. Overall, Canada (without the use of set-asides and in the absence of a cohesive federal SME policy) has the highest percentage of contracts awarded to SMEs (42% of the value of government purchases) when compared to Australia, the United Kingdom, and the United States (see Exhibit 9).

¹⁸ The percentage of total value represents the contract value awarded to Canadian SMEs compared to the total value awarded to all Canadian suppliers. In accordance with GDP calculations, contract awards to foreign suppliers are excluded from the totals.

Exhibit 9: International Comparison

Country	Number of Businesses (millions)	SME Percentage of Total Businesses	SME Participation target	Actual SME Participation
Canada	2.3	98	None	42% (2009-2010)
Australia	2.0	99	10%	37% (2007-2008)
United Kingdom	4.8	99	30%	16% (2005-2006)
United States	37.3	99.7	23%	21.5% (2009)

Sources: Governments of Canada, Australia, United Kingdom, and the United States.

104. The governments of Australia, the United Kingdom, and the United States of America have organizations similar to OSME which advocate the participation of SMEs in government procurement. They all recognize the value of SMEs in their economies and the need for governments to provide business opportunities to SMEs.
105. The Australian Government procurement policy ensures that SMEs are able to engage in fair competition for government business. Officials undertaking procurement ensure that procurement methods do not unfairly discriminate against SMEs. The government's target for SME participation by contract value is 10% annually. Actual SME participation in government contracting was 35.8% in 2005-2006, 41.6% in 2006-2007, and 37% in 2007-2008.
106. In 2004, there were an estimated 4.3 million businesses in the United Kingdom; 99% of these businesses had fewer than 50 employees. The United Kingdom has indicated that many potential suppliers, including small firms, may be discouraged from tendering for public sector contracts because of a number of perceived or real barriers. In the booklet United Kingdom: Small Suppliers Better Value, the government raises awareness of the value for money that small firms can offer and explores the issues that can make it difficult for them to win public sector business. It is aimed at procurement professionals in the public sector.
107. In contrast to Canada and other countries, the United States with its Small Business Administration combines all its offerings to SMEs under one service. It provides contracting workshops, technical assistance, financial assistance, disaster recovery assistance, special interest advocacy, laws and regulations, and civil rights compliance. The United States government-wide procurement scorecard indicates the United States' goal for SME contracts is 23%; in 2009 they achieved 21.5%.

Conclusions: performance

108. To date, the program has shown significant progress towards the achievement of its immediate outcomes, particularly in reducing barriers represented by contracting policy and procedures.

109. There is evidence of the achievement of the intermediate outcome of better procurement processes and practices within PWGSC. OSME has identified barriers to participation and has succeeded in reviewing or resolving over 50% of these barriers. As a result of OSME initiatives, progress has been made towards a more efficient procurement process for PWGSC.
110. Further data collection and analysis is required to support the measurement and achievement of two outcomes: a) increased understanding of SME participation in the Government of Canada marketplace (immediate outcome) and b) improved SME participation in government of Canada procurement (intermediate outcome). Additional information in these two areas would ensure program activities are focused on the sub-population of SMEs most likely to be interested in doing business with the Government of Canada and on the barriers they face across the participation continuum.
111. There is no alternative to the contracting policy role OSME plays within government. However, there is a need to broaden OSME's focus to include other federal departments in supporting and informing SMEs.
112. Alternative methods of delivery for federal business opportunities information sessions and the sharing of existing practices could be explored to continue to increase the efficiency of regional offices.
113. In comparison with Australia, the United Kingdom, and the United States, Canada annually awards a high number of federal contracts to SMEs.

GENERAL CONCLUSIONS

114. As the largest purchaser for the Government of Canada, PWGSC must play an active role in the reduction of unnecessary barriers to federal contracting opportunities. OSME activities are aligned with governmental and departmental priorities. There is a continuing need for OSME and the original rationale for the program is still sound.
115. OSME has had success in increasing understanding of SME issues related to procurement and has had an impact on PWGSC contracting officers and procurement processes. OSME has been successful in improving policies and procedures, so as to enhance access to procurement activities by SMEs. OSME participates in the creation of procurement strategies that provide SMEs fair and equal access to federal procurement opportunities.
116. OSME's outreach activities have been quite successful in attracting participation. By the end of 2009-2010, OSME had held almost 4,000 events, at which over 57,000 SMEs participated. While 54% of OSME clients felt that OSME services helped them navigate the federal procurement process, there may remain SME needs/expectations which have not yet been met by OSME activities. Additional research is required into the nature and rate of participation by SMEs in federal procurement process to ensure program activities are focused on a sub-population of

Canadian SMEs most likely to be interested in doing business with the Government of Canada, reducing the barriers they face, and helping them to better understand and navigate the federal procurement process.

MANAGEMENT RESPONSE

117. Overall the evaluation is a fair and reasonable assessment of the OSME program. We are pleased that the evaluation is generally positive, and agree with the indicated areas of potential improvement.

RECOMMENDATIONS AND MANAGEMENT ACTION PLAN

Recommendation 1: The Assistant Deputy Minister, Acquisitions Branch, should develop a plan to increase the effectiveness of its outreach activities to SMEs through technology and increased partnerships arrangements.

Management Action Plan 1.1: a) Develop a draft plan to increase the efficiency of its outreach activities to SMEs through technology and increased partnership arrangements. b) Approve plan.

Management Action Plan 1.2: Buyandsell.gc.ca “button” campaign to encourage other websites to link to buyandsell.gc.ca by placing a visible presence and link on their own sites.

Management Action Plan 1.3: Explore partnerships with Rural Secretariat to extend reach of OSME services to rural communities that may not otherwise think of doing business with the federal government.

Management Action Plan 1.4: Explore partnerships with Service Canada across Canada to build on the positive experience in Ontario and extend that approach across Canada.

Management Action Plan 1.5: Work with the Canadian Association of Defence and Securities Industries to develop a seminar specifically suited to the needs of complex procurement.

Management Action Plan 1.6: Develop a strategy for leveraged seminar delivery through the use of other delivery vehicles. (webinars, etc)

Recommendation 2: The Assistant Deputy Minister, Acquisitions Branch, should conduct research to identify a sub-population of SMEs most likely to benefit from OSMEs activities and on the rate and nature of SME participation to ensure program activities are appropriately targeted.

Management Action Plan 2.1: Refresh logic model to reflect revised organization.

Management Action Plan 2.2: a) Draft revised performance measures plan and circulate for consideration. b) Approve revised performance measures plan for OSME activities.

Management Action Plan 2.3: Begin base lining performance, monitoring and reporting in accordance with timelines approved in performance measures plan.

Recommendation 3: The Assistant Deputy Minister, Acquisitions Branch, should develop a knowledge transfer strategy to ensure that intelligence gathered regarding the participation of small and medium enterprises in the federal market place is shared with federal procurement and materiel managers external to PWGSC.

Management Action Plan 3.1: The integrated “one-stop-shop” Business Intelligence Tool currently being developed and tested at www.GCSpendAnalytics.ca will provide fact-based empirical intelligence/information on all facets of procurement/contracting (as well as Government spend) to not only PWGSC procurement and material managers but to all decision makers in Government who need instant access to improved information in order to help them make better decisions faster.

Management Action Plan 3.2: Greater use of appropriate vehicles (e.g. Buyandsell.gc.ca, Procurement Today, GCPedia, etc.)

Management Action Plan 3.3: Develop a policy and guideline for use in PWGSC on SME participation in public procurement. This will provide a policy basis for the reduction of barriers to SME participation.

Management Action Plan 3.4: Develop a guidance document on identifying and reducing barriers to help procurement officers in PWGSC and elsewhere identify and reduce barriers to SME participation.

ABOUT THE EVALUATION

Authority

The Audit and Evaluation Committee of Public Works and Government Services Canada approved this evaluation as part of the *2010/11-2014/15 Risk-Based Multi Year Audit and Evaluation Plan*.

Evaluation Objectives

The evaluation examined the Office of Small and Medium Enterprises, within the Acquisitions Branch. The evaluation had two objectives:

- To determine the relevance of OSME, the continued need for the program, its alignment with governmental priorities, and its consistency with federal roles and responsibilities.
- To determine the performance of the program in achieving its expected outcomes and demonstrating efficiency and economy.

Approach

The evaluation was conducted in accordance with the Evaluation Standards of the Government of Canada and those of the Office of Audit and Evaluation at PWGSC. The evaluation took place between June 2010 and December 2010 and was conducted in three phases: planning, examination, and reporting. To assess the evaluation issues and questions, the following lines of evidence were used:

Document Review: An initial document review was carried out to gain an understanding of the Office of Small and Medium Enterprises, its context, and to assist in the planning phase. Over 60 documents were reviewed in this process. Documents such as Speeches from the Throne and Federal Budget documents provided the Government's view on the importance of SMEs in the Canadian economy. Data from these documents was collected in a matrix and analyzed. A second phase of the document review was conducted to collect and assess data provided by OSME (such as financial, performance measurement, and other types of data such as business plans and yearly reports). The analysis of this data contributed to assessing OSME's success.

Literature Review: A literature review was conducted to contextualize the program both nationally and internationally, provide theoretical background for the program model, provide baseline data against which the program could be assessed. Commonwealth countries such as Australia, New Zealand, and the United Kingdom were found to have offices or agencies similar to OSME and were mandated with the reduction of barriers to encourage SMEs to participate in the government procurement process. The literature review was also used to identify alternative methods of delivery. An analysis of private sector offerings and other jurisdictions provided insight on OSME's unique functions.

Interviews: The evaluation team conducted interviews in person and on the telephone with 15 managers and program staff. In addition, the evaluation team interviewed 3 stakeholders from the Acquisitions Branch, PWGSC who provided insight about the program. A qualitative analysis of the interviews provided information about the program's activities, outputs, expected outcomes, stakeholders, relevance, and performance from the perspective of program managers and other departmental stakeholders.

Survey: The evaluation team designed three surveys to capture the perspectives of three different groups of stakeholders on the performance of the program. The first was an internal survey of PWGSC contracting officers. In total, 28 contracting officers were invited to participate; 18 responded representing a 64% response rate.

The Office of Audit and Evaluation designed two other surveys for external stakeholder groups. The first survey was distributed to 78 associations and partners and which included organizations such as chambers of commerce, industry associations, provincial government departments/ministries, and other federal government departments. In total 27 respondents participated in the survey representing a response rate of 34.6%. The second survey was sent to 500 enterprises who had previously used the services of the Office of Small and Medium Enterprises. The respondents were selected at random from a list of contacts provided by the Office of Small and Medium Enterprises. Of the 500 enterprises invited to participate, 89 responded representing a response rate of 17.8%.

Financial Analysis: Data for the financial analysis was collected from financial management reports provided by the Office of Small and Medium Enterprises. The data analyzed included budgets, salary and operations and maintenance costs for the National Headquarters as well as Regional Offices.

Data Analysis: Data from OSME annual reports were compiled and analyzed to provide evidence in support of OSMEs outreach activities coupled with financial data to determine OSME's efficiency over the period evaluated.

Limitations of the Methodology

Interviews: Stakeholder interviews were conducted in two formats, in person and by telephone. Interviews with OSME staff and other stakeholders in the National Capital Region were conducted in person. Time and financial constraints dictated that telephone interviews be held with OSME regional office staff members.

Survey: Invitations to participate in the survey for the contracting officer, partners, and association surveys were taken from list of contacts provided by OSME. The number of contacts provided was limited and the Office of Audit and Evaluation had to use all the contacts provided for these two surveys, rather than randomly selecting participants, which accounts for the small sample size.

Financial Analysis: The financial data provided was limited to high level yearly reports. OSME was not able to provide the average costs per outreach activities per region. No

details were provided on the breakdown of operating expenditures for outreach activities such as travel, accommodations, equipment, rentals, etc. This made it difficult to arrive at a specific cost per activity and make a valuable regional comparison of costs.

Data Analysis: OSME collects very little performance data and what it does collect does not provide a basis for attribution of the achievement of intended outcomes to the program.

Reporting

We documented our findings in a Director's Draft Report, which was internally cleared through the Office of Audit and Evaluation's quality assessment function. The Director General of OSME was provided with the Director's Draft Report and validated facts and had an opportunity to comment on the report. A Chief Audit and Evaluation Executive's Draft Report was prepared and was be provided to the Assistant Deputy Minister, Acquisitions Branch, for acceptance as the Office of Primary Interest. The Assistant Deputy Minister, Acquisitions Branch, was requested to respond with a Management Action Plan. The Draft Final Report, including the Management Action Plan, will be presented to PWGSC's Audit and Evaluation Committee for the Deputy Minister's approval in May 2012. The Final Report will be submitted to the Treasury Board Secretariat and posted on the PWGSC website.

Project Team

The evaluation was conducted by employees of the Office of Audit and Evaluation, overseen by the Director of Evaluation, and under the overall direction of the Chief Audit and Evaluation Executive.

The evaluation was reviewed by the quality assessment function of the Office of Audit and Evaluation.

APPENDIX A: OSME OUTREACH SEMINAR TOPICS

- An overview of the contracting process
- Standing offers and supply arrangements
- Registering in the supplier registration
- Getting a procurement business number
- Registering in Professional Services Online and/or Select
- Finding key purchasing contacts at PWGSC and in other government departments
- Conducting market research through searching previously awarded contracts
- Searching for opportunities on MERX
- Finding subcontracting opportunities
- Obtaining security clearances and responding to bids

APPENDIX B: EVALUATION MATRIX

Evaluation Questions	Indicators	Data Sources
To what extent does the program address a demonstrable need?	<ol style="list-style-type: none"> 1. Degree to which program contributes to the reduce barriers to participation in federal procurement practices <ul style="list-style-type: none"> • <i>Evidence of reduced barriers to SME participation in procurement processes</i> • <i>Percentage of SMEs applying for and winning GC contracts relative to larger firms</i> • <i>Percentage of total GC contracts issued to SMEs (number and value)</i> • <i>Increased number of different SMEs applying for and winning GC contracts</i> 2. Demand for services <ul style="list-style-type: none"> • <i>Number of SMEs utilizing OSME's services over the past five years – percentage increase /decrease in use of service, by region since 2006</i> • <i>Expression of need by industry/businesses/associations</i> 	<ol style="list-style-type: none"> 1. Document Review <i>Perceived Barrier list</i> <i>Annual reports</i> <i>Report of the Standing Committee on Government Operations and Estimates</i> <i>Summary Report: Fall 2005 Consultations with Small and Medium Enterprise Suppliers to Government</i> <i>Acquisitions Branch Commodity Management Framework</i> <i>Food and Beverage National Commodity Review</i> 2. Literature Review <i>Tips for drafting inclusive procurement strategies(OSME)</i> <i>OSME Annual Reports</i> <i>Canadian Federation of Independent Businesses Marketing Your Business Survey</i>

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Evaluation Questions	Indicators	Data Sources
		3. Stakeholder interviews and/or surveys <i>OSME Staff Survey</i> <i>Association Survey</i> <i>SME Survey</i> <i>Interviews Acquisitions Branch, Directors General</i>
Does the program align with Government priorities?	<p>3. Degree to which the program aligns with federal government policies and priorities</p> <ul style="list-style-type: none"> <i>Review of Acts and Policy instruments</i> <p>4. Degree to which the program aligns with departmental strategic outcomes (High quality, central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions).</p> <ul style="list-style-type: none"> <i>Evidence of commitments/policies to increase SME access to Government of Canada contracts</i> 	1. Document Review <i>Speeches from the Throne</i> <i>Federal Budgets</i> <i>Federal Accountability Act</i> <i>Federal Accountability Act Action Plan</i> <i>Decisions of the Treasury Board</i> <i>The Way Forward</i> <i>Department of Public Works and Government Services Act</i> <i>PWGSC Reports on Plans and Priorities</i> <i>PWGSC Departmental Performance Reports</i>

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Evaluation Questions	Indicators	Data Sources
	<ul style="list-style-type: none"> • <i>Alignment between OSME strategic outcomes and program objectives</i> <p>5. Degree of alignment with Government of Canada Standing Committee</p> <ul style="list-style-type: none"> • <i>Extent to which program objectives align with GC commitments</i> 	<p><i>Report of the Standing Committee on Government Operations and Estimates</i></p> <p>2. Stakeholder interviews and/or surveys <i>Interviews OSME staff</i></p>
Is the program consistent with federal roles and responsibilities?	<p>6. Degree to which the program is consistent with federal roles and responsibilities</p> <ul style="list-style-type: none"> • <i>Review of legislation</i> • <i>Evidence of unnecessary overlap and duplication with federal programs</i> • <i>Evidence that the program is responsive to federal government policies and priorities</i> • <i>Departmental policies/procedures to support legislation and TB Policies</i> 	<p>1. Document Review <i>Speech from the Throne</i></p> <p><i>Department of Public Works and Government Services Act</i></p> <p><i>Federal Accountability Act</i></p> <p><i>Report of the Standing Committee on Government Operations and Estimates</i></p> <p>2. Stakeholder interviews and/or surveys <i>Interviews OSME staff</i></p>

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Evaluation Questions	Indicators	Data Sources
<p>Is the program achieving its intended immediate, intermediate and ultimate outcomes</p>	<p>7. Degree to which the program is meeting performance targets</p> <ul style="list-style-type: none"> • Documented evidence of intended outputs and expected outcomes • Documented evidence of outputs produced • Awareness and promotional materials • Information on business opportunities – statistics on access i.e. number of seminar participants, number of calls received, web site statistics) • Research reports • Economic and policy analysis reports • Policy documents • Policy and procurement advice • Partnerships 	<p>1. Document Review <i>Your Guide to Doing Business</i></p> <p><i>OSME Annual Reports</i></p> <p><i>Acquisitions Branch Commodity Management Framework</i></p> <p><i>Food and Beverage National Commodity Review</i></p> <p><i>Summary Report: Fall 2005 Consultations with Small and Medium Enterprises supplier to Government</i></p> <p><i>OSME: The Business Potential Index</i></p> <p><i>BPME: L'incidence économique des achats de l'état</i></p> <p>2. Stakeholder interviews and/or survey <i>Interviews OSME Staff</i></p> <p><i>Survey SMEs</i></p> <p><i>Survey Associations</i></p> <p><i>Survey AB Contracting Officers</i></p>

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Evaluation Questions	Indicators	Data Sources
	<p>8. Evidence of intended outcomes with respect to:</p> <ul style="list-style-type: none"> • <i>Better understanding of barriers to SME participation</i> • <i>Better understanding of SME participation in GC market</i> • <i>Better procurement processes and instruments</i> • <i>SMEs better equipped to do business with GC</i> • <i>Enhanced SME participation in GC procurement process</i> • <i>Change in SMEs accessing MERX</i> • <i>Change in SME success in bids for GC contracts</i> • <i>Change in size and distribution of firms that are successful in bidding for GC contracts</i> 	<p>1. Document Review</p> <p><i>Perceived Barrier list</i></p> <p><i>Acquisitions Branch Commodity Management Framework</i></p> <p><i>Report of the Standing Committee on Government Operations and Estimates</i></p> <p><i>OSME Annual Reports</i></p> <p>2. Stakeholder interviews and/or survey</p> <p><i>Interviews with OSME staff</i></p> <p><i>Interviews Acquisitions Branch DGs</i></p> <p><i>Survey of Associations</i></p> <p><i>Survey of SMEs</i></p> <p><i>Survey of Acquisitions Branch Contracting Officers</i></p>

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Evaluation Questions	Indicators	Data Sources
Is resource utilization of the program efficient and economical?	<p>9. Assessment of resource utilization and the production of outputs and progress towards expected outcomes</p> <ul style="list-style-type: none"> • <i>Human and financial resources expenditure by activity by region</i> <p>10. Evidence that the program uses performance measurement to inform decision making</p> <p>11. Analysis of actual program costs in relation to production of outputs</p> <ul style="list-style-type: none"> • <i>Cost per seminar</i> • <i>Cost per seminar participant</i> • <i>Cost of research / policy reports</i> 	<p>1. Document Review <i>OSME Business plans</i> <i>OSME Financial Reports</i></p> <p>2. Literature Review <i>Comparison Procurement courses</i></p> <p>3. Stakeholder interviews and/or survey <i>Interviews senior program management</i></p>

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Evaluation Questions	Indicators	Data Sources
Are there alternative arrangements for reaching the same results more cost-effectively?	12. Is the program structured appropriately to deliver the services in the most effective way?	<p>1. Document Review <i>Business plans/strategic plans</i> <i>Financial plans and reports</i></p> <p>2. Stakeholder interviews and/or survey <i>Interviews OSME Staff</i> <i>Interviews Acquisition Branch Directors General</i></p>
	13. Do other countries have similar organizations? How are they structured? How do they measure success?	<p>1. Literature Review <i>International comparisons</i> <i>Findings in other jurisdictions with respect to alternative arrangements</i></p> <p>2. Stakeholder interviews and/or survey <i>Interviews OSME Staff</i></p>

APPENDIX C: EXTRACTS FROM THE STANDING COMMITTEE ON GOVERNMENT OPERATIONS AND ESTIMATES JUNE 2009 REPORT

Standing Committee Recommendations	Government Responses
GOAL 1: The procurement process must be improved for small and medium enterprises to facilitate their awareness of and access to federal contracts.	The Government will continue to facilitate awareness of and access to federal contracts through processes already in place, such as: standard templates, review of mandatory commodity procurement instruments to ensure it does not pose challenges for SMEs, regular free seminars, demonstrations on how to use electronic tendering systems, engagement with industry to identify concerns.
Goal 2: The federal government's services and programs for SMEs must be coordinated in such a way as to actually assist SMEs in their ability to access federal contracts.	The Government will clarify existing roles and responsibilities by drafting a Government Policy for Small and Medium Enterprises led by PWGSC and Industry Canada that underlines the importance of SMEs in the Canadian economy and identifies the OSME as the entity advocating on behalf of suppliers in procurement across government.
Goal 3: The federal government must ensure that due consideration is given to small and medium enterprises when considering the bundling of contracts and standing offers.	PWGSC will specifically address the needs of SMEs as they relate to contract consolidation. OSME participates in the development of commodity management frameworks for PWGSC tenders. Commodity management is a procurement process that enables the government to analyze and understand the demands for specific commodities and find the best way to manage them. As a member of a commodity management team, OSME is involved in determining and advising on the impacts of a recommended strategy to industry and SMEs.
Goal 4: The federal government must establish a system of fairness to encourage departments and agencies to use small and medium enterprises. However, set-asides, though useful in other policy areas, are not the preferred system of fairness. - Establish goals for procurement with SMEs, such as the United States Small Business Administration system described above; and - When defining contract requirements, include a section to be filled out on whether SMEs would be suitable to fulfill the contract; or - Offer training sessions to procurement sections of federal departments and agencies to advocate for SMEs	The Government does not establish goals with the exception of the Procurement Strategy for Aboriginal Business. SMEs have also indicated that they would prefer the Government take an approach of reducing barriers to ensure fairness throughout the procurement process instead of the establishment of goals. In addition, the Government made a commitment to strengthen courses given to materiel managers across government by the Canada School of Public Service to explore the possibility of amending courses in 2010-2011 to include a module outlining barriers and issues that limit SME participation throughout the procurement process.
Goal 5: The federal government should ensure that	The Government recognizes the importance of

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Standing Committee Recommendations	Government Responses
innovation and quality are key determinants in the valuation of bids and the awards of contracts.	innovation and quality in the procurement process and the contribution of small and medium enterprises in this area. In its evaluation of bids and awarding of contracts, PWGSC is committed to ensuring that innovation and quality are considered, while ensuring maximum value is achieved for Canadians.

APPENDIX D: LIST OF BARRIERS

	Barrier
Complexity of Documents and Processes	Lack of upfront communication with suppliers on feasibility of requirements. PWGSC should be active in supplier community to better understand the goods and services it procures.
	Problematic Security requirements.
	Procurement documents that are not self contained – reference documents should be clearly identified, or included in the package.
	Difficult to understand language and lengthy, poorly drafted, disorganized contract documents.
	Requirement for regional companies to deliver presentations for national buys in NCR at their own expense.
	Lack of proper supplier debriefs upon request.
	Unclear / complex supplier selection process.
	Full procurement documents are not posted on MERX; suppliers must contact procurement officer to receive additional information and appendices.
	Confusion within and outside the government about how the procurement process works.
	Confusion over recourse or method of appeal in cases of conflict between supplier and GC.
	Non-compliance of government departments with the terms and conditions outlined in the contract.
	Overlapping methods of supply (PS Online, THS, etc.).
	Posting of amendments after bid posting without suppliers being informed automatically (businesses must pay for this service).
	Cumbersome, unfriendly government procurement tools (i.e. PS Online, difficult to use for both suppliers and government).
	Lack of standardization between RFX documents from different departments / divisions.
	Inconsistent use of procurement tools across government (often ad hoc, Standing Offers not used or used improperly).

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Complexity of Documents and Processes	Lack of updates for suppliers about progress of evaluation process and approximate award date (suppliers unsure if they should be bidding on other opportunities without knowing results of an evaluation process).
	Poor quality of translated documents.
	Absence of translated documents or reference to translation being available upon request.
	Confusing procurement procedures that differ between government departments.
	Lack of end-to-end procurement system (i.e. e-procurement tool).
	Potential for unfair price competition due to the complexity of procurement documents (i.e. unclear pricing structures).
	Poor understanding and execution of the procurement process by contracting officers.
	Long time to award contracts and process call-ups.
SME Capacity Issues	Lengthy payment cycles that require companies to carry GC inventory costs; late payments.
	Companies excluded from competing for low dollar value contracts because there is no avenue for them to find out about these opportunities.
	Access to notices about upcoming solicitations.
	Difficulty marketing products to the government until there is an expressed need.
	Cost of preparing a bid.
	Decreased sales margins due to PWGSC savings initiatives - request for volume discounts will favour manufacturers and larger companies. Difficult for SMEs to compete.
	Requirements to select lowest price when issuing call-ups against certain Standing Offers and Supply Arrangements. Departments should be freer to select suppliers, particularly when price difference is marginal.

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Evaluation criteria issues	Requirement for National Supply capacity (ex: National Master Standing Offer) where a supplier must supply a good or service in all regions of the country.
	Arbitrary limits on maximum number of suppliers that will be allowed to qualify for Standing Offers / Supply Arrangements.
	Irrelevant / restrictive supplier or product criteria.
	Unnecessary or arbitrary specifications in a solicitation that are unrelated to the client's business needs.
	Specifications for supply / distribution chain (ex: excessive information regarding components sub-contracts etc...).
	Unclear price evaluation method.
	Onerous reporting requirements.
	Use of inappropriate clauses at solicitation and contractual stages.
	Excessive contract requirements.
	Minimum years in business required.
	Specific, restrictive certification requirements (i.e. particular degree / diploma vs. combination of education, experience and competence).
	Requirement to have previously done business with government departments.
	Company size requirements; minimum number of employees.
	Minimum company revenue rather than ability to do work based on past deliverables and performance.
	Unnecessary infrastructure requirements.
	Excessive insurance requirements.

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Evaluation criteria issues	Excessive liability requirements (may be inappropriate for very low-risk work, i.e. off-site writing services).
	Regulatory and standards requirements that are redundant or have little relevance to the actual procurement (ex: using industry and government standard certifications).
	Specifications based on a specific brand or technical attribute over functional requirements.
	Unnecessarily stringent licensing requirements.
	Unnecessary or costly environmental requirements.
	Over-bundling / consolidation (i.e. categories not broken down into streams where appropriate; firms are required to compete and/ or qualify in all categories to be compliant).
	Requests for proposals that don't permit bidding for individual components or individual regions.
	Little or no industry consultation.
	Misuse of procurement tools by purchasing departments to direct contracts (audits for client compliance to prevent abuse – i.e. ensure a system such as THS is only being used for temporary needs).
	The government's emphasis on lowest cost reduces the value added margin in terms of experience, expertise, and efficiency (lowest cost versus value for money).
	Differing number of years experience required based on type of business (Joint Venture vs. Original Equipment Manufacturer vs. individual). Business experience requirements are not reflective of businesses true experience.
	No consideration for design, innovation and productivity. Government buys specific products rather than buying solutions.

Source: Hartley, Tara. Director Policy Directorate, OSME. List of Barriers