

SENIOR MANAGEMENT COMMITTEE – March 11th, 2020
Results at a Glance – Evaluation of the ITB Policy, 2014-15 to 2018-19

Audit and Evaluation Branch

PROGRAM CONTENT







The Industrial and Technological Benefits (ITB) Policy was announced as part of the Defence and Procurement Strategy in February 2014, replacing the Industrial and Regional Benefits (IRB) Policy.

As with the IRB Policy, the ITB Policy requires that companies awarded defence procurement contracts undertake business activities in Canada, equal to the value of the contract. The ITB Policy includes a requirement for companies to provide specific, targeted proposals (known as the Value Proposition, or VP) for how they will contribute to economic growth in Canada through targeted investments (e.g., partnerships with Canadian firms to help scale up and advance the commercialization of innovative ideas and products).

Between February 1, 2014 and January 31, 2019, 32 contracts valued at \$6.2 billion were initiated under the ITB Policy.

EVALUATION APPROACH

This evaluation examined the relevance, performance and efficiency of the ITB Policy in accordance with the *Treasury Board Policy on Results*. It focused on the period from February 1, 2014 to January 31, 2019, utilizing several lines of evidence:

 Survey of Industry	 Input-Output Analysis
 Case Studies	 Interviews
 Administrative Data Review	 Document Review

WHAT THE EVALUATION FOUND

The ITB Policy, including expenditure requirements and VPs, is aligned with ISED priorities related to the competitiveness of Canadian firms, economic growth, job creation, innovation and R&D. The ITB Policy is also aligned with the needs of the Canadian defence industry by supporting the growth of prime contractors (i.e., chief contractors with responsibility for contract completion) and suppliers in Canada.

In addition, the ITB Policy helps encourage sourcing from Canada-based suppliers. Most recipients report that the ITB Policy contracts improved their work processes and contributed to their R&D and innovation capacity. The ITB Policy was estimated to have contributed to the maintenance/creation of as many as 6,450 jobs per year in the private sector between 2014-15 and 2018-19. The impact on Canada's Gross Domestic Product was estimated to have been as high as \$3.3 billion for this period.

Further, the ITB Policy has led to improvements in the engagement process with industry. Early engagement has allowed industry to provide views on the development of the VP framework before the Request for Proposals are issued and engagement is generally viewed by industry as being timely.

In terms of the VPs, they were identified as increasing benefits for Canada in many areas, including R&D, innovation, skills development, and economic development. Two-thirds of prime contractors interviewed were satisfied with the VP approach. One-third expressed concerns about the lack of clarity of the VP statements, their complexity and limited flexibility of the approach (e.g., some projects have challenges aligning with required ITB Policy objectives).

ITB Branch operations were efficient over the 2014-15 to 2018-19 period, with no major issues or gaps identified with respect to the efficiency of operations. However, there are opportunities to enhance internal guidance related to crediting of contractor expenses.

RECOMMENDATIONS

- Value Proposition Approach:** ISED should continue to work with contractors to ensure that the Value Proposition approach on a procurement-by-procurement basis is as flexible as possible for prime contractors to fulfill requirements, while continuing to meet the policy objectives.
- Crediting Process:** ISED should enhance internal guidance related to the application of crediting guidelines for contractor expenses to improve the consistency of the crediting process.
- Program Understanding:** ISED should continue industry engagement and outreach activities to enhance stakeholder understanding of the ITB Policy, particularly the Value Propositions.