

# Office of the Procurement Ombud

## Best Value in Procurement

May 2025



Government  
of Canada

Office of the  
Procurement Ombud

Gouvernement  
du Canada

Bureau de l'ombud  
de l'approvisionnement

Canada The wordmark for Canada, with a small red maple leaf icon above the letter 'a'.

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## Office of the procurement ombud

The Office of the Procurement Ombud (OPO) is a neutral and independent organization of the Government of Canada that works collaboratively with federal departments and Canadian businesses (suppliers) to promote fairness, openness, and transparency in federal procurement. OPO delivers on this mandate by connecting stakeholders, investigating complaints, resolving problems, making recommendations, and sharing best practices.

In 2018, OPO launched a knowledge deepening and sharing (KDS) initiative to better understand key issues in federal procurement. Through the publication of KDS studies, OPO intends to share knowledge and provide meaningful guidance for federal procurement stakeholders.

## Acknowledgements

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## Purpose of the study

The purpose of the study is to examine how the concept of Best Value has evolved in federal procurement; how it is addressed across Canada and internationally; explore tensions created by the expanded definition and highlight best practices and recommendations that may offer guidance to the procurement community and policy makers.

## Introduction

Historically, the concept of Best Value in Canadian federal procurement had a clear monetary emphasis and resulted from a basis of selection often based on the lowest priced bid, or the highest combined price and technical score. This notion combined with fair, open, and transparent procurement practices was how the government realized value for money (VfM).

Over time procurement came to also be used to support the achievement of government policy objectives such as reconciliation with Indigenous peoples and socio-economic benefits including diversity and inclusion and environmental objectives. As a result, Best Value has evolved beyond a technical and short-term cost-focused VfM approach, toward one that increasingly includes full life-cycle costs as well as non-financial and non-technical considerations.

Ultimately, Best Value is about obtaining necessary goods and services at an appropriate price with consideration to supporting governmental policy objectives through the procurement process.

## Methodology

OPO's research involved reviews of:

- academic and legal literature related to the various trade agreements to which Canada is a party;
- the legal, statutory, regulatory and Treasury Board policy framework governing federal government procurement;
- relevant federal departmental policies, procedures, and guidelines; and
- Canadian provincial and municipal as well as international procurement practices.

In addition, OPO interviewed a sampling of federal departments, and procurement officials from Canadian provinces and municipalities.

## Evolution of best value

More than 60 years ago, policy planners were looking for ways to maximize efficiency and economy in all phases of the procurement process from the initial anticipation of a requirement to when the material or equipment was in use.<sup>1</sup> These ideas - public procurement as an economic driver and full costing of government acquisitions - were notable precursors to the modern concept of Best Value that we have today.

Moving ahead to the current century, our understanding of Best Value was shaped by the 2008 Treasury Board [Contracting Policy](#) (rescinded in 2022), which included Best Value as a central element of federal procurement. The objective of the *Contracting Policy* was "...to acquire goods and services and to carry out construction in a manner that enhances access, competition

and fairness and results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian people.”<sup>ii</sup>

Best Value was defined in the *Contracting Policy* as “the combination of price, technical merit, and quality, as determined by the contracting authority prior to the bid solicitation and set out in the bid solicitation evaluation criteria...”<sup>ii</sup> In addition to initial price, the Policy stressed the importance of considering other factors including dates of delivery, service, follow-on procurement, logistic support, and full life-cycle costs, particularly for more complex requirements. Further, where applicable, the Policy required that bid evaluation criteria be established to address socio-economic factors in relation to the total cost of a contract before bids were solicited. <sup>ii</sup>

In 2021 the Treasury Board [Policy on the Planning and Management of Investments](#) replaced the *Contracting Policy* following a 1-year transition period. Expected results from the new policy include decisions that are based on an assessment of full life-cycle costs and demonstrate best value and sound stewardship.<sup>iii</sup> The new policy also updated the definition for Best Value as:

The extent to which a solution or investment achieves the optimal balance of resource expenditure and realization of outcomes, including socio-economic and environmental returns, throughout the asset or service life cycle. For acquisitions, the lowest price is not always representative of Best Value. <sup>iii</sup>

A notable change in the 2021 Policy definition was the inclusion of socio-economic and environmental considerations in addition to cost and achievement of intended results as central to the concept of Best Value. In the context of this study, this definition of Best Value applies.

Supporting the *Policy on the Planning and Management of Investments* is the [Directive on the Management of Procurement](#). The objective of the Directive is that “procurement of goods, services and construction obtains the necessary assets and services that support the delivery of programs and services to Canadians, while ensuring best value to the Crown.”<sup>iv</sup> Further, it is expected that “procurements are managed in a manner that enables operational outcomes and demonstrates sound stewardship and best value consistent with the Government of Canada’s socio-economic and environmental objectives.” <sup>iv</sup>

Finally, in addition to these key instruments, federal government policy direction pertaining to Best Value comes from a number of sources, including:

- In 2014, the [Industrial Technological Benefits \(ITB\) Policy](#) came into effect as an update for the previous [Industrial and Regional Benefits Policy](#).<sup>v</sup> The ITB Policy leverages defence and Canadian Coast Guard procurements to contribute to jobs, innovation, and economic growth across Canada. In addition to price and technical merit, this policy update added a layer of economic benefit and allowed the government to steer investments into priority areas in Canada to advance innovation.<sup>vi</sup>

- In 2018 Treasury Board updated its [Policy on Green Procurement](#), which promotes the inclusion of environmental considerations in procurement decisions in line with the [Greening Government Strategy](#). The Strategy was further updated in 2024 and currently features the government’s commitments to net-zero emissions by 2050, climate-resiliency, and green operations.
- In 2021, the [Procurement Strategy for Indigenous Business](#) (PSIB) came into effect as a replacement for the former Procurement Strategy for Aboriginal Business, which had been in effect since 1996.<sup>vii</sup> Along with the PSIB, Canada also announced the establishment of a new mandatory federal procurement target to ensure that a minimum of 5% of the total value of federal contracts are awarded to Indigenous businesses.<sup>viii</sup>
- Other key drivers such as [Ministers’ Mandate Letters](#), [The Speech from the Throne](#) and departmental budgets have led to an increased focus on reinforcing a resilient economy, addressing climate change and diversifying the supply chain to include more Black, Women, Indigenous, 2SLGBTQI+ and other businesses that have historically been underrepresented in the federal supply chain.<sup>ix</sup> Underrepresented groups and suppliers are defined, for the purpose of this study, as segments of Canada’s population that are systematically and statistically underrepresented or marginalized.<sup>x</sup>

### Trade agreement compliance

Canada is signatory to multiple trade agreements, each of which includes procedural obligations and requirements that must be considered by the contracting authority when developing the procurement strategy for applicable procurements. While aspects of these trade agreements are complex and prescriptive, with respect to Best Value, trade agreements do not pose major barriers. In fact, they are quite permissive, and typically allow the Government to pursue procurement interests outside of dollar value.

Many considerations that are linked with Best Value are permissible under the trade agreements if the purchasing department is pursuing legitimate governmental objectives through the specifications it includes in its procurement processes. However, this approach comes with two major caveats. First, requirements made to achieve Best Value cannot be approached in a way that contradicts the purpose of the procurement. Second, specifications designed to achieve Best Value cannot be used to unfairly restrict competition.

In other words, procuring entities cannot use the term “Best Value” to justify imposing arbitrary restrictions, and must justify them using the aforementioned legitimate governmental objectives.<sup>xi</sup> Additionally, when pursuing these objectives, procuring entities must avoid measures prohibited by trade agreements, including discrimination based on regional preference, preventing suppliers from submitting tenders, or using price discounts to favour particular suppliers.<sup>xii</sup>

### Stakeholder engagement

OPO interviewed officials from a sampling of federal departments and Canadian provinces and municipalities regarding their understanding of Best Value, how Best Value is used in their

procurements and their experiences, both positive and negative, in applying it in practice. Most interviewees, including those working for provincial and municipal governments, understood and accepted the current federal government policy definition for Best Value. One federal department stated that Best Value was not specifically defined in their group, but rather is about achieving a balance of getting the right goods and services at the right price and considering the benefits through each process.

One department official noted that the COVID-19 pandemic revealed vulnerabilities in supply chains such as the lack of availability and shortages of much needed safety equipment in Canada and highlighted the need for increased supplier diversity within Canadian borders. They suggested that the federal government could build supply chain resiliency by including socio-economic considerations in procurements.

There was, however, a concern expressed that the expanded selection criteria may have an adverse impact on competition and reduce the pool of bidders, rather than grow resiliency through diversity. Fewer suppliers may be able to bid under more complex and restrictive requirements, an example of which is a Request for Proposal requiring that suppliers provide comprehensive Government Greenhouse Gas emissions reports and the company's plans to reduce emissions. Such criteria may reduce the number of bids received by the government. OPO has observed a troubling trend over the past few years where competitive solicitations have resulted in only a single bid. A contributing factor is believed to be onerous criteria that lead suppliers to opt out of the process and not submit a bid. <sup>xiii</sup>

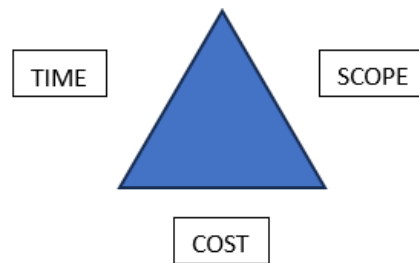
In order to ensure Best Value and fair pricing, Canada relies on competition where possible. <sup>xiv</sup> This lack of competitive bids may lead to increased costs. It lies on the shoulders of the contracting authority to understand how to find the balance and justify and leverage the expanded criteria for their commodities to demonstrate Best Value, and not, through well-intended activity, reduce competition unnecessarily.

## Challenges

### Time-scope-cost

When compiling the input from the interviewees, much of the feedback came down to the long-accepted idea of the triple constraint of time, scope, and cost (the triangle). Each side of the triangle creates a tension on the other two sides. For instance, if a requirement is needed urgently, reducing the time side of the triangle could lead to increasing the cost side and

potentially reducing the scope and/or quality of the deliverable side of the triangle. The interviews highlighted some of these tensions.



## Time

In many instances, including Best Value considerations will increase the amount of time required to conduct a procurement process. From a broad perspective, interviewees mentioned there was increased time required for continuous learning to stay abreast with the latest policies and initiatives related to Best Value. For individual procurements, considerable time is also spent on planning, compliance, and risk management. Delays can come from the need for extensive stakeholder consultations and detailed justifications for decisions made. On some complex procurements, the expanded Best Value criteria such as environmental requirements or achievement of the mandatory Indigenous 5% target may impact the procurement strategy, leading to multiple reviews and consultations with subject matter experts, further prolonging the procurement. There was a belief among interviewees from federal departments that some of these delays could be reduced or avoided if their clients (i.e., program managers) engaged them earlier in the process. These factors could result in delays leading to increased cost or reduced scope to ensure timely deliveries where there is no flexibility to move the schedule.

## Scope

When additional requirements are added to the original scope, there may be a significant impact on the time and the cost of the procurement. One respondent highlighted how Best Value goes beyond getting the government client what they need. Now the contracting authority needs to factor in various initiatives, considerations and mandated requirements that may result in fewer suppliers being able to bid, potentially impacting the cost.

It may be difficult to incentivize socio-economic benefits, determine how to include these considerations in the definition of the requirement and write evaluation criteria which are measurable and achievable. For instance, suppliers often prefer to use their existing supply chains due to the significant ramp-up costs and time associated with setting up new ones, not to mention the efficiencies that come with experience and economy of scale. For certain commodities, there may be no underrepresented groups who have business capacity and the added work to search for and demonstrate capacity is not rewarded.

While there is a lot of support for environmental considerations, there is a challenge in determining and evaluating environmental criteria. It is often difficult to evaluate as the additional criteria may not impact the actual work and deliverable. In some cases environmental

factors may be put in place to satisfy policy requirements, but it may have the negative impact of screening out a supplier who could deliver a high-quality product or service, within the scope of the need, but who may not be market ready to achieve the greening aspect.

## Cost

The Government of Canada must ensure the sound stewardship of taxpayer funds. Procurement has been identified as one of the activities where Best Value may be achieved by leveraging Canada's purchasing power.<sup>xv</sup> This translates to using procurement to not only deliver the intended purpose of the procurement, but to also leverage it to benefit the larger Canadian economy through the application of socio-economic benefits.<sup>xvi</sup> However with added scope and/or time constraints, the costs of projects may increase.

The approach to Best Value may cost taxpayers more in upfront spending and caution needs to be taken to ensure that the added long-term benefits have real value and are not simply an attempt to demonstrate a behaviour rather than achieve it. Costs associated with implementing socio-economic benefits often increase with no clear and consistently applied metrics to assess the impacts. While embedding socio-economic requirements into large procurement contracts may realize some long-term benefits, one participant suggested that there may be more effective ways for the government to inject positive outcomes into the Canadian economy. For instance, they suggested providing funds to underrepresented students through a formalized scholarship program may lead to more benefits than could be achieved through a procurement process. The effort of using procurement to support certain initiatives may not be focused properly to truly benefit society in a consistent manner and may drive up the cost of procurement.

Despite the challenges in finding the balance in the procurement process, there was a sentiment that there is a willingness to pay a higher price to support the life cycle of the requirement and get a higher quality deliverable with potential long-term socio-economic benefits for Canada.

## Other challenges

### Training

With the shift from the *Contracting Policy* to the Directive on the Management of Procurement, the guidance for contracting authorities and procurement in general is deliberately less prescriptive, leaving room for flexibility and greater use of judgement based on government priorities and specific procurement objectives. Contracting authorities and program managers must know and understand the market and the commodity to set the parameters in a competitive process to align with the evolving definitions of Best Value. For example, the contracting authorities and program managers may need to decide whether the added cost for a higher percentage of recycled content is justified by long-term benefits. There may be different Best Value equations based on the commodity and procurement strategy. The

question remains how do contracting authorities learn about the factors to make an informed decision?

It was common to hear that new policies are frequently implemented without adequate information or training support. One federal department noted through a tabletop exercise that, while the working level was aware of the outcomes, they did not necessarily know what to do with the rules and how to navigate all of the policies and procedures to get there. Federal procurement training requires updating for effective implementation. There is a desire to not only address the outdated courses and gaps in specific areas and initiatives, but to develop and elevate contracting authorities to apply advanced strategic and critical thinking while adding in flexibility to be creative and innovative.

Provinces and municipalities are facing similar challenges, and some have made encouraging progress. They are working on developing various protocols, tools, and guidelines, and offering training sessions toward understanding and including key considerations of sustainable procurement, the equity and accessibility lens, and how to strategically elevate these priorities.

## Policy and support

While the Directive on the Management of Procurement is one of the guiding documents for contracting authorities, there is also an abundance of legislation, regulation, and policy to consider. Some larger departments, such as Public Services and Procurement Canada (PSPC) and the Department of National Defence, have well developed guidance.<sup>xvii</sup> Other federal departments that have a larger complement of procurement staff also have built in expertise that can lend experience and lessons learned as well as mentor and guide new contracting authorities that smaller departments do not have. This disparity in resources and support may lead to inconsistencies in how procurement is managed and create confusion when procurement falls outside of the norm.

## Governance and accountability

There is no whole-of-government oversight applied to ensure compliance with an overarching and government-wide strategy for Best Value. Among the federal departments interviewed, there were different responses from each regarding accountability. While they all agreed that ultimate accountability lies with Deputy Heads for reporting on department-wide achievement on initiatives such as the Indigenous 5% target, the responsibility for ensuring compliance within each contract was in question.

It was not clear where accountability lay if a supplier did not honour the commitments made in a winning bid for a specific project. For instance, what would happen if a supplier or subcontractor had issues delivering the intended and promised benefits from an Indigenous Procurement Plan and there was no obvious way built into the contract to enforce this? If the Best Value commitments of a contract are not respected and were part of the calculation to award a bid, then the system is not fully functioning and may be detracting from a different bidder who could deliver on what is needed. To ensure that objectives related to Best Value are

achieved, departments must enforce socio-economic and Best Value commitments with the same rigour as other commitments related to contract performance, on a contract-by-contract basis.

## Data and reporting

Data collection is a known challenge and is a hurdle for most organizations at various phases of their programs.<sup>xviii</sup> In conducting our research, it was apparent that there is no consistent tool used in Canada to calculate the inclusion of socio-economic criteria toward achieving Best Value. That said, some data is collected and reported upon for certain elements. For instance, departments must report on commitments related to green government initiatives and integrate green commitments into their Departmental Sustainable Development Strategies. Indigenous Services Canada (ISC) issues a report on the Mandatory Minimum 5% Target by fiscal year. This report also highlights where Indigenous business capacity gaps exist for goods and services.<sup>xix</sup> However, there are gaps in the metrics on the overall cost to government for incorporating most aspects of the socio-economic considerations.

Some departments have checkmarks in their electronic procurement systems to indicate if there are considerations such as those noted above and also for accessibility considerations, however there is a distinct lack of tracking for other factors such as underrepresented suppliers and small and medium enterprises. It is not possible to demonstrate progress since there is no baseline established and no tracking for underrepresented groups. There is a need to have high-quality data on socio-economic factors to understand how to reduce risk and create good justification for the inclusion or exclusion of certain criteria in a procurement process and to inform the creation of solid evaluation criteria.

## Unnecessary complexity

While the government is committed to on-going modernization and simplification of the procurement process, the requirement to achieve Best Value has added to an already overly complex procurement system. Rather than having one voice in procurement there are many. Guidance and support come from a variety of departments and, in some cases, from various branches within one department. The guidance is also found on different public facing and internal to government websites and is not always easily located. Despite this, there is some excellent guidance on procurement in general that supports Best Value if you know where to find it. Some examples can be found in Annex A.

### Vendor Performance Management

Another factor toward achieving Best Value is doing business with reliable suppliers. While PSPC is working to implement its [Vendor Performance Management Policy](#), there is currently no federal government-wide vendor performance management program. A comprehensive vendor performance management program would better protect Crown interests and improve transparency on outcomes on federal contracts. Moreover, if such information is properly gathered and validated, it can be used to inform future contract award decisions and prevent

contracting with repeat poor performers.<sup>xx</sup> In this way, vendor performance management becomes a useful tool that can provide decision-makers with reasonable assurance that the procurement will result in Best Value outcomes.

### Canadian and international approaches

In this section, we offer some ideas from Canadian and international jurisdictions on considerations they use to develop socio-economic criteria and determine which of the bids offers Best Value. However, it should be noted that each jurisdiction has its own unique legislative and policy framework, not all of which will apply to Canadian federal procurement. That said, some of the ideas may be tailored to respect Canadian federal procurement requirements.

### Nova Scotia

For the Province of Nova Scotia, diversity and sustainable procurement focuses on creating equitable access for a range of suppliers including equity-deserving and underrepresented communities. Nova Scotia emphasizes reducing environmental impact, protecting workers and clients with safer solutions, and strengthening communities through community benefits in infrastructure contracts. To demonstrate Best Value when awarding contracts, Nova Scotia evaluates bids on factors such as environmental and social considerations, delivery, servicing, and the capacity of the bidder to meet other criteria in addition to purchase price and lifecycle costs. These activities are supported by a variety of instruments and initiatives including a sustainable procurement strategy, robust electronic procurement data, procurement training for staff and clients and documented standard operating procedures.

### Toronto

The study participant from the City of Toronto described best value in procurement as finding the balance between performance and cost, which includes building in socio-economic benefits such as environmental considerations where it makes sense. While more preparation goes into planning when including socio-economic benefits in procurement, such as industry and market research, it has become an accepted part of their process. Toronto tracks these benefits in procurement plans and asks their clients to think about setting these expectations early on. They are considering ways to streamline their more complex processes to reduce barriers. Additionally, Toronto delivers training sessions and provides guidelines for their buyers and offers sessions and a help line to provide suppliers with guidance on doing business with the City, explanations on types of criteria, how to submit a bid, and other general procurement information.

Toronto cautions that there are challenges when including socio-economic benefits in a procurement. For example, it can be difficult to find suppliers to bid on some projects and certifications to validate that suppliers belong to certain underrepresented groups can be costly and potentially unaffordable to smaller enterprises. There is also a concern that some joint

ventures may be tagging certain groups, such as Indigenous businesses, in their proposals with no real intention of giving them any business. They continue to work on these issues.

## Vancouver

The City of Vancouver places a high emphasis on technical quality when awarding contracts. It is assessed along with socio-economic considerations to determine the bid providing the Best Value. They set aggressive targets, and they want organizations to represent the communities that the city serves. They use questionnaires and guidelines in the bidding process, such as for Indigeneity, and Sustainable and Ethical Procurement. In the beginning they experienced some push back but now bids are more robust because the vendors are well aware that detailed responses to the questionnaires are essential to their bids. Vancouver has developed a good understanding of their community and have created a directory of social and diverse vendors.

When it comes to additional costs to incorporate socio-economic benefits, it was found to be nominal. The pricing in the Request for Proposal is a small portion of the decision. It is about moving the dial to achieve the overall benefits. In fact, taking an innovative approach, rather than providing grants to some businesses, they used the social procurement and the green agenda to add value back into the community.

## United States of America

Note: At time of writing, the United States federal government was in the process of implementing significant policy changes to move away from Diversity, Equity, and Inclusion (DEI) initiatives. These changes and others being implemented may affect how the United States determines Best Value in the future.

The United States federal government defines Best Value in federal procurement as “the expected outcome of an acquisition that, in the Government’s estimation, provides the greatest overall benefit in response to the requirement.”<sup>xxi</sup> This definition recognizes that the application of Best Value is unique and subjective for every procurement, and the important link to Best Value must have to desired outcomes.

In competitive procurements, the United States may use a lowest price technically acceptable approach “when best value is expected to result from selection of the technically acceptable proposal with the lowest evaluated price.”<sup>xxii</sup> Alternatively, they may use a trade-off process, which is appropriate when considerations other than the lowest priced offer or other than the highest technically rated offer should be considered.<sup>xxiii</sup> This approach permits “trade-offs among cost or price and non-cost factors and allows the Government to accept other than the lowest priced proposal.”<sup>xxiv</sup>

When using the trade-off process, setting clear expectations for bidders is essential. Procurement documents should clearly state “whether all evaluation factors other than cost or price, when combined, are significantly more important than, approximately equal to, or significantly less important than cost or price.”<sup>xxv</sup> The contracting officer must document the

perceived benefits and justify why the higher priced proposal merits the additional cost, and the rationale for trade-offs.<sup>xxvi</sup> Examples of non-price factors could include technical aspects, small-business participation, and past performance among others.

While Canada has set a target for awarding contracts to Indigenous suppliers, the United States government (at time of writing) has targets for the percentage of contracts to be awarded to a variety of supplier classes such as small businesses and other underrepresented groups including Women-owned Business, Small Disadvantaged Business, Service-disabled Veteran-owned Small Business, and Small Business in a Historically Under-utilized Business Zone (HUBZone).

Another factor for the United States in Best Value procurement is the application of vendor performance information as an evaluation factor in competitive solicitations above a certain threshold.<sup>xxvii</sup> Contracting officers can obtain this information through the United States government's centralized performance evaluation system, which contains current and robust information pertaining to a contractor's actions under previously awarded contracts.<sup>xxviii</sup> Past performance information is a useful indicator of future successful delivery, and therefore can provide decision-makers with reasonable confidence the procurement will result in Best Value outcomes for the government when the contract is delivered.

## United Kingdom

Best Value<sup>1</sup> is similarly used in the United Kingdom framework in order to maximize the use of public resources with the goal of public value maximization. However, the Best Value approach utilized by the United Kingdom is typically linked to a Benefit Cost Ratio (BCR) and Net Present Public Value (NPPV). The BCR is used in order to determine financial feasibility and is calculated by dividing the value of benefits by the cost (all costs including maintenance and implementation). A BCR value greater than one indicates that the project benefits may outweigh the project costs. The NPPV, on the other hand, is utilized to assess the benefit of a project with respect to the public. The NPPV is a monetary calculation of the value of expended benefits minus the expected costs.<sup>xxix</sup>

The Best Value assessment will also incorporate risk considerations and monetized and non-monetized impacts to determine whether they, individually or collectively, will change the conclusion with respect to Best Value.<sup>xxx</sup>

## European Union

The European Union's Directive on Public Procurement<sup>2 xxxi</sup> emphasizes achieving Best Value through comprehensive public procurement practices by prioritizing quality, environmental considerations, social aspects, and innovation. The Directive states that contracts will be

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<sup>1</sup> The United Kingdom uses the term Value for Money (VfM) rather than Best Value.

<sup>2</sup> 2014/24/EU (February 26, 2014)

“awarded to the most economically advantageous tender [MEAT] identified on the basis of the lowest price or the best price-quality ratio. The quality criterion may include the overall cost effectiveness, technical quality, environmental and social aspects, trading and delivery conditions, etc.”<sup>xxxii</sup> Additionally, the MEAT criteria also take into account the life-cycle costs of the goods or services procured and aim to leverage public procurement with more innovative solutions that continue to ensure Best Value that persistently stimulates development.

Another key element of the Directive is a mandatory horizontal social clause.<sup>xxxiv</sup> The associated criteria support broader societal goals, such as sustainability, social inclusion, and innovation, and are intended to ensure that procurement delivers financial savings alongside these additional benefits. For example, in Italy, solicitations integrate social and selection criteria during the tender phase to exclude non-compliant bidders and assess technical and financial capacities, emphasizing quality, functional characteristics, accessibility, and safe design.<sup>3</sup>

In the European Union there is a further focus on the environmental dimensions of public procurement. [Green Public Procurement](#) (GPP) is a voluntary tool introduced by the European Union to meet climate goals and leverage the value of public procurement by bringing the impacts of climate change, air/water quality, waste, and resource use. The concept of GPP places the emphasis on “having clear, verifiable, justifiable, and ambitious environmental criteria for products and services, based on a life cycle approach and scientific evidence base.”<sup>xxxv</sup>

To enforce the purpose and initiatives of the GPP, the Directive on Public Procurement introduced several important provisions including consideration of life-cycle costs and environmental impacts. The Directive also provides the ability to reject tenders or subcontractors that do not comply with environmental or social obligations. Various criteria regarding environmental considerations can be integrated while selecting bidders. For instance, when requesting human and technical resources at the selection stage it could request “personnel with experience in carrying out projects with similar environmental requirements, and appropriate equipment to prevent air, soil and water pollution.”

## Australia

In Australia, achieving Best Value<sup>4</sup> is a core rule of the [Commonwealth Procurement Rules](#) (CPRs). Similar to Canada, the approach to Best Value in Australia is not only about the lowest price.<sup>xxxvi</sup> Other non-financial Best Value considerations include the quality of the goods or services, fitness for purpose of the proposal, relevant experience and performance history, environmental sustainability, and whole-of-life costs. When preparing for a procurement, contracting authorities are to consider stakeholder input; the scale and scope of the

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<sup>3</sup> European Parliament, [The social impact of public procurement](#), 1121-120

<sup>4</sup> Australia uses the term Value for Money (VfM) rather than Best Value.

requirement; the project budget; obligations and opportunities under existing arrangements; relevant policies; and the market capacity to respond to the procurement requirement.<sup>xxxvii</sup>

Additionally the Australian Government has a range of measures in place to promote domestic economic growth. For example, they have a commitment to source at least 20% of all procurement (by value) from small and medium enterprises (SMEs). Also, similar to Canada, Australia has an Indigenous Procurement Plan. They encourage early engagement with the market for major procurements. The goal is to make better use of resources that would be under-utilized, increase productivity, and provide broader benefits that support the development and sustainment of industry capabilities.<sup>xxxviii</sup>

### Guidance for procurement practitioners

The following best practices and recommendations are a capture of what came out of the literary research and interviews.

#### Procurement officers

##### Early stakeholder engagement

Program managers should engage contracting authorities as soon as possible to ensure that a comprehensive procurement strategy is developed.<sup>xxxix</sup> Engaging procurement staff early will permit sufficient time to review the various acts, regulations, policies, and directives applicable to the procurement and consider the various initiatives that the government has in place to achieve Best Value. Through early stakeholder engagement, they can seek out guidance and best practices from specialists and their community of practice and incorporate it in the procurement strategy. Legal Services and policy owners may need to be consulted for clarity and advice.

Where appropriate, contracting authorities should engage with vendors through outreach and methods such as a Request for Information (RFI), and collaborate across government sectors to identify gaps and opportunities to increase participation.<sup>xl</sup> This early engagement can help determine the appropriate weighting of the socio-economic and sustainable procurement component of bid documents and determine if the use of set-asides is appropriate.<sup>xli</sup> It can also inform the supplier community of upcoming procurement so they are better prepared to respond to a bid, increasing competition. However, caution must be exercised to avoid communicating directly with a sole supplier and exchanging information prior to establishing an estimate of the cost and the criteria for a competitive process to avoid confusion and to uphold fairness and transparency within the supplier community.<sup>xlii</sup> Engagement with a single supplier should only occur where there is intent to pursue a legitimate and justified sole-source contract with that supplier and the estimated value of the contract is equal to or less than the threshold for a non-competitive procurement strategy or other exceptions to competition apply.<sup>xliii</sup>

##### Clearly defined evaluation criteria

When using criteria that go beyond assessing the traditional price and technical score, extra care is required to ensure the criteria are specific, accurate and clearly stated to avoid claims that undisclosed criteria were used. Bidders must be assessed and ranked according to the procedures stated in the solicitation. To do otherwise will invite claims that the assessment was unfair. Below are some points to consider for developing Best Value-related criteria.

- Maintain repositories of successful evaluation criteria that may be adapted and applied to future procurements
- Ensure that the criteria are clear, align with the requirement and can be justified
- Limit mandatory criteria to only those that are essential to meet the requirement and consider converting those that are not essential to rated criteria to reduce and eliminate barriers, or remove them all together<sup>xliii</sup>

### Continuous improvement

The complexity of the approach to achieve Best Value should be proportional to the complexity of the procurement. It was noted that industry is often asking for guidance on how to respond to more complex Requests for Proposals. Such guidance is particularly useful for small and medium enterprises that may have little knowledge or experience in responding to criteria related to socio-economic benefits.

Contracting authorities could support efforts to achieve Best Value by holding Bidder's Conferences, promptly and simultaneously replying to bidders' questions, and honestly assessing supplier challenges to procurement decisions. They could also direct suppliers to additional resources such as [Procurement Assistance Canada](#), and [Doing business with the government](#). Modernization and reducing barriers should be the goal of procurement<sup>xliiv</sup> to encourage market readiness and supplier resiliency in the supply chain.

In order to build strength in the supplier community, as outlined in the Directive on the Management of Procurement, contracting authorities must ensure that procurement documents outline the dispute resolution procedures; provide bidders with information on available alternative dispute resolution processes; ensure that bidders who request a debriefing receive one in a timely manner after contract award; and deal with disputes fairly and promptly.<sup>xliv</sup> These activities should focus on why the contract was awarded to the chosen supplier and help bidders understand their strengths and weaknesses of their bids resulting in more informed bidders who can improve their subsequent bids. When implemented effectively, these activities can also lead to more competition, which in turn can result in better value.

### Contract administration

Contracting authorities should consider implementing mechanisms to monitor and measure post-award activities, ensuring accountability and value delivery. It is important that they follow the progress of the work and intervene early to resolve disputes to avoid time consuming and potentially cost prohibitive measures to settle on a way forward. Contracting authorities should ensure that the supplier is honouring any commitments made in their bid such as those made in

an Indigenous Procurement Plan. It is also important that they capture the data from each procurement process for reporting and justification purposes.

## Documentation and collaboration

It is important for contracting authorities to ensure that the file is properly documented in all phases of the procurement process, from planning to close-out. To support future procurements, it is a good practice to record lessons learned and observations, questions from suppliers, successes and challenges in the bid evaluation, and accuracy of checklists and processes used.

Do not make assumptions. It can be particularly useful to survey the stakeholders at the end of the process to see how they assess the outcome and note their recommendations to reduce barriers to achieve Best Value.

## Policy makers

It is imperative that contracting authorities are not left to decide how to implement policy without adequate guidance and tools as it leads to risk aversion, costly delays, inconsistency across government, and confusion in the supplier community. Therefore, to help contracting authorities assess Best Value, policy makers should:

- Collaborate across government to build standardized procurement practices by identifying gaps, opportunities and through knowledge sharing,<sup>xlvi</sup>
- Focus on data collection and reporting across government to align and refine the tools to capture government-wide data and integrate this into policy guidance;
- Capture and share information on vendor performance in a robust and centralized Vendor Performance Management program;
- Provide guidance on assessing and enforcing the various socio-economic factors individually; and
- Establish a formula for calculating Best Value by looking to domestic and international partners for examples of validated formulas used to calculate Best Value across various jurisdictions.

Policy Makers could also:

- Consider expanding set-asides under official programs to include more diverse groups, similar to the U.S. model. Currently the PSIB is the only set-aside program at the Canadian federal level;
- Align certification requirements and approaches with industry standards and apply them consistently across government;
- Establish a centralized website that would allow for easy navigation to all relevant information required by contracting authorities and supplier communities; and
- Ensure that policy or policy updates are not promulgated until guidance and updated training are made available to contracting authorities.

## Conclusion

Over the past 60 plus years, the concept of Best Value in federal procurement has evolved from a best price and technically compliant approach to one that supports achievement of broad policy outcomes including socio-economic and environmental returns. The federal procurement system requires additional maturity to demonstrate success in this area. For instance, there is improvement needed in collecting and sharing accurate data; reporting and accountability; training and development; and greater consistency needed in the application of policy. Contracting authorities need guidance and support and there needs to be policy alignment between departments to ensure fair, open, and transparent procurement processes. What would be most beneficial is for policy makers to ensure that new policy is accompanied with all the necessary tools before it is promulgated in order to avoid confusion, costly mistakes, and risk aversion in the procurement community.

Canada strives to be open, fair, and transparent and to be sound stewards of taxpayer funds through its federal procurement activity. By improving practices around Best Value procurement, Canada will be able to build more supply chain resiliency and realize greater financial and non-financial benefits from public procurement.

## Annex A

### Examples of available information

- The Public Services and Procurement Canada (PSPC) [Supply Manual](#), which is an important source of information that helps PSPC's procurement officers with their procurement activities, includes a list of [procurement best practices](#) and Life Cycle Cost (LCC) Considerations<sup>xlvii</sup> that can be used to support Best Value considerations. Additionally, in May 2021, PSPC introduced its [Policy on Social Procurement](#). The objective of this Policy is to “enhance Best Value in procurement by providing a framework for the inclusion of socio-economic measures and objectives in procurement, thereby advancing the Government of Canada’s socio-economic policy goals.”<sup>xlviii</sup> PSPC also provides support through [Procurement Assistance Canada](#) to help smaller and

diverse businesses sell to the government and advise government buyers and policy-makers on the concerns of smaller and diverse business.

- Innovation, Science and Economic Development (ISED) launched the [Industrial Technical Benefits \(ITB\) Policy](#) in 2014 with an accompanying [Value Proposition Guide](#).<sup>xlix</sup> The ITB Policy requires bidders that are awarded defence procurement contracts over \$100M to undertake business activity in Canada equal to the value of the contract to leverage Canada's significant investment in defence-related goods and services. <sup>xlix</sup>
- [The Centre for Greening Government](#) has put significant effort into providing leadership toward achieving green procurement goals. Through their policy and their Green Procurement [GCPedia page](#) (accessible on government networks) they provide strategic advice, practical guidance and tools to departments and convene interdepartmental working groups to share expertise and best practices.
- [Indigenous Services Canada](#) has a comprehensive website which provides community and economic development information for Indigenous Business and outlines the Mandatory 5% Indigenous procurement target. They are committed to fostering economic reconciliation through procurement activities that could lead to opportunities for Indigenous businesses. They provide information for government and industry on programs such as the PSIB, the Indigenous Business Directory, and the use of Indigenous Participation Plans that may be used to complement limited bidding.<sup>i</sup>

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<sup>i</sup> Government of Canada Publications, [Royal Commission on Government Organization](#), 79

<sup>ii</sup> Government of Canada, [Rescinded \[2022-05-13\] - Contracting Policy- Canada.ca](#), Section 1

<sup>iii</sup> Government of Canada, [Policy on the Planning and Management of Investments](#), Section 3

<sup>iv</sup> Government of Canada, [The Directive on the Management of Procurement](#), Section 3.1

<sup>v</sup> Government of Canada, [Industrial and Regional Benefits Policy and Industrial and Technological Benefits Policy - Canada.ca](#), Background

<sup>vi</sup> Government of Canada, [Industrial and Regional Benefits Policy and Industrial and Technological Benefits Policy - Canada.ca](#), [What are Canada's Key Industrial Capabilities](#)

<sup>vii</sup> Government of Canada, [Procurement set-aside programs - Knowledge Deepening and Sharing - Reports and publications - Office of the Procurement Ombudsman](#), Procurement set-aside programs in Canada

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- viii Government of Canada, [Indigenous Services Canada Report on the Mandatory Minimum 5% Target, fiscal year 2022 to 2023](#), Introduction
- ix Public Services and Procurement Canada, [Policy on Social Procurement](#)., para 2.3
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- xi Canadian International Trade Tribunal, [723186 ALBERTA LTD. - Canadian International Trade Tribunal](#), paras. 19-21
- xii Canadian Free Trade Agreement, [Chapter Five - Government Procurement - Canadian Free Trade Agreement | Accord de libre-échange canadien](#), Article 502/503(5)
- xiii Office of the Procurement Ombud, [Summary of the Findings of OPO's Planned Procurement Practice Reviews conducted between 2018 and 2023 - Reports and Publications - Office of the Procurement Ombud](#), para. 15
- xiv Office of the Procurement Ombud, [Summary of the Findings of OPO's Planned Procurement Practice Reviews conducted between 2018 and 2023 - Reports and Publications - Office of the Procurement Ombud](#), para. 45
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- xxiv United States Government, [Best value continuum. | Acquisition.GOV](#), 15.101-1 (c)
- xxv United States Government, [Best value continuum. | Acquisition.GOV](#), 15.101-1 (b)(2)
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- xxviii United States Government, [General. | Acquisition.GOV](#), 42.1501
- xxix Department Of Transport, London, [Value For Money Framework](#), 18-20
- xxx Department Of Transport, London, [Value For Money Framework](#) , 32-33
- xxxi Official Journal of the European Union, [Directive on public Procurement \(europa.eu\)](#)
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- xxxiv Official Journal of the European Union, [Directive on public Procurement \(europa.eu\)](#), Article 18.2
- xxxv European Commission, [Green Public Procurement - European Commission \(europa.eu\)](#)
- xxxvi Parliament of Australia, [4. Procurement, risk and value – Parliament of Australia \(aph.gov.au\)](#), 4.3-4.5
- xxxvii Australian Government, [Commonwealth Procurement Rules](#), 12
- xxxviii Australian Government, [consideration-of-broader-economic-benefits-in-procurement\\_july-2024](#), 1-2
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- xl Winnipeg, [Sustainable Procurement Action Plan – 2022-2025 \(winnipeg.ca\)](#), p.10
- xli Reeve consulting, Canadian Collaboration for Sustainable Procurement, [CCSP-2023-Annual-Report The-State-of-Sustainable-Public-Procurement-in-Canada.pdf](#)
- xlii Office of the Procurement Ombud, [Acquisition of Diversity and Inclusion Network Anti-Racism Training for Executives by the Canada Revenue Agency - office of the procurement ombud](#), para. 46
- xliiii Office of the Procurement Ombud, [Acquisition of Services of an Anti-Racism Consultant by Immigration, Refugees and Citizenship Canada](#), para. 48-49
- xliv Office of the Prime Minister, [Minister of Public Services and Procurement Mandate Letter | Prime Minister of Canada](#), bullet 2 and 4
- xlv Government of Canada, [Directive on the Management of Procurement](#), 4.16
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<sup>xlviii</sup> Government of Canada, [Social Procurement Policy, Section 3](#)

<sup>xlix</sup> Government of Canada, [Industrial and Technological Benefits \(canada.ca\)](#)

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