

Office of the Procurement Ombud

Time for Solutions

Top 5 Foundational Changes Needed
in Federal Procurement

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Government
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Office of the
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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.

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PURPOSE OF THE STUDY

The Office of the Procurement Ombud (OPO), in consultation with industry and government buyers, has identified the following 5 foundational changes currently needed in federal procurement:

1. Establishment of a Chief Procurement Officer (CPO) position accountable for the federal procurement function
2. Creation of a government-wide Vendor Performance Management (VPM) system
3. Development of 1 universally applicable set of federal procurement rules
4. Increased usage of Artificial Intelligence (AI) advancements to modernize federal procurement tools, systems and processes
5. Establishment of a government-wide framework for procurement data collection to increase transparency in federal procurements and facilitate informed decisions

For each of these foundational changes, this study discusses the current state of issues acting as the impetus for change and why the change is needed. The study also highlights learning opportunities from other jurisdictions that have successfully navigated some of these challenges, and also explores what the implementation of similar approaches could look like in the Canadian federal procurement system.

Further to the 5 foundational changes noted above, consultations with procurement experts revealed additional important changes needed in federal procurement. Three of these topics, namely changes in the realms of (i) Indigenous procurement (ii) defence procurement, and (iii) innovation and partnerships, are highlighted in the Annex to this report.

INTRODUCTION: THE LONG-STANDING PROBLEMS PLAGUING FEDERAL PROCUREMENT

Procurement at the federal level is in need of fundamental change, as the same issues are identified year after year and most span decades. Recent audits and reviews on government procurement practices continue to expose many of the same long-standing problems and trends that OPO has been highlighting year after year. Incremental changes have addressed certain issues, but foundational issues continue to persist and prevent the system from working efficiently.

OPO's 2023-24 Annual Report titled *Time for Action* highlighted many of the long-standing procurement issues facing the federal procurement community, and their impact on the core procurement principles of fairness, openness, and transparency. The need for change has been further recognized by Parliamentarians and most importantly Canadian taxpayers as procurement-related stories regularly appear in our news headlines.

In his remarks to the Standing Committee on Government Operations and Estimates (OGGO), the Procurement Ombud noted that band-aid solutions are no longer acceptable and that larger foundational changes are needed.¹ The federal government must begin addressing these issues directly to prevent them from impacting our future as they have impacted our past. This is why OPO is offering potential solutions to ensure federal procurement meets the needs of all Canadians.

METHODOLOGY

To proceed with this study, OPO conducted the following activities:

- Structured interviews were held with 10 federal procurement experts representing views from industry, legal and academia²;

- A survey was distributed to procurement officers from multiple federal organizations via the Client Advisory Board (CAB) chaired by Public Services and Procurement Canada (PSPC)^a, in which 115 responses were collected³. The survey consisted of a combination of structured and free-form questions; and
- An information gathering session was held with OPO procurement specialists.

OPO reviewed the regulatory and policy frameworks and strategies governing procurement activities at different levels of government within Canada and internationally to gain an understanding of the various approaches toward the 5 required foundational changes. This was supplemented with a review of publicly available studies and publications from industry associations and other organizations.

TIME FOR SOLUTIONS: THE TOP 5 FOUNDATIONAL CHANGES NEEDED IN CANADIAN FEDERAL PROCUREMENT

1. ESTABLISHMENT OF A CHIEF PROCUREMENT OFFICER (CPO) POSITION ACCOUNTABLE FOR THE FEDERAL PROCUREMENT FUNCTION

CURRENT STATE

A Chief Procurement Officer (CPO) is the lead for procurement within an organization or government. Currently, Canada does not have a CPO for federal procurement, but examples exist in other jurisdictions and the concept is beginning to expand at the federal departmental level.⁴

OPO ranked the establishment of a CPO position as the most critical change required in federal procurement. This determination was largely based on the need for singular accountability to deliver on all the required changes, and also for understated effects such as professionalizing the procurement function and creating focus and attention on federal procurement at the highest level.

The Procurement Ombud has been vocal about the need for a federal CPO during appearances before OGGO, and OPO has published [two KDS studies](#) on this topic. In 2021, OPO examined provincial and international jurisdictions with a CPO and analyzed the issues the CPO position was created to address in those jurisdictions. Through this work, OPO identified recurring themes amongst the jurisdictions with regard to the role of a CPO: CPO as an agent of change, a single voice for procurement, a means of coordination, and professionalizing the procurement function.⁵

In a subsequent 2024 KDS study, OPO looked more specifically at gaps that exist in Canadian federal procurement and how a CPO could address those gaps. The first gap examined was the policy creator vs. policy implementor dichotomy created by the shared procurement responsibilities between Treasury Board Secretariat (TBS) and Public Services and Procurement Canada (PSPC). The second gap concerned capacity building and professionalization for federal procurement practitioners. The third gap was the lack of a federal Vendor Performance Management (VPM) system that would hold poor performing suppliers to account and reward strong performers.⁶ The study considered how a CPO could address these key gaps and potential models for how the CPO could be implemented within the federal government.

^a The Client Advisory Board (CAB) is a key forum for PSPC's Acquisitions Program and client departments and agencies to work together to improve federal procurement. It is an interdepartmental committee that contributes to procurement-related initiatives and practices for the benefit of the Government of Canada.

WHY THE CHANGE IS NEEDED

The current procurement system is marked by silos of responsibility and accountability that sometimes overlap with each other or leave glaring gaps.⁷ When accountabilities and responsibilities in a procurement system are not exceptionally clear, it becomes very difficult to address the problems plaguing the system, hence why some issues have spanned decades. There is a need for clear accountability and leadership in a vital area of government that is responsible for the expenditure of approximately \$37 B annually, and a CPO could immediately fill this void.⁸ In addition to filling this leadership void, a CPO could take the lead in implementing the other required changes outlined in this report.

LEARNING FROM OTHER JURISDICTIONS

As detailed in OPO's 2021 CPO study, several jurisdictions have a CPO position, including the United Kingdom (UK) which created a national CPO to address procurement issues and oversee procurement policy as part of a procurement reform strategy in 2012.⁹ This was in response to reports of systemic procurement issues, many of which resonate in the current Canadian context, including excessive complexity and a system that was "inefficient, fragmented and uncoordinated."⁹ In the UK, the CPO is the lead on both policy development *and* implementation, and is responsible for other initiatives such as the Procurement Reform Board, government as a single buyer, simplification, supplier performance management, and professionalization.⁹ By creating unambiguous procurement leadership, the CPO clarified lines of responsibility and increased accountability.

CONSIDERATIONS

Surveys completed by procurement practitioners and interviews conducted with procurement experts provided a wide array of comments regarding the establishment of a CPO position. Survey results showed that 59% of procurement specialists agreed that a CPO could improve federal procurement.¹⁰ Of the ten experts interviewed, four ranked it as their top required change and two ranked it as the second most important change, showing roughly 60% support among interviewees.¹¹ The general consensus from those who ranked the establishment of a federal CPO position as the most important transformational change focused on building a stronger procurement foundation from the top down to improve the procurement system.¹⁰

Additionally, a significant number of survey respondents indicated that a CPO could help drive the professionalization of the procurement function.¹⁰ The procurement specialists repeatedly emphasized the need for training and professionalization, citing concerns over the loss of corporate knowledge due to high employee turnover and retirement of experienced procurement officials. Concern regarding a lack of standardization in job classifications and differing expectations about the role of procurement specialists in different federal departments and agencies was also evident in survey results.¹⁰

A CPO would also drive simplification in federal procurement, which would address a common concern raised to OPO by stakeholders who believe the contracting process is unnecessarily complex.¹¹ Experts and procurement specialists noted the need for consistent and simplified processes, supported by guidance, templates, and procurement vehicles accessible to all departments and agencies.¹⁰ This item was independently raised by 44 respondents in the survey distributed to procurement specialists.¹⁰ One respondent commented that "complicated procurement processes lead to business owners finding ways to work around fair procurement practices."¹⁰ Furthermore, another respondent spoke to how federal procurement is not the same in each department and agency, and each one has a different understanding of how similar issues affect their own operating context.¹⁰ Changes in government-wide policy do not affect each department and agency the same way. In contemplating both policy creation

and implementation, consideration must be given to both the government-wide outcomes and the small outcomes that would materialize in each department.

The CPO could also play a key role in driving the other transformational changes by centralizing responsibility, ensuring more consistent enforcement of procurement rules across departments of various sizes and procurement volumes, and could develop 1 universal set of procurement rules.¹⁰ Survey respondents noted the need for more centralized procurement support and collaboration when implementing procurement policy and delivering on government-wide priorities.¹⁰ Some respondents noted that having an expert in the CPO role would help reduce inefficiencies, including overspending, and streamline the procurement process, which is often overly complex and time-consuming.¹⁰

Concerns were raised by the survey respondents about a CPO adding additional bureaucratic layers to the overall procurement environment. Some respondents questioned how the role of a CPO would differ from that of the existing Senior Designated Officials (SDO) in each federal department. SDOs in various departments range from mid-level to senior level employees, have no authority beyond their specific department, and usually have the SDO title added to their existing full-time job.¹⁰ One academic expert noted that historically, the knee-jerk reaction to scandals is always to create more bureaucracy and ultimately more complexity, and that such an approach has not usually been successful.¹¹ While the creation of a CPO position would require changes to the machinery of government, the federal government should find a solution that streamlines the structures that exist, without adding further complexity or bureaucracy to the equation.

Another important consideration that was raised by experts and survey respondents was that the CPO has to be more than a figurehead, and the role must be clearly defined at a *senior* level. It must serve as a focal point for procurement at the highest level and must be resourced appropriately to maximize impact and streamline governance.¹¹

A senior government official also raised that the federal government should carefully consider where the CPO role could potentially be housed.¹² This concern was also reflected in comments from the Client Advisory Board survey, as well as in OPO's 2024 KDS study which considered three potential models: (i) a CPO in TBS; (ii) a CPO in PSPC; and (iii) a new department, headed by a CPO.¹⁰ While many respondents believed that PSPC would be the natural landing spot for such a role, others suggested that it should be housed in a central agency or in an entirely new or independent federal organization.¹⁰ OPO believes that either TBS or PSPC would be an appropriate location to house the CPO position, provided authority and accountability are clear and not diffused, and the CPO office is sufficiently resourced.

2. CREATION OF A GOVERNMENT-WIDE VENDOR PERFORMANCE MANAGEMENT (VPM) SYSTEM

CURRENT STATE

A VPM system provides an approach to assess a vendor's performance on a contract against a set of predefined performance indicators. Results from vendor performance assessments may be taken into consideration in the selection process for future contracts. Results may also be used to support a decision to suspend or prevent a vendor from bidding on future contracts due to poor performance.¹³ Currently there is no federal government-wide VPM system in Canada.

OPO has frequently advocated for a government-wide VPM system at the federal level because it is an important mechanism for ensuring good stewardship of Canada's finances.¹ OPO has already conducted three separate studies regarding vendor performance management, in 2010, 2014 and

2019.¹⁴ Each time, the message has remained consistent: a robust VPM system will increase fairness in the process, support treating vendors in an equal and consistent manner, increase transparency regarding an organization's expectations in contract performance, and protect Crown interests by ensuring that standards are met while also ensuring value for money.¹⁵

The lack of such a system severely limits the federal government in its ability to use performance indicators to inform their continued relationship with individual suppliers. Most importantly and problematically, it leaves the federal government unable to avoid awarding new contracts to known "bad performers". The lack of a government-wide VPM system has been a recognized issue in federal procurement, with Ministerial mandate letters in both 2017 and 2019 calling for the Minister of Public Services and Procurement to hold contractors accountable for bad performance.¹⁶

In August 2023, PSPC launched an internal pilot project for VPM to evaluate performance for a limited number of contracts subject to specific commodities and dollar thresholds.¹⁷ To measure vendor performance, the pilot project created vendor scorecards for certain commodity groups with tailored key performance indicators (KPIs) which were used to measure vendor performance scores.¹⁸ Unfortunately, this framework remains in its early stages, as performance scores, both good and bad, are not being retained for use in future bid evaluations. While the launch of the pilot program is a promising step, it is limited to PSPC contracts, meaning that it will not act as a government-wide approach to vendor performance management and will not prevent poorly performing suppliers from continuing to obtain federal contracts from roughly 90 other departments that will not have access to PSPC's VPM data.

WHY THE CHANGE IS NEEDED

Of the 10 experts interviewed, 8 expressed strong support for implementing VPM at the federal level, and even those who did not express immediate support only withheld it because of concerns surrounding the feasibility of implementing it.¹¹ Among survey respondents, support was nearly unanimous with only 8 of 115 interviewees opposing the notion of creating a government-wide VPM system.¹⁰

Although the PSPC pilot project is a step in the right direction, Canada's current policy approach does not address the need for a government-wide VPM system. Instead, the *Directive on the Management of Procurement* leaves the creation of such policies to individual departments.¹⁹ While PSPC currently uses its departmental *Vendor Performance Corrective Measure Policy*, it only focuses on responses to defaults on contracts, and does not include methods to evaluate vendor performance outside of defaults.²⁰ OPO was unable to locate any other publicly available federal departmental VPM policies, if existing.

Several experts interviewed also recognized these key flaws in Canada's current approach. One noted that Canada's existing systems such as the PSPC pilot project and the *Vendor Performance Corrective Measure Policy* are too slow to implement and fail to offer Canada sufficient tools to address poor performers.¹¹ Another notes that Canada's divided approach to vendor performance management is harmed by its decentralized nature. Notably, when each department is responsible for creating its own vendor performance management framework, there is no way for departments to easily share the information they obtain regarding individual vendors, allowing known poor performers to simply move on and seek contracts in different departments.¹¹

In the absence of a robust government-wide VPM system, federal procurement officials have attempted to avoid contracting with poor performers by either creating excessively restrictive criteria on solicitations, or by finding ways to exclude poor performing suppliers through the bid evaluation process. Both of these approaches are inconsistent with Canada's obligations under its trade

agreements, the *Government Contracts Regulations* (GCR's) and the Directive on the Management of Procurement (DMP) which demand equal and fair treatment for all bidders in a solicitation process. The consideration of past performance would constitute the use of an "undisclosed bid evaluation criterion" without a formal VPM system. In particular, several of OPO's previous reviews of federal procurement practices have found that a lack of a government-wide VPM system is directly linked to the improper use of overly restrictive criteria in an attempt to exclude known poorly performing suppliers.²¹

LEARNING FROM OTHER JURISDICTIONS

At the sub-federal level in Canada, VPM systems already see widespread use and success. Ontario, Quebec, Alberta, Saskatchewan, Newfoundland and Labrador, the Northwest Territories and British Columbia, along with many municipalities, all offer some type of VPM system.²² VPM also sees widespread usage internationally in countries like the US, the UK, Australia, and others.²³ While each jurisdiction offers their own approach to VPM, several best practices can be identified which could be adopted and adapted if the Government of Canada opts to launch its own government-wide VPM program.

For example, Newfoundland and Labrador's VPM policy is enshrined within a regulatory framework that applies to all provincial departments and retains vendor evaluations to be considered for all government purchases.²⁴ This unified approach distinguishes Newfoundland and Labrador from other provinces. Ontario, for example has VPM systems within individual departments such as Infrastructure Ontario.²⁵ However, it lacks a provincial government-wide program. Similarly, Quebec's *Regulation respecting certain supply contracts of public bodies* assigns responsibility for creating vendor management systems to individual departments, making it unable to coordinate and streamline a province-wide approach to vendor performance.²⁶

The UK took a legislative approach to VPM to provide continuity across government. Under the *Procurement Act* of 2023, the UK mandates that contracts valued over £5 million (approximately CDN \$9.3 M) must be created with at least three KPIs before entering into a contract.²⁷ Throughout a contract's lifecycle, contracting authorities are responsible for tracking supplier performance against these KPIs, and if the supplier fails to meet them or fails to uphold the terms of the contract, the government issues a contract performance notice. Suppliers subject to notices can be excluded from future procurements on a discretionary basis, or in certain rare circumstances, may be subject to debarment.²⁸

Several performance evaluation criteria are also commonly used among the jurisdictions that have VPM systems, and have been widely adopted as KPIs among Canada's provinces (ON, QC, AB, NFLD) and internationally (US, UK). These criteria are *quality*, *cost*, *time/schedule* and *management*. As a performance criterion, *quality* generally refers to whether the quality of the deliverables match the quality required by the contract. *Cost* evaluates whether the supplier effectively met the forecasted cost in the contract, and whether any modifications were required. While the naming of the criteria varied between jurisdictions, *time/schedule* generally refers to whether the contractor maintained its schedule according to the contract. Finally, *management* refers to whether the contractor successfully coordinated all activities under the contract, e.g., management of subcontractors, responding to purchaser communications, client service and cooperativeness.

It is worth noting that PSPC integrated these four criteria into the vendor scorecards used for its VPM pilot project, and other jurisdictions have adopted these indices to ensure objectivity and reduce administrative burden for contracting authorities responsible for overseeing VPM. PSPC's pilot project also resembles several of the jurisdictions mentioned above in its use of scorecards to track these

metrics and ensure that they are applied in a consistent manner across all contracts administered under the program.¹⁸

Finally, robust dispute resolution systems ensure that VPM systems are fair and accountable, and provide suppliers with recourse if they feel that they have been evaluated incorrectly. Most jurisdictions include a one-step appeals system that addresses any disputes internally within the department responsible for overseeing the VPM system. However, Newfoundland and Labrador's VPM system is notable for the inclusion of an appeal system that is issued directly to the province's Chief Procurement Officer (CPO) in cases where a supplier's evaluation results in their suspension from participating in future solicitations. As a result, the CPO can independently review cases, receiving evidence from both the public body and supplier and making a decision within 30 days.²⁹

In systems without administrative appeal mechanisms, like the UK, suppliers have no options to contest their evaluations short of making an appeal for judicial review. This kind of solution can be especially burdensome for smaller suppliers, which may not be able to afford the significant costs that come with bringing such issues to court. Meanwhile, ensuring that the administrative process involves an external, independent body also ensures impartiality in any final decision being made.

PSPC has also recognized the importance of integrating an appeals mechanism in its VPM process, and has expressed an intention to use OPO as an independent third-party in instances where suppliers wish to challenge their evaluation score. OPO's involvement would be triggered following the PSPC's internal appeals process, and would act as the final level of appeal. OPO has been training employees for this *mediation-arbitration* function, which it looks forward to launching in 2026-27 should appropriate funding be provided.

CONSIDERATIONS

While support for VPM was widespread among respondents, this support was often accompanied by concerns about how it would be implemented. For example, one expert noted that evaluating vendor performance can be difficult without proper, objective KPIs to track it, and that a federal approach must be data-driven.¹¹ Another expert warned that a VPM system that is unique to a single department like PSPC's pilot project cannot be effective, and that VPM can only be successful if the government coordinates the system and information-gathering across the entire Government of Canada.¹¹ Others supported the concept of VPM, but expressed skepticism about whether it was possible, noting that PSPC's attempt at VPM has been in development for at least 10 years, and still hasn't launched or seen any use outside the department.¹⁰

Based on the best practices identified above, Canada has many of the tools needed to establish a robust government-wide federal VPM system. Much like almost every other jurisdiction examined, PSPC's pilot program makes use of scorecards to establish objective performance evaluation standards for various commodity groups. The pilot program also ensures that performance evaluation takes place throughout the project, rather than just upon the contract's completion. This makes the department's administrative approach consistent with standards that are used internationally, and Canada should continue to apply these best practices.

A federal government-wide VPM system will require effective coordination at an interdepartmental level and a decision would be required in terms of overall accountability and oversight for the system. While TBS has the authority to create a whole-of-government policy for VPM, and the Office of the Comptroller General (OCG) already has mandated responsibilities for coordinating procurement at the federal level, it may not be feasible to assign accountability and oversight to TBS without adequate authority and

funding. In OPO's 2024 KDS report *Chief Procurement Officer: From Silos to Synergy*, many officials interviewed for the study noted issues regarding adequate support to departments for the creation of departmental procurement frameworks under the DMP. This was often attributed to an unclear assignment of responsibilities between TBS/OCG and PSPC.³⁰ Adding further responsibilities would further exacerbate these concerns, unless sufficient resourcing is provided to the organization that would own the VPM system.

By contrast, the role of a CPO is ideally suited to a VPM system. Unlike TBS and the OCG currently, a CPO would have a more focused responsibility solely over procurement issues including VPM, allowing it to effectively take on this role without any ambiguity over accountability. This would provide departments with a clear source for guidance regarding how to interpret policy, while also placing accountability for its implementation in a single, identifiable role. Additionally, a CPO would be able to ensure consistency in the application of the VPM program across departments, while ensuring that all departments are aware of the performance rating of suppliers that do business with the Government of Canada.

Finally, Canada should ensure that a robust dispute resolution system exists to support the VPM system. Given the impact that a poor performance evaluation could potentially have for suppliers, it is critical that sufficient safeguards are in place to ensure procedural fairness. This is doubly true since a lack of procedural fairness safeguards could lead to litigation where suppliers feel that they have been unfairly targeted by poor scores or worse, debarred. With this in mind, Canada should take inspiration from best practices worldwide and adopt a multiple-tiered system of appeals for vendor performance scores that includes an independent, final decision-maker.

3. DEVELOP ONE UNIVERSALLY APPLICABLE SET OF FEDERAL PROCUREMENT RULES

CURRENT STATE

OPO frequently hears from both the supplier and buyer communities about how the federal procurement system is overly complex. In 2023-24, complexity in federal procurement was the second most common issue raised to OPO, and it continues to be among the most frequently heard complaints from suppliers.³¹ A common frustration amongst the federal procurement community at all levels is the sheer number and complexity of rules governing federal procurement.

WHY THE CHANGE IS NEEDED

The federal government's fragmented approach to procurement is rife with challenges. The desire for a single set of rules resounded with both the expert interviewees and survey respondents. Every day, procurement specialists face multiple layers of rules including trade agreements, legislation, regulations, policies (both government-wide and at the departmental level), directives, guidance documents and procedures that must be followed, with new layers continually being added.¹⁰ The 2025 [Horizontal Internal Audit of Procurement Governance](#) conducted by the OCG at TBS also recognized that there are a myriad federal procurement rules.³² There continues to be more and more important considerations that have to be taken into account when conducting a procurement, including Gender Based Analysis Plus (GBA+), green procurement, Indigenous procurement, agile procurement, accessibility, and social procurement initiatives, among others.

Without clear guidance on how to navigate these complex rulesets, or how to prioritize an ever-increasing number of government initiatives, Canada's federal procurement system remains difficult to

navigate. The adoption of a strong, consistent, single set of rules in the form of statute or regulation would untangle the complex layers and help streamline federal procurement.

Interestingly though, some survey responses from procurement specialists noted that they believed the federal government already has a de facto 1 set of procurement rules, being the Directive on the Management of Procurement (DMP).¹⁰ Rather, they noted that it is the interpretation and application of the single ruleset that is uneven.¹⁰ Although the DMP became the new federal government procurement framework in May 2022, it has created a situation where procedural rules can vary across departments according to the complexity and risk of the requirement, because each department has the flexibility to develop its own procurement frameworks. Likewise, even though the DMP is aligned with Canada's obligations under free trade agreements, it is less prescriptive in its requirements than its predecessor (the Treasury Board Contracting Policy) and creates the risk of differing interpretations of rules and responsibilities among different organizations.³³ Therefore, it would be misleading to consider the DMP as the singular ruleset for federal government, especially when compared to other jurisdictions within Canada and internationally.

Several jurisdictions within Canada and internationally do use a single ruleset to set out their procurement rules by adopting a legislative approach. Most accomplish this by including their procurement rules in legislation or regulations, rather than through policies. As part of the study, OPO interviewed two public procurement law experts and both agreed that Canada desperately needs a unified legal rules framework with a base in legislation to replace the mostly policy-based set currently used. They believe that this set of rules must codify the content of Canada's trade agreements, and go beyond to embody our national priorities.¹¹ The one set of rules would amalgamate the obligations created in trade agreements in one place. They also opined that "we [the federal government] have an overly active CITT [Canadian International Trade Tribunal]. While it is a very useful and essential function, we [are] asking too much of it given the absence of the rules".¹¹

Survey respondents also noted that the development of 1 set of universally applicable rules is one of the key changes that is long overdue and that procurement officers need to be empowered to follow the rules, not given more of them.¹⁰ Beyond the development of 1 set of rules, procurement specialists stressed the need for rules to be written in clear, simple and in plain language with no room for alternate interpretations.¹⁰ One survey respondent indicated that the "current environment is brutal with a different answer provided to client departments and industry depending on what procurement officer at PSPC they get that day."¹⁰

LEARNING FROM OTHER JURISDICTIONS

As noted by the legal experts, some other jurisdictions codify their procurement rules, rather than making them into something overseen through various policies. Both the United Nations and the European Union are notable examples for creating their own model laws which provide base frameworks for countries to use in creating their own legislative approaches to procurement.³⁴ These models have been widely adopted, and often closely resemble those used across the European Union, New Zealand and Australia. The United States, which uses its own *Federal Acquisition Regulations*, closely resembles these model laws by creating a detailed statutory regime with provisions dealing with various elements of the procurement process.³⁵

In 2011, the General Assembly of the United Nations adopted the *United Nations Commission on International Trade Law Model Law on Public Procurement*, (often abbreviated to UN Model for Procurement Law).³⁶ This document provides a set of procurement formats, protocols, and procedures for countries to use in order to encourage greater fairness, openness and transparency in the procurement process, and to encourage "value-for-money" by adopting its protocols.³⁷ The UN Model

for Procurement Law also includes several provisions to ensure compliance with international trade agreements, while simultaneously recognizing a wide range of acceptable modern tendering formats that Canada can make use of, like negotiated solicitation processes^{a,b,38}

Canada can also take inspiration from the 2014 European Union (EU) Directive on Public Procurement. In this document, the EU proposes several procedures for its nation states to implement - though due to its nature as a directive, it leaves the actual creation of procedural and substantive rules to the individual states.³⁹ These best practices include safeguards against conflict of interest, procedures for the exclusion of suppliers for poor performance procedures for negotiated solicitation processes, frameworks for electronic procurement, rules on social and environmental aspects, lifecycle costing, and much more.⁴⁰

It is also worth noting that these singular rulesets do not necessarily preclude specific rules for procurement with regard to certain sectors or organizations. However, such exceptions should be used sparingly, since excessively tailored policies can potentially undo the purpose of creating a unified ruleset. For example, in its *Procurement Act of 2023*, the UK combined all its procurement policies and regulations into a singular act. However, section 10(6) of the Act allows for the creation of tailored provisions that can address the practical realities of certain sectors - but also limits it to those particular sectors, and ensures that all purchases in that sector follow a similar ruleset.⁴¹

CONSIDERATIONS

One way to approach the creation of a unified procurement ruleset is for Canada to join most of its international peers and create a unified ruleset for procurement through legislation. This statutory codification of procurement rules comes with multiple benefits.

First, procurement specialists will only need to refer to the singular ruleset to seek guidance on what they need to do in order to properly carry out their responsibilities. It can also eliminate possible conflicts between multiple procurement regulations and policies, as most former rules and policies would be covered in one place under the single ruleset. Canada can add further policies, such as social procurement or environmental considerations by using a limited exception approach to the legislation. It will also allow procurement officials to streamline standards and procedures between departments instead of creating a fractured approach with different approaches between different organizations.

Finally, this statutory codification could also provide the federal government with an opportunity to modernize its procurement methodologies. Currently, the Canadian Federal Government primarily conducts its solicitation processes under the “Contract A/Contract B” model, which can be traced back to the Supreme Court’s 1981 ruling in *R. v. Ron Engineering and Construction (Eastern) Ltd.*⁴² However, the global approach to procurement has evolved significantly, with new innovations like negotiated RFPs that see widespread use both at the sub-federal level and internationally, but are not yet commonly used by the Canadian federal government.⁴³

With this said, neither the UN Model for Procurement Law nor the EU Directive can form Canada’s statutory approach to procurement on their own. While both models identify best practices, Canada also implements several procurement rules to achieve its specific policy goals or other socio-economic objectives. Many of our survey respondents noted concerns that a “one-size fits all approach” would not be possible in the Canadian context (notably in defence procurement) because of how procurement is used to achieve other socio-economic objectives.¹⁰ However, it is still possible to include targeted initiatives such as the Procurement Strategy for Indigenous Business (PSIB) or departmental social

^b OPO published a [study](#) on Negotiated Requests for Proposal (NRFP) in May 2025.

procurement policies into Canada’s statutory approach and ensure that the singular ruleset reflects our values in procurement and gives them grounding in legislation. It could also allow for exceptions in certain circumstances that would need to be well defined to qualify as such. This understanding would be a key element to success of the singular ruleset.

It is critical that Canada has a robust and modernized set of rules that allows it the flexibility to adopt modern procurement practices, while observing the procedural norms that Canada commits to through its international trade agreements. As demonstrated above, procurement officials continue to struggle with a fractured set of procurement rules, which has increased since the release of the DMP. With this in mind, the federal government should take necessary steps to create a singular statutory ruleset with flexibility for change, so that Canadian procurement law can align with its international peers and allow for the use of modern procurement tools.

THE INFORMATION TRANSFORMATION

A familiar phrase in today’s society is that “*knowledge is power*”. One could say that gaining information is how one would gain knowledge. In order for citizens to trust and feel empowered about their government and confident in its actions, they must have access to information that is complete, timely, accurate and plentiful. This is especially true when it comes to federal procurement given the significant value and volume of contracts (i.e., roughly \$37 B) put in place by federal organizations every year.

In times when the speed of decision-making can make all the difference, the access to accurate and timely information is invaluable. The remaining two foundational changes discussed below would allow the federal government to revolutionize its approach towards information management, specifically procurement-related information, and become a leader in the use of new tools and technologies available at its disposal.

The following required foundational changes are intricately linked. In order for the federal government to modernize federal government procurement using artificial intelligence (AI), it must be supported by a fulsome procurement data strategy that would feed into such a system.

4. MAKE USE OF ARTIFICIAL INTELLIGENCE (AI) ADVANCEMENTS TO MODERNIZE FEDERAL PROCUREMENT TOOLS, SYSTEMS AND PROCESSES

Artificial intelligence (AI) is defined as information technology that performs tasks that would traditionally require biological brainpower to accomplish, such as making sense of spoken language, learning behaviours or solving problems.⁴⁴ As governments seek to modernize their procurement practices, it is known that AI presents a myriad of opportunities, challenges and risks. “From streamlining procurement operations to improving decision-making and mitigating (or aggravating) risks, the potential applications of AI in government procurement are vast and far-reaching.”⁴⁵

CURRENT STATE

At the time of publication, the federal government has made strides in laying the foundation for greater inclusion of AI in government activities with the adoption of policies, guides and directives with regard to its usage, some of which include:

- In March 2019, TBS released its [Directive on Automated Decision Making](#) (and updated in April 2021 and April 2023), which aims to ensure that automated decision systems are deployed in a manner that reduces risks to clients, federal institutions and Canadian society, and leads to more efficient, accurate, consistent and interpretable decisions made pursuant to Canadian law.

- In September 2023, TBS released the [Guide on the use of generative artificial intelligence](#) (and updated it in February 2024), which provides guidance to federal institutions in their use of generative AI^c, identifies limitations and concerns about its use, puts forward principles for its responsible use, and includes policy considerations and best practices.
- In June 2024, TBS released the [Guide on Scope of the Directive on Automated Decision-Making](#), which provides additional information to help departments assess whether their automated systems fall within the scope of the directive.
- In January 2025, TBS released the [Guide to Peer Review of Automated Decision Systems](#), which provides guidance to departments to help ensure compliance with the Directive on Automated Decision-Making (subsection 6.3.5) and supports experts undertaking a peer review. It defines a peer review process, proposes roles and responsibilities and identifies best practices to improve the consistency and robustness of reviews.

Additionally, Canada is a member of the Digital Nations, a collaborative forum of the world’s leading digital governments that aims to use technology to improve citizens services in Canada and globally.⁴⁶In November 2023, Canada signed and endorsed the updated [Digital Nations Shared Approach to the Responsible Use of Artificial Intelligence in Government](#), initially adopted in 2018. The updated Shared Approach re-confirms the collective commitment to develop and implement approaches to AI governance in the public sector that reflect the core principles of transparency, accountability, and procedural fairness. Most recently in May 2025, Prime Minister Mark Carney appointed the first-ever *Minister of Artificial Intelligence and Digital Innovation* to his cabinet, seemingly highlighting the importance of a whole of government approach on AI.⁴⁷

With regard to procurement, there is an important distinction to be made: the procurement of AI technologies vs. the usage of AI in federal procurement activities. At the time of writing, the Canadian federal government has publicly spoken about the importance of and considerations for the procurement of AI technologies, however discussions on the use of AI technologies in federal procurement have been noticeably absent. The role of a federal CPO could also ensure that a procurement lens is considered and applied on all contemplated government-wide changes, such as the broader incorporation of AI technologies.

The first mention of procurement-specific AI considerations stem from consultations undertaken by TBS for the development of the federal government’s comprehensive AI strategy. In January 2025, the “[What we heard](#)” report, which summarizes the feedback received during the TBS-led consultations for the development of the AI strategy, noted procurement as an important area of focus for the strategy and that “efficient and cost-effective procurement has a direct impact on the success of government operations”.

The TBS-led consultations noted that the “procurement of AI must be ethical and procurement processes must ensure transparency in the tools that are bought. Contracts should include clauses that mandate regular audits and adherence to ethical guidelines. Participants in the consultation called for open-source AI solutions and stressed the need for interoperability between different AI systems to avoid vendor lock-in and to allow for flexibility”.

It further highlighted that the federal government must “shift to a flexible and agile, outcome-based procurement model [...] to stay ahead in AI. [It must] demand transparency from vendors—no more

^c Generative AI is a type of artificial intelligence that generates new content by modelling features of data from large datasets that were fed into the model. While traditional AI systems can recognize patterns or classify existing content, generative AI can create new content in many forms, including text, image, audio, or software code. <https://www.cyber.gc.ca/en/guidance/generative-artificial-intelligence-ai-itsap00041>

"black box" tech. Clear documentation on AI models, training data, and algorithms [are] a must". Participants from the TBS-led consultations also emphasized sovereignty in procurement decisions and ensuring that Canadian AI solutions are prioritized and efforts made to support small and medium sized businesses.

The [AI strategy for the Federal Public Service 2025-2027](#) was published in March 2025.⁴⁸ Interestingly, despite procurement being a notable and central topic raised during the consultations, it was not clearly identified as one of the priority areas in the strategy. Moreover, the strategy only includes minimal references to the procurement of AI technologies to use in various programs and government service delivery.

Since the procurement of AI technologies will be an important step, PSPC published its [Invitation to Qualify \(ITQ\) to Artificial Intelligence Source List](#) which seeks to establish a pre-qualified list of suppliers who meet all of the mandatory criteria to provide Canada with responsible and effective AI services, solutions and products. Once qualified, solicitation opportunities will be competed amongst the suppliers on the Source List for AI covering a variety of desired outcomes and needs.⁴⁹ At the time of writing, the ITQ remains open and active and as of February 2025, 132 suppliers have pre-qualified on the source list.⁵⁰ It is unclear if any contracts have been awarded to suppliers from this list.

While the procurement of AI technologies and the creation of these guidance documents are incredibly important in laying the foundation for the way forward with AI in the Government of Canada, none of them include any specific references to using AI in federal procurement activities. Therefore, the fact that AI has not yet been formally incorporated into federal procurement activities is not surprising.

WHY THE CHANGE IS NEEDED

A long-standing priority of the federal government, notably PSPC, has been to modernize and simplify the overall procurement process.

One senior-level interviewee summarized why and how AI should be used in federal procurement, stating that: AI should be used to gain statistical insights and lead to better decision making and outcomes-based procurement; AI can help the federal government be more transparent on matters related to procurement and help share information more easily internally and externally; and AI should be used as an information management tool to support automation of repetitive tasks and standardize templates for both clients and procurement specialists.

Survey respondents also noted additional examples where AI can boost efficiency and productivity in procurement, such as quickly finding information for evaluation purposes within RFP documents or to build statements of work (SOWs) with greater precision based on previous procurements. Overall, the respondents who ranked AI as the most important change emphasized its potential to bring consistency across all government departments and noted that AI could reduce the time and effort involved in the procurement process.¹⁰

First, generative AI could help eliminate the need for procurement specialists to conduct repetitive tasks such as the inclusion of specific clauses into solicitation documents, which would lead to greater administrative efficiency. A recent example at the local and state government levels in the United States includes the adoption of AuthorAI by Authorium, which is promoted as "a new AI-powered solution designed to improve the efficiency of creating Statements of Work (SOW) for public sector agencies while ensuring transparency and compliance with procurement regulations."⁵¹ One survey respondent noted that "using AI to deal with the repetitive tasks should free up a significant amount of time".¹⁰ This was echoed by another respondent who believes that "many of the basic functions could be done more

accurately using AI. The more complex RFPs could also be improved as the AI functionality”¹⁰ could also be used to identify any errors in procurement documentation, which is currently being done by a quality assurance function in [their] department.”

Second, AI also presents the opportunity to have pre-populated templates based on commodity, method of supply, complexity, value, and other relevant factors. One respondent noted that “there is a tonne of opportunity in this space to simplify the processes for [Procurement specialists], Clients, and Industry, and to create and update templates for mandatory use”.¹⁰ Another respondent noted that having such templates could alleviate a common area of frustration for procurement specialists and suppliers alike, which is the inconsistency of templates across different federal organizations.¹⁰

Third, respondents emphasized the importance for the federal government to stay involved in, and on top of, all advancements in areas like AI. This is important not only to keep pace with the private sector, but also to not fall behind other countries in terms of procurement efficiencies, costs and services to taxpayers. One senior-level federal government executive underscored this importance, and said that “we [the federal government] are going to have to embrace it [AI] as other countries certainly will.”¹² Furthermore, a survey respondent noted that “if [AI is] not integrated, [federal government] systems and work efficiencies and productivity comparison to AI enabled private sector will reach a critical failure level.”¹⁰

Procurement-specific guidance is key to success and must be developed in consultation with the federal procurement community in order to properly meet the needs of the government’s procurement activities.

LEARNING FROM OTHER JURISDICTIONS

With regard to the *procurement* of AI technology, a series of executive orders in the United States signed in April 2025 signalled a strong shift in their approach to artificial intelligence acquisition, regulation, and oversight. A notable change includes the requirement to appoint a Chief AI Officer (CAIO) in each federal agency within 60 days of the issuance of the order. Their role will consist of promoting AI innovation, adoption, and governance in their respective agencies.⁵²

Specific to procurement, memorandum M-25-22, which comes into effect on October 1, 2025, provides both requirements and recommendations to “promote effective AI acquisition with cross-functional engagement”.⁵² The memo also requires agencies to update internal policies and procedures on AI acquisition practices “on the topics of identifying procurement requirements (including the likelihood of high-impact AI use cases), market research and planning, solicitation development, selection and award, contract administration, and contract closeout”. An interesting example in the memo in the area of solicitation development includes the instruction to include provisions that prevent vendor lock-in. Similar examples arise in the area of contract terms, where the memo “emphasizes the ability to test systems prior to award and then ensure that the agency has ongoing testing and monitoring rights. Thus, the memo anticipates that agencies will actively and continuously monitor AI systems for performance and cost-effectiveness.”⁵²

With regard to the *use* of AI technologies in procurement activities, despite being a relatively new area of exploration, some countries have already made advancements toward the use of AI in their procurement activities. An October 2023 research project led by the Portuguese Public Procurement Regulator and the European (EU) Publications Office examined (among other facets of procurement) the use of AI in procurement agencies in the EU. According to the responses by 26 member countries,

seven^d countries had ongoing pilots and implementations with the use of AI in their procurement activities. Each of the seven countries opted to pilot different aspects and uses for AI technologies, from analyzing data and monitoring “red flags” to text analysis and preparing tendering documentation.⁵³ Responses also showed that ten^e other countries had planned or upcoming pilots in the works at the time the survey was conducted.

Finally, the research project emphasized that it is important to maintain investment in sharing knowledge and best practices, noting that reinventing the wheel is very expensive, and going through the same problems can be painful and unnecessary.” Although each context is different, and the same solution can have completely different results when applied in different countries, it is always possible to learn something from the experiences of others who have experienced the same need.

CONSIDERATIONS

Before federal departments start using AI tools in their procurement activities, they must first assess ethical, legal, security, confidentiality and other relevant risks to establish mitigation strategies.⁵⁴ A thorough and detailed risk assessment must be conducted by the federal government to determine the areas of procurement in which AI could best be utilized.

Participants in the AI consultations led by TBS expressed concerns about the risks of using AI, such as: reinforcing biases in automated decision-making; threats to privacy and civil liberties from AI-driven surveillance; the potential for bias in employment-related decisions; limitations and lack of empathy of AI in political decision-making and policy recommendations; and unfair exclusions in decisions about eligibility for social services.⁵⁵

Multiple experts and survey respondents also highlighted similar risks and sentiments. A comment repeatedly raised in compiling the survey results was the concern among procurement specialists that the integration of AI would lead to the elimination of their respective roles. For example, one respondent supported the use of AI in federal procurement “as long as the AI does not replace us since complex procurement will always need the human factor in the process.”¹⁰ In a similar vein, respondents frequently emphasized areas where AI should not be used in federal procurement, such as for legal opinions, policy advice and in areas that require sound judgment.¹⁰ Another respondent also cautioned the use of AI for Indigenous procurement purposes because it involves Crown relationships with Indigenous Peoples and an important history that AI would not be able to understand.¹⁰ Therefore, it is imperative that a human-element remain present in the realm of federal procurement. While AI can be a tool to help procurement specialists, it must not be meant to replace their function.

The federal government must consider important ethical considerations of the use of AI for the Government of Canada (GC) as a whole, and also consider the development of guidelines for specific areas like procurement. The TBS consultations noted that “ethical guidelines should cover fairness, transparency, accountability, and bias prevention. Respondents suggested regular ethical audits to ensure compliance with the guidelines and prevent harmful biases. Transparency in decisions about AI use is crucial, as are clear explanations. The GC should make AI models available to the public when possible.”⁵⁵

^d The seven countries are Denmark (DK), Germany (DE), Finland (FI), Italy (IT), Netherlands (NL), Slovakia (SK) and Slovenia (SI)

^e The ten countries are Bulgaria (BG), Cypress (CY), Greece (EL), Estonia (ES), France (FR), Lithuania (LT), Latvia (LV), Poland (PL), Portugal (PT) and Romania (RO)

Training will be a key success factor to AI adoption and must be delivered to procurement specialists and federal public servants at all levels. A culture of continuous learning and professional development will help employees keep pace with the developments in AI. AI literacy programs should cover the basics of potential applications, as well as ethical considerations. Employees who are directly involved in AI projects, such as data scientists and AI engineers, need specialized training. Departments will need to work together to share AI knowledge, tools and best practices. Partnerships with companies and academic institutions can help the GC tap into external expertise and resources.

5. ESTABLISH A GOVERNMENT-WIDE FRAMEWORK FOR PROCUREMENT DATA COLLECTION TO INCREASE TRANSPARENCY OF FEDERAL PROCUREMENTS

A data management framework includes guidelines, policies, and procedures to manage data. A good framework would include guiding principles and desired outcomes supported by processes for management and governance, data architecture, data quality, data integration, data security, processes, and data analytic tools.

Data collection in federal procurement is a known challenge because there is no federal government-wide centralized, standardized, and automated *procurement* system to capture and share data. Rather, procurement information that is publicly available is decentralized and available via different systems, each of which captures different data elements. The decentralized nature also means that the various systems do not talk to one another, meaning that efforts to compare, combine or contrast data must be done by the individual themselves. Therefore, it is extremely difficult to establish a whole-of-government baseline to demonstrate progress and gaps as well as lack of tracking for newer initiatives (e.g., contracts awarded with socio-economic benefits, and green procurement).¹²

CURRENT STATE

TBS provides directives and standards to ensure data is managed effectively and securely. This includes the [Standard on Systems that Manage Information and Data](#) and the [Standard for Managing Metadata](#).^f Additionally, in April 2020, the federal [Policy on Service and Digital](#) took effect. The various directives and supporting instruments under the Policy on Service and Digital guide how data is managed, ensuring it supports transparency, accountability, and socio-economic benefits.⁵⁶ A key foundational document is the [2023-2026 Data Strategy for the Federal Public Service](#), which outlines the government's approach to managing data, emphasizing transparency, privacy protection, and the use of data to improve services and policies.⁵⁷ However, a significant gap in this strategy is that it does not specifically include an approach for data from federal government procurement activities.

As noted above, procurement data that is publicly available is scattered amongst multiple platforms. The most comprehensive source of information for procurement data is the [Open Government Portal](#) and its [Proactive Disclosure](#) dataset, where all federal government contracts above \$10,000 are supposed to be disclosed, and includes key data elements such as contract values, dates, organizations, solicitation procedures, trade agreement applicability, etc. However, despite the existence of the [Guide to the Proactive Publication of Contracts](#), the contract information publicly available on Proactive Disclosure is often incomplete, inconsistent, and inaccurate. This is due to the fact that the federal government is faced with a number of different data silos. Different departments and agencies often operate in silos using different standards and systems, making it difficult to share and integrate data across the government.⁵⁸ This also leads to issues with overall data quality and a lack of standardization, which can lead to unreliable data and greatly affect decision making.⁵⁹ Now, more

^f Additional policies and directives are available via this [link](#)

than ever, the federal government should be removing the silos between departments and setting the foundation for robust procurement data integration and sharing.

General information about federal government procurement processes is also available on [CanadaBuys](#) (the Government of Canada's official online platform for procurement), but it only captures limited information such as tenders, award notices, contract history, supply arrangements and standing offers. CanadaBuys includes more comprehensive data for the solicitation phase of procurement. Another potential avenue for detailed procurement information is via a request made under the *Access to Information Act*. Canadian citizens, permanent residents and any individual present or corporation in Canada can make a request under the *Access to Information Act* under which most government information is available. Major exceptions are Cabinet documents and information that could be injurious to Canada's security or economy, federal-provincial relations and international affairs. Information about individuals may be disclosed only with their consent or if it is found to be in the public interest. Individuals can obtain their personal information under the *Privacy Act*.⁶⁰

OPO has addressed the issue of procurement information availability in previous reports, and has noted that the accurate public disclosure of information related to government contracts is a critical element of the Government's commitment to transparency in procurement.⁶¹ Most recently, the [Horizontal Internal Audit of Procurement Governance](#) led by the OCG at TBS, which included an additional 11 federal departments, found that procurement "information and data are not collected nor used horizontally within departments and across the government to: identify trends and challenges, facilitate continual improvement, support decision-making, assess the adequacy of the suite of instruments, monitor risks and compliance with the directive across the GC".⁶² The audit found that overall, "gaps remain in relation to broader and government-wide collection and monitoring of procurement information to support compliance and timely decision-making, identify trends, and mitigate challenges and risks".⁶³

Addressing these barriers requires a coordinated effort across all federal departments, significant investment in technology, and a focus on data governance and quality. Proactive publication of information plays a key role in informing Canadians about what the government is buying, who it is buying from, and what is being spent through these contracts. Clarity on the government's spending practices is also important for the supplier community as it enables them to make well-informed business decisions related to their participation in procurement processes. It is crucial the information inputted into these systems accurately reflects the procurement process without exception.

WHY THE CHANGE IS NEEDED

Having easily accessible, useable and searchable data is integral to the government's planning activities. With ongoing changes to policy, budget considerations, and the need to provide transparency to the Canadian taxpayer, the federal government needs data to support effective and efficient procurement, program planning, sound stewardship of taxpayer dollars, and to ensure that procurement is meeting the needs of Canadians.

Many of the experts and survey respondents agreed that this is a complex issue, and despite its importance, the collection and analysis of data is lacking.¹¹ It was acknowledged by one expert interviewee that data collection is challenging and definitely an area where some procurement practitioners struggle; finding it difficult to gather accurate data on even the most basic procurement needs such as sole source vs competitive contracts. There is no clear baseline upon which trends could be identified and no standard procurement platform between departments in use.¹¹

One stakeholder was in full support of the proper implementation of Open Contracting Data Standards (gold standards) from the [Open Contracting Partnership](#), which is a multilateral initiative to foster greater transparency and accountability, improve governance, and increase civic engagement worldwide, and another stakeholder mentioned that data value chains (i.e., data lifecycle) are needed to align with initiatives such as the 5% Indigenous procurement targets.¹¹ There is far too little known about procurement in Canada and one stakeholder questioned if Canada has the tools to track this data. Further, the lack of integrated and accurate data could be perceived as a failure of transparency and governance.¹¹

LEARNING FROM OTHER JURISDICTIONS

There are different approaches across other Canadian jurisdictions that the federal government could look to for good data collection practices. However, of note, this information is public facing and does not indicate if there is further data collected for the use of program managers and procurement specialists. Further analysis would need to be done to validate the full effectiveness of the data collected.

A notable provincial example stems from Ontario's [Supply Ontario](#). This relatively new provincial agency aims to enable a whole-of-government approach to the procurement of goods and services and, through data collection, aims to drive integrated and strategic decision-making, measure performance, and streamline and modernize public sector procurement.⁶⁴ In creating this organization, Ontario has adopted interim measures "to support the collection of data necessary for building a centralized system".⁶⁴ As Supply Ontario continues to grow and evolve, it will be interesting to see how this organization may potentially revolutionize procurement and data collection at the provincial level.

Two strong municipal examples include the City of Toronto and the City of Vancouver. The City of Toronto's [Purchasing and Materials Management](#) Division provides access to procurement policies, guidelines, and data to ensure transparent and efficient procurement processes. Toronto publishes key procurement metrics to provide insights into its procurement activities. These metrics include data on procurement processes, expenditures, and performance indicators. The source data for these metrics is available on the [City of Toronto's Open Data Portal](#)⁶⁵

The City of Vancouver also provides comprehensive procurement data. Vancouver publishes an [Annual Procurement Report](#) that features departmental achievements, procurement statistics, and the application of sustainable and ethical procurement standards. They also have an [Open Data Portal](#) which provides access to public data including procurement related data-sets.

CONSIDERATIONS

The federal government must standardize and streamline data collection methods and establish uniform data collection standards across all departments and agencies to ensure consistency and accuracy, good decision making and sound business planning. While data is necessary to maintain transparency and stewardship of public funds, there is also a need to streamline what is being tracked and not add more requirements under the guise of transparency.¹⁰

In the same regard, there must be an important focus on data quality with the prioritization of the collection of high-quality data over large quantities of data.⁶⁶ Additionally, it would be good to start with capturing the needs (e.g., economic planning, trend analysis, policy making, socio-economic initiatives) and prioritizing the most important data points toward a well-designed relational database that has options built in for evolving needs.

Another closely linked requirement is the need to improve data sharing and integration. Creating platforms that facilitate seamless data sharing and integration between different government entities (which is desperately needed as shown in the VPM example above) can reduce redundancy and improve data accessibility. While the creation of a procurement data management framework received overall support among survey respondents, it was noted that establishing such a framework without a proper system in place to collect data would be useless.

The federal government must also ensure that data governance policies cover data quality, privacy, security, lifecycle management and compliance with regulations.⁶⁷ Among the survey respondents, there was some concern over privacy and security of the data and the importance of outlining these considerations in a framework. The federal government must ensure the privacy, security, and ethical use of collected data in order to ensure commercial confidentiality and build and maintain public trust.⁶⁸ Balancing transparency with privacy protection can be challenging,⁶⁹ and ensuring that citizens understand how their data will be used and protected is essential.⁷⁰ The federal government must also ensure that it is compliant with various regulations and legal requirements, which can further complicate data collection efforts.⁷¹

In order to achieve the required government-wide, streamlined, high-quality, accessible, compliant and transparent approach to data collection, significant investments in technologies and personnel are required. Furthermore, it must also invest in training programs for government employees to enhance their data literacy and technical skills to improve the overall data collection process.⁷² Engaging with stakeholders, including the public, private sector, and academia will also be key in order to capture diverse perspectives and innovative solutions for data collection challenges.

CONCLUSION

This study identified the Top 5 foundational changes needed in federal procurement based on literature review, surveys and expert interviews, and explored each of them by identifying the issues acting as the impetus for the changes, examples from other jurisdictions, and how changes could be implemented in the Canadian federal context.

OPO has ranked the establishment of a CPO position accountable for the federal procurement function as the most important required foundational change. OPO has previously published two studies on the notion of a CPO, and this project further established the need for its existence. Respondents suggested that the role would significantly improve federal procurement by providing proper oversight and accountability as well as the professionalization of the procurement function and overall simplification of procurement processes. Most evidently, a CPO would provide the central leadership required to implement each of the other required foundational changes outlined in this report.

The creation of a VPM system emerged as the second ranked foundational change. Respondents noted that a government-wide VPM system would help identify and hold accountable underperforming suppliers to reduce risks associated with awarding business to repeat poor performers, as well as provide an avenue to recognize and reward strongly performing suppliers.

The need to develop 1 universally applicable set of rules captured in statute is also another important foundational change required to reduce the overly complex nature of the federal procurement environment for both suppliers and procurement specialists alike. Respondents stated that such rules would provide much needed guidance and consistency to address other procurement challenges.

OPO also included two important technological changes as part of its Top 5 list: the use of AI advancements to modernize federal procurement tools, systems and processes; and the establishment of a framework for procurement data collection to increase information sharing across federal organizations and transparency of federal procurement.

On the use of AI, respondents emphasized its potential to bring greater consistency across all government departments. It was noted that AI could reduce the time and effort involved in the overall procurement process, making it more efficient and eliminating some redundant or simple tasks. However, respondents noted that the federal government must be cautious with its adoption of AI in procurement and it would “take time to leverage AI effectively and carefully”.

Finally, on the need for a procurement data collection framework, respondents emphasized the need for a “one-stop shop” for all procurement information and a transparent record of what the federal government is buying and how and where they are buying it. It was highlighted that accurate data is crucial for making informed decisions, noting that procurement issues often arise from inaccurate or incomplete data.

As the OPO required foundational changes project comes to a close, the work does not end here. OPO will continue to consult with the federal procurement and supplier communities and will continue to advocate for changes that improve the fairness, openness and transparency of federal procurement in Canada, and promote the need to make processes simpler and more diverse.

ANNEX A: A BRIEF SUMMARY OF OTHER FOUNDATIONAL CHANGES TO BE CONSIDERED IDENTIFIED BY EXPERTS.

In addition to seeking the inputs of experts and the federal procurement community on OPO’s foundational changes, respondents were also provided an opportunity to propose their own ideas/views on needed foundational changes in this sphere. OPO asked stakeholders to identify their own 2-3 highest-ranked transformational changes with rationales and solutions (if applicable).

While respondents raised multiple interesting ideas on where they felt changes were needed, some common themes emerged. This annex will explore the following 3 additional foundational changes and touch on the following sub-elements: Indigenous procurement, defence procurement and innovation and partnerships.

OPO looks forward to exploring these topics in greater detail in future annual reports, procurement practices reviews (PPRs), reviews of complaints (ROCs) and/or KDS studies.

INDIGENOUS PROCUREMENT

Indigenous procurement is a topic that continues to be frequently discussed in the Canadian federal procurement landscape. Most recently, concerns related to Indigenous procurement have been centred around issues with the Indigenous Business Directory (IBD), the verification of Indigenous businesses and the misrepresentation of Indigenous businesses.

Respondents also raised these issues, and emphasized that the federal government needs to do more when it comes to its relationships with Indigenous suppliers. One expert Indigenous interviewee stressed the importance of having meaningful, nation-to-nation procurement relationships between the federal government and Indigenous procurement entities in order to prevent “two systems operating in

parallel”.¹¹ They candidly noted that the federal government’s approach is sometimes seen as paternalistic and that they are not asking the right questions. Rather than crafting outreach under the guise of how to do business with government, the federal government should seek more input from Indigenous communities and instead shift to the notion of how can Canada do business with Indigenous peoples.¹¹

Many comments were also raised by respondents surrounding policies and directives that currently govern Indigenous procurement activities at the federal level. One procurement specialist commented that they felt unsupported and lacked guidance on how to make better decisions on Indigenous procurement. They noted that “current policies and procedures are very black and white and there is no wording to assist [them] when making decisions based off reconciliation efforts”.¹⁰ They supported the creation of new policies and/or directives to support reconciliation efforts and also considered the potential exploration of whether the GCR’s should include a sole-source justification related to reconciliation.¹⁰ Another suggestion raised by an expert Indigenous interviewee was the federal government should immediately begin filtering new and/or existing policies, regulations, requirements and legislation through the lens of Bill C-15 (*United Nations Declaration on Indigenous Peoples Act*) and against the *Constitution Act* to reduce risks to federal procurement while creating policies truly representative of Canada.¹²

With regard to concerns raised about the IBD, one survey respondent questioned whether this was the right tool to use to verify the validity of Indigenous businesses while another respondent noted that they believed the IBD was not comprehensive enough for their needs.¹⁰ The first respondent suggested that perhaps using an external-to-government repository, such as the IBD being managed by an Indigenous entity, could be an avenue worth exploring.¹⁰ While using an external-to-government repository would be new in the Canadian context, this approach has been adopted by the Australian federal government in their procurement activities with Indigenous businesses. Australia utilizes a database of verified Indigenous businesses called the *Supply Nation’s Indigenous Business Direct*, and its use is mandated by the federal government in its Indigenous Procurement Policy (IPP) as the first port of call for procurement officers to search for Indigenous suppliers to fulfil their targets.⁷³

OPO has launched a procurement practice review (PPR) on Indigenous procurement and will share the results of the review upon its completion in March 2026.

DEFENCE PROCUREMENT

Defence procurement is one of the most frequently raised topics in federal procurement, notably in the media. Stories often focus upon defence procurement activities that are wrought with delays, cost overruns or other significant issues. What is clear is that the frequency of these issues validates the need to have a detailed look at how defence procurement is managed in Canada.

The biggest takeaway from interviewing the defence-related experts is that Canada must consider changing its approach to capital defence projects.⁷⁴ One expert noted that defence procurement needs to have a single centre of accountability, and responsibilities must be concentrated in one department, as defence projects and procurement require their own focus.¹¹ The uniqueness of defence procurement was frequently raised by survey respondents and expert interviewees, and one expert suggested that should the federal government move ahead with the creation of a CPO, it should consider creating a similar role specific to the defence agenda and this position could work very closely with the CPO.¹¹ Another potential solution for defence contracting proposed by a respondent was to either give the Department of National Defence (DND) sole contracting authority, or eliminate DND

Procurement as a whole and roll it all up under PSPC. This could potentially eliminate difficulties in interdepartmental relationships/communications and streamline the process.¹⁰

In Canada, defence procurement is a complex process involving several federal departments and agencies (e.g., DND, PSPC, TBS, Innovation, Science and Economic Development Canada [ISED]). This decentralized, multi-departmental approach to defence procurement is unique to Canada. In 2019, then Prime Minister Trudeau proposed the creation of a new agency called Defence Procurement Canada to centralize the function, however the agency was never established. This idea has again resurfaced and Prime Minister Mark Carney pledged a similar commitment during the April 2025 federal election campaign.⁷⁵ Another interesting development in May 2025 included the appointment of Canada's first Secretary of State on Defence Procurement.⁷⁶ Other countries such as the UK, Australia, Germany and USA all have defence-related procurement handled either directly by the branches or services (US) or have agencies/departments that report directly to their Ministers of Defence. They do not have outside agencies involved in the same way Canada does with PSPC, TBS and ISED.⁷⁷

An area that survey respondents felt would benefit defence procurement is the establishment of a VPM framework, further cementing its importance as one of the top foundational changes listed above. One survey respondent stated that they believed “a major issue with defence procurement is major suppliers know they won’t really get punished for failing to meet requirements and that “Canada will always pay” is pretty much their philosophy.¹⁰ Another survey respondent opined that “Canada’s unwillingness to enforce contracts with Defense Contractors has clearly resulted in Canada receiving inferior products at significantly higher cost (JSS [Joint Support Ship], OOSV [Offshore oceanographic science vessel]). The contractors can deliver what we want when we want at the cost we want they just know they do not have to and take advantage of Canadian Taxpayers as a result. Simplifying and streamlining procurement is also critical to improve end results as well”.¹⁰

As explained in a defence procurement study conducted by the Library of Parliament, “no existing defence procurement model seems to be able to adequately address all of the challenges associated with defence procurement in the 21st century. These challenges include the growing complexity and rising cost of major weapon systems and of global supply chains, as well as the increased speed of technological changes in certain fields”.⁷⁷

OPO looks forward to exploring the topic of defence procurement in greater detail in a KDS study planned for 2025-26.

INNOVATION AND PARTNERSHIPS

Canada has an innovation problem in its federal procurement system. Innovation is an often-used buzzword, but the interviewed experts stressed that it is time to put it in to practice with real and practicable solutions for procurement. One survey respondent noted that federal procurement in “Canada is extremely reactive with no discernable plan in place and is digging in on controls and more procedural minutia rather than innovation and design to get out of a reactionary mode. Procurement needs more innovation to create the system of the future”.¹⁰

One innovative approach to increase dialogue between industry and the federal government is to increase the use of Negotiated Requests for Proposals (NRFPs). An NRFP is a non-binding tendering format that permits a procuring entity to enter into negotiations on specific aspects of a proposed contract, such as the proposed solution or approach to the work and the associated bid price, which differs from the traditional Contract A/Contract B irrevocable bid format.⁷⁸ In OPO’s [recent study](#) on the topic, it was found that for certain procurements (such as complex software solution and

construction projects), there are significant benefits that would come from using NRFPs, including the possible reduction in the number of lost profit claims by suppliers, encouraging innovation by leveraging technology and industry expertise, and further reducing costs by better balancing the assumption of risk between departments and suppliers.⁷⁹

The need for the federal government to work more closely with key industries was raised by multiple experts, especially the technology and defence sectors. The federal government should seek to engage industry to co-develop procurement solutions to problems that don't have a market for their solving (e.g., public policy challenges). A notable example raised by one of the expert interviewees stems from the Province of Ontario, and their hosting of semi-annual roundtable sessions between procurement officials, investment planning CIOs and industry to see how industry is innovating and evolving. Therefore, investment planning is attuned to industry, which leads to a successful partnership in this fast-moving sector.⁸⁰

Likewise, the lack of dialogue between public and private sectors leads to frustration for industries, and any communication that does happen is often happens too late. One private-sector expert explained that unfortunately, many innovators in Canada don't bother to even sell to the Canadian government and would rather do business with other countries. The expert noted that the lack of overall support or initiatives for small businesses means that these businesses don't have the resources to even try to engage in federal procurement. They added that Canada lags behind its counterparts and does not have procurement set-asides programs other than for Indigenous procurement and industrial technological benefits (ITBs), formerly known as industrial regional benefits (IRBs) for enabling small and medium innovators in the technology sector. The lack of such opportunities means that the federal government is falling significantly behind as a result.

Canada had identified this issue. In the December 2024 Fall Economic Statement, the Government at the time detailed their intent to introduce the *Small Business Innovation and Procurement Act* that would obligate federal departments and agencies to procure a minimum of 20% of goods and services from small and medium sized Canadian businesses, and a minimum of 1% of goods and services from innovative firms. It also proposed to establish a small business innovation program to support federal departments and agencies in meeting the new targets. The program also intended to enhance collaboration between government and small businesses and foster a culture of innovation across departments, enabling more agile approaches to contracting.⁸¹ Ultimately an election was called prior to implementation of these changes but the preliminary concepts were made known.

These two initiatives represent significant change and it is too early to tell if the new government will adopt these ideas and carry them forward. If adopted, these changes represent foundational changes in federal procurement.

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