



IMPLEMENTATION UPDATE AND CLOSE OUT ON THE REPORT ON THE REVIEW OF GNWT PROCUREMENT POLICIES AND PRACTICES

OCTOBER 2024



Une version française de ce document est disponible.

CONTENTS

MINISTER’S MESSAGE i

EXECUTIVE SUMMARY ii

INTRODUCTION 1

PROCUREMENT DATA UPDATE 2021-2024

 Contracts issued to NWT businesses..... 2

 Where contracts are issued 3

 How we procured goods and services 4

SUMMARY OF PROCUREMENT DATA 2021-2024 5

IMPLEMENTATION PLAN UPDATE

 GNWT Procurement Objectives and Strategy 6

 Approaches to Indigenous Procurement 6

 Maximizing benefits for NWT residents and businesses 7

 Enhancing accountability mechanisms for government procurement 8

 Procurement policy administrative challenges/issues 10

RESOURCES..... 11

MINISTER'S MESSAGE

I am pleased to provide an update on the implementation of actions set out in the procurement review report that was released in August 2023. While the work of reviewing government procurement policies and practices never really ends, I am happy that we were able to make improvements that will benefit NWT businesses and residents.

With the mandate in the 20th Legislative Assembly, we are moving forward with the development of an Indigenous Procurement Policy to maximize NWT Indigenous businesses opportunities for growth. While some actions under the previous mandate remain in progress, they are on track to be finished by the end of the 20th Legislative Assembly.

Caroline Wawzonek
Minister of Finance and Infrastructure

EXECUTIVE SUMMARY

In 2019, Members of the 19th Legislative Assembly committed to ensure that government procurement maximizes benefits for NWT residents and businesses. After much work to review the procurement policies through an independent panel and much discussion about their recommendations, the GNWT released a procurement review report in August 2023 that included an implementation plan with actions that it would take to improve government procurement policies and practices. Actions to appropriately assess this work and make the necessary changes take time and careful attention. Since the last report, 8 have been completed, 8 are in progress and 2 have yet to start as they do not have current procurement implications. The 20th Legislative Assembly will continue to focus on procurement as it is a key mechanism to provide benefits to NWT businesses and residents.

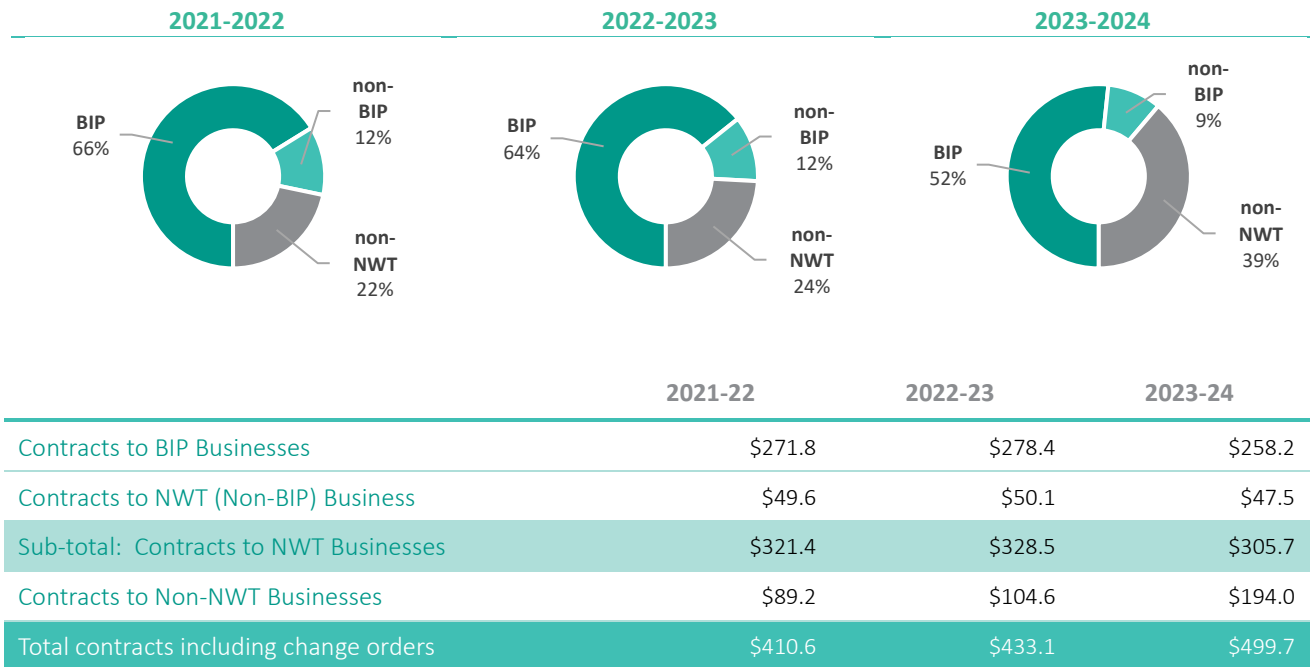
INTRODUCTION

In August of 2023, a procurement review report was published that summarized the work of the 19th Legislative Assembly and included an update of where the GNWT is with its procurement data and the actions that were left to be completed. A significant amount of work was completed and an update to each action item is included below along with an update of the GNWT's procurement data for 2023-2024.

An Update on our Contracts Reporting

Contracts issued to NWT businesses

Figure 1: Total Procurement (in millions)



The contract data includes reportable contracts (i.e., does not include contracts that are not publicly reported due to legislative, security, or confidentiality concerns) for all GNWT departments and Housing NWT. The contracts included are greater than \$10k for services and \$25k for goods in accordance with the limits in the Financial Administration Manual.

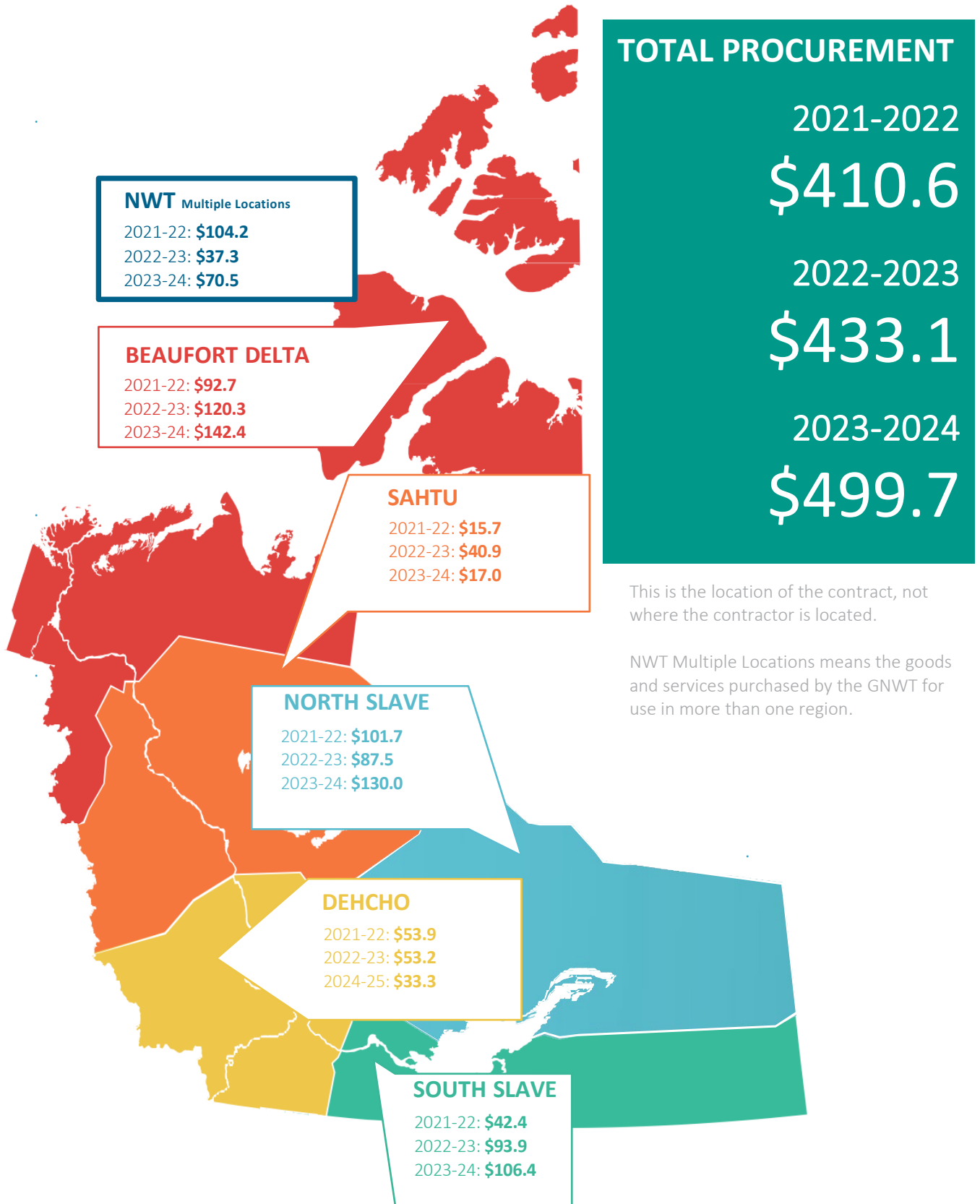
Construction Contracts

Construction contracts in 2023-2024 accounted for \$150 million and the large majority was awarded to NWT Businesses as follows:

- 93% was awarded to NWT companies (89% BIP registered and 4% NWT).
- 7% was awarded to non-NWT companies.

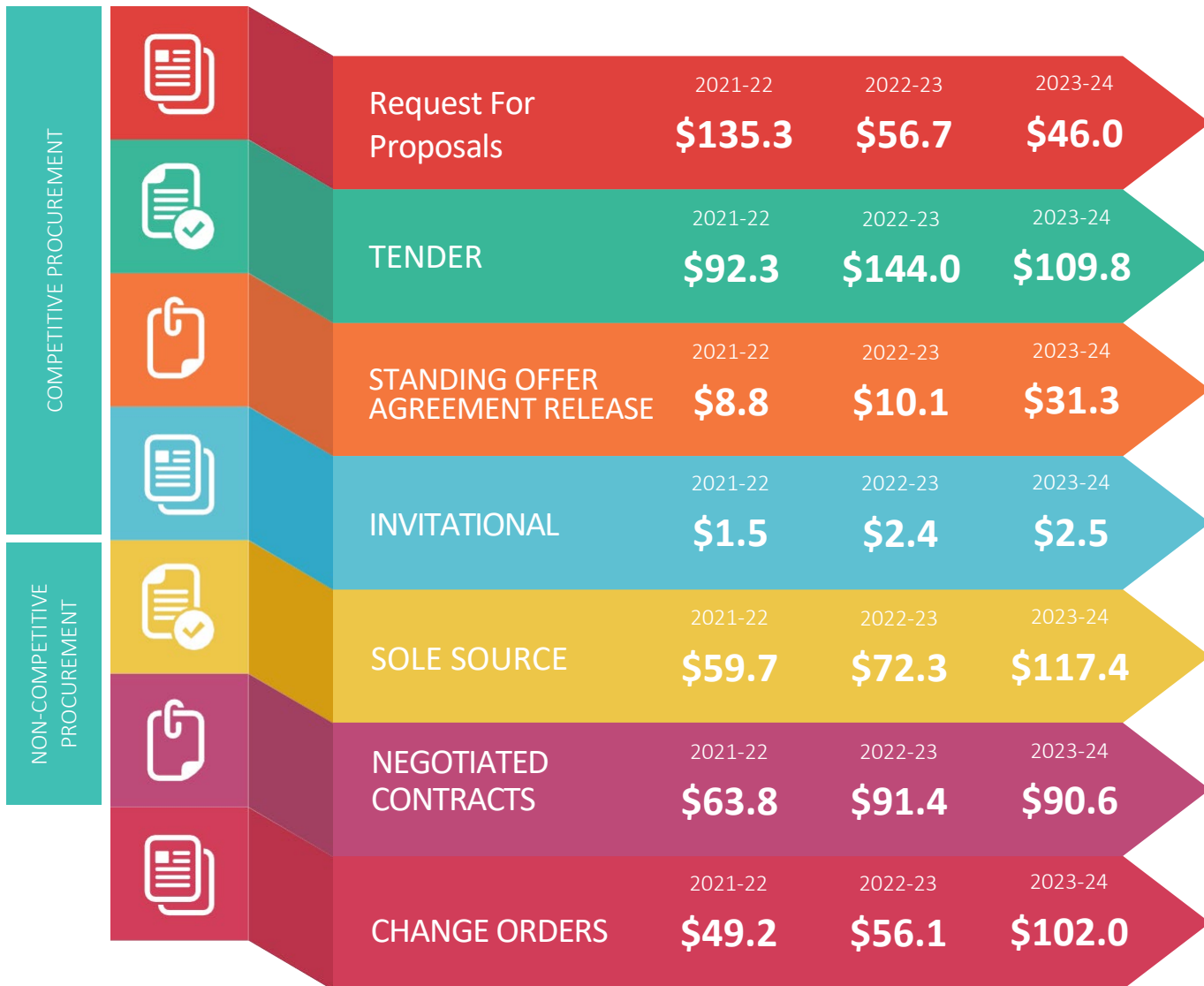
Where contracts are issued

Figure 2: Total Procurement (in millions) by region



How we procured goods and services

Figure 3: Total Procurement (in millions) by procurement method



Summary of procurement data 2021-2024

Amounts to NWT Businesses

Looking at the three years of contract data for GNWT departments and Housing NWT, the contract amounts by value to NWT businesses account for on average 72% of the total. When you take into consideration where bids were not received by any NWT businesses and goods and services that are not available in the NWT (such as software licensing) that number is higher.

Overall Contract Amounts

In 2023-24, the total amount by value to NWT businesses only accounted for 61% which was a decrease of 15% from the prior year and the overall dollar value decreased by \$22.8m. The overall increase in contracts between 2023-24 and 2022-23 was \$67m. Several large contracts issued in 2023-24 including a multi-year contract for dental plan administration for employee benefits, fuel purchases and wildfire emergency related contracts were issued to non-NWT businesses and make up a portion of this decrease to NWT businesses as well as accounting for the large overall increase from the prior year.

Change Orders

In 2023-24, change orders increased from the prior year by \$46m or 82%. This difference was largely due to change orders on fuel supply contracts and fire suppression or emergency related contracts.).

IMPLEMENTATION PLAN UPDATE

Theme 1: GNWT procurement objectives and strategy

| Action Item | Lead, Partners | Summary of Progress since August 2023 | Status |
|---|----------------|---|---------------------|
| Develop and communicate the ownership of procurement policies and oversight processes | FIN | The Procurement Shared Services (PSS) website and dashboard continue to be enhanced and organized in the most logical layout possible. | Completed (ongoing) |
| | | The Procurement Guidelines, found on the PSS website, provide an overview of the applicable legislation, policies, and procedures that impact GNWT procurement. | |
| Review the resources in PSS including training opportunities | FIN | The ownership of policies and processes are also highlighted during training and engagement with PSS clients. | Completed (ongoing) |
| | | A review of internal capacity was completed, and actions were taken to address some of the gaps as well as looking forward to critical sectors such as IT procurement capacity. | |
| | | Currently PSS delivers a minimum of 35 internal training sessions and 35 external training sessions. | |
| | | In addition, enhanced BIP and Vendor Performance Management training is currently under development. | |

Theme 2: Approaches to indigenous procurement

| Action Item | Lead, Partners | Summary of Progress since August 2023 | Status |
|--|---------------------------------|---|-------------|
| Determine approach to increase Indigenous participation in GNWT procurements | FIN, EIA, ITI, INF, Housing NWT | The GNWT will be developing an Indigenous Procurement Policy. | In progress |

Theme 3: Maximizing benefits for NWT residents and businesses

| Action Item | Lead, Partners | Summary of Progress since August 2023 | Status |
|--|----------------|---|--|
| By way of the capital plan, consider how to maximize capacity in the NWT and enhance communications about capital projects. | FIN INF | The 2024-25 Capital Estimates have been completed. These Capital Estimates have been enhanced to include regional location of capital projects and key investment areas. | Completed (ongoing) |
| | | 2025-26 Capital Estimates are in progress and continue to detail regional investment and key areas. | In progress (ongoing) |
| | | Upon approval of the capital estimates, the GNWT presents the capital information through "Industry Days" to provide some advance notice ahead of the new fiscal year. | |
| Complete an evaluation on BIP including a) Eligibility criteria b) Schedule 3 c) adjustment levels; Determine whether any changes are required to meet objective | ITI | The Business Incentive Policy (BIP) was amended in October 2023; the definition of an NWT Resident was changed to 6 months, from 12 months. Schedule 3 was removed and replaced with a new eligibility criterion for for-profit corporations, co-operative associations, partnerships or sole proprietorships with NWT Residents as the majority of employees conducting its operations within the Northwest Territories, and that has an NWT Resident as the manager overseeing its Northwest Territories operations | Completed |
| Determine whether opportunity exists in trade agreements that could support more procurement to NWT businesses under the thresholds. | FIN | A review of the trade agreements was completed. It has been determined no further action will be taken at this time given the work being completed on the development of an Indigenous Procurement Policy. | Completed |
| GNWT continue to develop and expand the category management approach for manufactured goods, as outlined in the "Approaches to Strategic Procurement" section of the Strategy. | ITI | A comprehensive review of the 2011 NWT Manufactured Products Policy began in March 2024 to determine what changes are needed to help ensure that GNWT procurement is supporting NWT manufacturers, while reducing red tape for industry. The review includes the commitments from the 2019 NWT Manufacturing Strategy, which are being examined to ensure they are still relevant. | In Progress (estimated completion is 2025) |
| Include local knowledge, experience, employment and training in the evaluation criteria | FIN | Request for Proposal processes generally do include a Community Engagement evaluation criterion that will consider community involvement, employment, and training opportunities. This type of evaluation criterion does have to fit within the GNWT's obligations under trade agreements, which do provide an exemption for BIP. | Completed (ongoing) |
| | | Opportunities to build-in local knowledge, and employment and training opportunities are considered on a case-by-case basis to ensure each procurement appropriately reflects the GNWT's interest in recognizing these factors as part of an evaluation process. | |

| | | | |
|--|-----|---|-------------|
| Develop processes, procedures or other instruments for implementation of the Negotiated Contracts Policy | EIA | Work continues to clarify the purpose and requirements of the Negotiated Contracts Policy through the development of methods and instruments aimed at promoting consistency; motivating contractors that receive negotiated contracts to ensure benefits are bestowed on other NWT businesses, residents, their communities, or regions; and fostering understanding of the impacts and outcomes of negotiated contracts. The assessment of proposals and the monitoring and tracking of negotiated contracts and their results have been refined and improved. Guidance on the potential socio-economic benefits to be achieved under negotiated contracts, and the kinds of qualitative and quantitative data to be collected from contractors for assessment and analysis by departments, also has been developed. | In progress |
| Determine approach to increase Indigenous Business participation in P3s. | FIN | Indigenous business involvement will be a key consideration when preparing for a P3 procurement process. The specifics would be developed on a case-by-case basis to ensure the approach fits within the context of the project and maximizes Indigenous business participation to the greatest extent possible. | Not started |
| The GNWT will review the Leasing of Improved Real Property Policy | INF | The GNWT has committed to reviewing its policy pending the outcome of the procurement review to include any related impacts in its review. | In progress |
| Review GNWT contract templates specifically indemnity clauses, clauses with force majeure and including warranty terms. | FIN | The department is expecting to engage with stakeholders to review the specific language in the contract templates that has been considered problematic by contractors. Preliminary work on a jurisdictional scan has been completed. | In progress |

Theme 4: Enhancing accountability mechanisms for government procurement

| Action Item | Lead, Partners | Summary of Progress since August 2023 | Status |
|---|----------------|---|---------------------------------------|
| To create a vendor performance management policy and guidelines to create more accountability specifically starting with contractors meeting BIP obligations. | FIN | The Vendor Performance Management Guidelines were released in March 2024. The Guidelines include provisions to significantly increase oversight and accountability for BIP commitments. | Completed |
| Develop processes, procedures or other instruments for implementation of the Negotiated Contracts Policy | EIA | Work continues to clarify the purpose and requirements of the Negotiated Contracts Policy through the development of methods and instruments aimed at achieving a more consistent, transparent, and accountable procurement process and improving the ability to assess the past performance of contractors when considering future requests for negotiated contracts, including their achievement of pledged benefits for other NWT businesses, residents, communities or regions. The assessment of proposals and the monitoring and tracking of negotiated contracts and their results have been refined and improved. Guidance on the potential socio-economic benefits to be achieved under negotiated contracts, and the kinds of qualitative and quantitative data to be collected from contractors for assessment and analysis by departments, has also been developed. | In Progress |
| Review the past P3 project reporting for potential enhancements. | FIN | As there are no P3 projects currently in the capital plan, work on this has not started and will be considered at a later date when resources can be identified. | Not started |
| The GNWT will review the requirements for an appeal process under the trade agreement as well as to determine whether the vendor complaint process is meeting its objective using the Government Renewal Initiative framework. | FIN | Updates to the Vendor Complaint Process is in the final stages of being completed and is expected to be released in November 2024. | In-Progress (estimated November 2024) |

Theme 5: Procurement policy administrative challenges/issues

| Action Item | Lead, Partners | Summary of Progress since August 2023 | Status |
|--|----------------|--|------------------------|
| <p>The BIP Qualification Committees (QCs) already outline the reasons a business is not approved or revoked through phone discussions with the business as well as a formal letter signed by the Chair of the BIPQC explaining what part of the requirements they do not meet. The GNWT will explore other ways to address this concern.</p> | ITI | <p>The BIP Guidelines, first released in 2023, were updated in May 2024 to reflect the amendments to the BIP. The Guidelines include information on the BIP review and appeal process for when applications are denied registration or revoked. The Guidelines also set out Service Standards that provide clarity on the application and renewal process.</p> | Completed |
| <p>The GNWT will ensure that training being provided is covering the required areas based on feedback.</p> | FIN | <p>PSS training is continuously updated to ensure it is current and reflects the requirements of clients and contractors.</p> <p>Feedback is obtained through participant surveys that are distributed at the end of each session.</p> | Completed (ongoing) |

RESOURCES

Relevant legislation

<https://www.justice.gov.nt.ca/en/files/legislation/financial-administration/financial-administration.a.pdf>

<https://www.justice.gov.nt.ca/en/files/legislation/financial-administration/financial-administration.r9.pdf>

Financial Administration Manual

<https://www.fin.gov.nt.ca/en/financial-administration-manual>

Procurement guidelines

https://www.fin.gov.nt.ca/sites/fin/files/resources/gnwt_procurement_guidelines_may_2021.pdf

GNWT Procurement Information including training and contract opportunities

https://www.fin.gov.nt.ca/en/services?combine=&field_service_category_tid=673&field_program_type_tid=All

Contracts dashboard and online search tool

<https://apex.oracle.com/pls/apex/r/contractsregistry/gnwt-contract-reporting/home?tz=-6%3A003>

Other information about the procurement review

<https://www.fin.gov.nt.ca/en/services/8-procurement-review>