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Enabling Higher Economic Benefits Through Stacking of IPP & ITB Programs

THE CHALLENGE

The ITB and IPP policies both aim to address Canada's long-standing challenges around economic inclusion and industrial development. Their overlap exists with intent and challenges faced, yet there's no coordination between the two programs.

This is the **crux of the issue: ITB and IPP policies are misaligned,** making it harder for contractors to fulfill obligations and harder for government to achieve the intended socio-economic impact. Contractors must choose between two separate systems with different levers (incentives vs. compliance), resulting in lost opportunities to maximize Indigenous economic participation and regional development.

This underperformance is seen on all fronts, as highlighted by the Auditor General's latest report:

- Serious tracking and enforcement issues within ITB obligations, allowing contractors to delay delivery over decades.
- There is no mechanism for aligning objectives or tracking shared outcomes.
- Prime contractors often default to the mandatory IPP, leaving ITB credits unclaimed.
- Contractors face duplicated reporting and compliance burdens.
- Indigenous-related spending can only be counted under one policy, not both

Most importantly – the outstanding obligations and long delays from contractors is leaving economic investments on the table, **a problem that will grow with Canada's projected increase in defense spending**. With increased efficiency, investments can be unlocked within an election cycle.

This pilot would unlock billions in under-leveraged economic activity, improve ROI across government, and demonstrate a cost-neutral way to drive reconciliation through procurement reform.

> **Recommendation:** The federal government must take steps to pilot a coordinated approach that stacks IPP and ITB obligations, rewarding shared investments and simplifying compliance.

SOLUTION

The ideal solution is a proof-of-concept pilot program to study the impacts of stacking the IPP and ITB policies, especially in the underperforming areas such reporting and data tracking, delayed obligations, and regional economic development.

Proposed Pilot Stacking Program

To unlock the full economic potential associated with large federal procurement, the Government of Canada should implement a targeted pilot program that stacks 10% of IPP and ITB obligations. This could be managed by TBS as the hub for reporting and facilitating alignment between ISED and PSPC, with tracking supported by CANDO. This pilot would test how contractors can deliver shared outcomes (e.g., Indigenous training programs or SME joint ventures) that satisfy both policies in a coordinated, measurable way - meaning one qualifying investment counts toward both the IPP & ITB.

Stacking IPP and ITB obligations solves the problem by rewarding meaningful Indigenous engagement while still preserving clear accountability. It makes life easier for contractors, who no longer need to report the same activity twice. It gives government greater leverage to track economic impact, and it improves the business case for investing in Indigenous supply chains. These benefits are laid out in the scenario analysis below.

Consider: A pilot stacking program as a test solution in the sector-specific scenario of Canada's growing defense spend (which is mostly subject to both ITB and IPP) to show how stacking can be layered onto a high-growth, ITB-rich area especially in the short term to create tangible outcomes of skills development and economic improvement.

Scenario	Assumptions	Outputs – Announceable Benefits
Current State (No Stacking)	• $66B in annual federal procurement[i] • IPP = 5% target on all departments[ii] • ITB = project-specific, with multiplier mechanism underused (0.8% of all transactions[iii]) • IPP and ITB run in parallel processes as "Stick" and "Carrot" incentives, contractors can only select one or the other	✗ Missed regional opportunities as Indigenous suppliers can't scale ✗ Duplicated compliance burdens ✗ Underleveraged industrial base ✗ Tracking gaps
Measurement improvements	• Between 11-19 contracts per year no longer running through both IPP and ITB programs[iv] • Scoped demographic eases ISED's ability to measure economic impacts specifically from ITB policy, as well as allowing KPIs to be set that are above baseline	✓ Up to $1.5M/year admin efficiency gains ✓ Improved data tracking and measurement of outcomes ✓ Achievement of KPIs and recommended corrective actions from Auditor General report
Economic impact improvements	• Canada grows defence spend to 2% of GDP by 2029[v] (~$54B/year) • ITB applies to 60% of this[vi] • Stacking pilot enabled on 10% of defence contracts[vii] • Indigenous participation increases 10% from baseline due to incentivization and efficiency introduced by stacking[viii] • ROI of 3.6x on new Indigenous spend[ix]	✓ Increased utilization of ITB obligations ✓ $324M/yr in new Indigenous contracts ✓ Over $1.1B/yr in GDP return/wealth creation for all Canadians ✓ Local supplier expansion and job creation in aerospace, shipbuilding, and advanced manufacturing

Importantly, this **proposal does not require new regulations or funding**. It simply realigns existing tools to work better together, supported by data, clear KPIs, and better inter-departmental governance – which is one of the adopted recommendations from the 2024

Auditor General report[x]. For policymakers, it represents a rare opportunity: a cost-neutral, pro-growth, reconciliation-aligned initiative that strengthens economic outcomes and is easy to announce. With defense procurement expected to grow by billions over the coming decade, the time to act is now.

LATEST DEVELOPMENTS

Recent developments have created a window of opportunity—and urgency—for policy change:

- The **2024 Auditor General's report** highlighted serious concerns with the ITB Policy's effectiveness. Key criticisms included:
    - A lack of performance indicators that exceed baseline trends, leaving **no clear way to distinguish between policy-driven outcomes and organic industry activity**[xi]**.**
    - The persistence of **delayed obligations and large outstanding ITB balances**, with some contractors deferring commitments over decades.
- In parallel, **Canada's commitment to increasing defense spending to meet NATO's 2% target** has put pressure on procurement systems to deliver more value, more quickly.
- There is also **growing public and political scrutiny** of the federal government's shortcomings in Indigenous economic inclusion. Recent investigative journalism—such as the Globe and Mail's analysis of the exploited Indigenous procurement programs[xii] especially in the wake of the ArriveCAN scandal[xiii] and related Indigenous procurement practices—has brought national attention to systemic failures and inconsistent standards.

These developments underline the need for a proactive, measurable solution that improves alignment between existing tools, enhances accountability, and supports real Indigenous economic growth.

ACTIONS SO FAR

To address these concerns, the following actions have already taken place:

- Following the Auditor General's findings, **ISED has formally accepted the report's recommendations** and acknowledged the need for stronger performance measurement and interdepartmental coordination.
- As part of this response, **ISED has committed to improved collaboration with Public Services and Procurement Canada (PSPC)**, including efforts to explore synergies between ITB and IPP delivery.

This signals a willingness at the departmental level to re-evaluate policy execution and opens the door for practical reforms, one example of which is pilot stacking initiatives.

ACTIONS UNDERWAY

Following up on this momentum, CANDO has led targeted initiatives to identify ideal solutions:

- CANDO has initiated cross-sector dialogue on the stacking concept at **regional economic development events**, engaging stakeholders from:
    - Prime contractors involved in defense procurement;
    - Indigenous economic development organizations;
    - Federal procurement officials and policymakers.

These early discussions have surfaced **strong interest and preliminary buy-in**, reinforcing that a stacking pilot is not only feasible but well-aligned with the operational needs of industry and community partners alike.

BACKGROUND

CANDO is advocating for this policy solution as a uniquely positioned entity to lead and facilitate the proposed stacking pilot. Its mandate is to **convene Indigenous economic developers, industry leaders, and government actors** to identify and implement practical solutions for inclusive growth.

With deep experience across all three sectors, **CANDO brings the relationships, credibility, and infrastructure needed** to design and support a coordinated ITB-IPP initiative. This includes access to:

- Indigenous business networks across Canada;
- Technical capacity to track investment outcomes;
- Platforms that can support pilot implementation and shared reporting frameworks.

CANDO's collaborative model and track record make it a natural delivery partner for a cost-neutral, reconciliation-aligned procurement enhancement.

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[i] **Federal Procurement Estimate**: Parliamentary Budget Officer – Fiscal Implications of Meeting NATO Military Spending Target (2024)

[ii] **IPP 5% Target**: ISC – Indigenous Procurement Policy (note current spend is not at 5%, but easy number as a baseline)

[iii] **PBO Report**: Only 0.8% of all ITB transactions are used with multiplier mechanism

[iv] **Portion of ITB Applicable Defense Spend:** 2024 **ITB** Auditor General **Report** identified 60 eligible procurements over $100 million out of 99 contracts from 2014-2023, giving an estimated value of 60%

[v] **Defence Spending Projection**: PBO – Meeting NATO Spending Target

[vi] **Portion of ITB Applicable Defense Spend:** 2024 **ITB** Auditor General **Report** identified 60 eligible procurements over $100 million out of 99 contracts from 2014-2023, giving an estimated value of 60%

[vii] **Stacking enablement of 10%:** Selected as a hypothetical conservative value for pilot phase of initial testing of stacking feasibility

[viii] **Indigenous Capacity Estimate**: CCAB – Indigenous Businesses Can Supply Up to 24% of Federal Spend – given 24% estimated capacity, discounting to 10% given current limitations while still suggesting significant growth available if incentivized

[ix] **Economic Impact of Indigenous Spend**: NACCA Economic Impact Study – $3.6M in GDP for every $1.0M invested in Indigenous groups
[x] **ISED and PSPC Collaboration:** 2024 **ITB** Auditor General **Report** Recommendation 10.46 agreed by ISED to "support and collaborate with its partners, including Public Services and Procurement Canada, to review and refine the process for documenting decisions"
[xi] **ITB Underperformance:** 2024 **ITB** Auditor General **Report** Exhibit 10.4 identifies the ITB Policy's short-term performance indicators used targets that were at or below the baseline or did not align with the measurement, along with further tracking failures, and unclear rules on delayed use of ITB obligations
[xii] **Federal Procurement Programs Exploited by Non-Indigenous Entities:** Globe and Mail
[xiii] **ArriveCAN Contractors Failed to Meet Terms of Indigenous Procurement Program:** Globe and Mail