

BRIEFING NOTE

SDG-Based Sustainable Public Procurement

Purpose

The purpose of this briefing note is to present options and a recommendation on how to engage the business community more proactively in the achievement of Canada's 2030 Agenda goals.

Background

Governments of the 193 UN member states signed onto the Sustainable Development Goals (SDGs) in 2015. All governments acknowledge that they need to partner with their business communities in order to achieve the goals by 2030. In Canada, the ESDC's Sustainable Development Goals Funding Program supports projects that raise private sector awareness and support for the SDGs. However, the engagement of companies on the SDGs has been a challenge. Some large corporations have reframed their sustainability initiatives around selected SDGs, but the majority of the small and medium sized enterprises (SMEs) see the SDGs as irrelevant. They may not voluntarily participate in ESDC-funded SDG-related programs, regardless of the quality of those initiatives.

Since 99.8% of Canadian companies are SMEs and they employ over 90% of the Canadian workforce, Canada needs their proactive engagement if we are to meet our 2030 Agenda. Large companies and SMEs need to recognize that the SDGs matter, not only to Canada but to them. Further, as we boot-up a post-pandemic economy and use the SDGs as its blueprint for success, business models that enable companies to contribute to the SDGs are the kinds of business models that will enable companies to thrive in a more resilient, low-carbon and circular 21st century economy.

Current Situation

Despite the valiant efforts of NGOs and government initiatives, companies have been slow to adopt more sustainable business models that improve the wellbeing of their employees, communities, society and the environment, as outlined by the SDGs. Even cost-benefit analysis tools that would help companies see that going all-in on the SDGs / sustainability would give them a competitive advantage go unused. Companies require more encouragement / incentives / reasons to adopt sustainable business models that lead to contributions to the SDGs.

Options

Option 1: Introduce regulations requiring all Canadian companies to contribute to the SDGs.

- The advantage of this option is that it levels the playing field for all companies and sends a strong signal that Canada is serious about its 2030 Agenda.
- The disadvantages of this option are that it would be challenging to enforce, penalties for non-compliance would be problematic and it would be perceived as government interference in the marketplace. It could create a bad reputation for the SDGs in the business community and be counterproductive to the achievement of Canada's 2030 Agenda.

Option 2: Provide incentives to companies that contribute to the SDGs.

- The advantage of this option is that incentive carrots are more attractive to the business

community than regulation sticks.

- The disadvantages of this option are the expense to government of incentives large enough to work; the administration of the qualification, provision and tracking of companies' use of the incentives; and whether enough companies would voluntarily participate to make a difference on Canada's attainment of our 2030 Agenda.

Option 3. Use sustainable public procurement (SPP) as a market force to encourage companies to embrace the SDGs. **Require all businesses to disclose their contributions to SDGs in order to qualify as a supplier to the federal government.**

- The advantages of this option are:
 - *It's a market force:* The Canadian government purchases over \$20 billion of goods and services every year. Making SDG disclosure a qualification to be a supplier to the federal government would send a strong signal that the SDGs matter.
 - *It is voluntary:* Only companies that aspire to being government suppliers need disclose.
 - *Ease of administration:* Companies only need to disclose how they are doing on the SDGs – how much they are contributing doesn't matter. That is, the disclosure would be a pre-qualifier, not a weighted criterion in bid appraisal, which could be a future option.
 - *Federal government leadership in Canada:* About \$200 billion is spent annually on public procurement in Canada. The SPP system with its supplier SDG disclosure qualification could be freely cascaded to provincial and municipal procurement agencies who seek more sustainable suppliers. The system could also be made freely available to the private, academic and NGO sectors.
 - *Grassroots preparation for the new economy:* With this procurement pull from big customers, Canadian companies would voluntarily adopt sustainable business models that contribute to the SDGs, as well as prepare themselves to thrive in the new economy.
 - *Attainment of 2030 Agenda:* This ripple effect will help achieve 2030 Agenda goals.
 - *Program savings:* Funding for governments programs that would otherwise be required to promote business awareness, understanding and adoption of the SDGs can be avoided or be redirected to other programs.
 - *Benefits of SPP:* The government would reap the usual cost saving, value creation, reputation enhancement and risk mitigation benefits of any SPP program.
 - *Canadian UN and global leadership:* If we implement this approach in Canada, it could be tailored and implemented by other UN member countries who signed on to the SDGs. Soon, it would be in the self-interest of every company on the planet to contribute to the SDGs, and Canada would be recognized as leading this accomplishment.
- The disadvantage of this option is the requirement for an SME-friendly self-assessment tool that facilitates the disclosure of company performance on the SDGs.

Recommendation

Option 3 is recommended, with the provision of an SME-friendly SDG self-assessment tool.