

Modernizing federal procurement: a path forward for Canadian tech

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Key takeaways

- The Government of Canada must modernize procurement policies to support domestic technology vendors.
- Key reforms include raising thresholds, revising contract security requirements and aligning procurements with market practices.
- Allowing commercial terms with government wrappers would facilitate vendor participation and grow the domestic tech sector.

If the Government of Canada is serious about procuring more technology from Canadian vendors, it must modernize its procurement policies, practices, and procedures. The current framework creates unnecessary barriers that discourage domestic technology companies from competing for government contracts, undermining the government's stated goals, including the objectives reflected in the Government's recently launched [Buy Canada Policy Framework](#). Seven reforms are urgently needed.

Raise thresholds and reduce documentation requirements

The substantial costs of participating in Government of Canada procurements — including proposal development, legal and contract review, and technical demonstrations — create significant financial risks, particularly for smaller Canadian technology vendors. Because many procurements include no minimum purchase commitments, these vendors may invest heavily in a competitive process that generates little or no actual revenue. In most cases, smaller domestic vendors decide to pursue less risky sales activities and avoid Canadian government procurements altogether. Raising thresholds and reducing documentation requirements for sole source and low-risk procurements would meaningfully address this barrier.

Narrow the scope of the Contract Security Program

Canada should implement reforms made by the United Kingdom more than a decade ago so that its Contract Security Program (CSP) applies only to contracts involving classified national security information. In contrast, Canada's CSP requirements extend to all contracts involving Protected B information, capturing a far broader range of routine procurements. The CSP

process includes government sponsorship, registration, organization and personnel screening, appointment of security officers and adherence to prescriptive security standards. This imposes significant costs, delays, and compliance burdens on vendors — particularly for cloud products and services — without a corresponding national security justification, disproportionate to the underlying risk. Without this change, Canadian technology vendors will continue to face significant barriers to selling most cloud products and other remotely delivered services on account of the cost and expense of CSP registration and compliance.

Permit commercial terms with a government wrapper

The government should permit vendors to sell products under their commercial terms, supplemented by a wrapper of government-specific provisions. These provisions would address statutory requirements, such as those created pursuant to the *Financial Administration Act* and *Access to Information Act*, and Treasury Board policies and directives, including guidelines on the location of government data. This approach, reflected in the procurement practices of governments elsewhere including the United States, avoids forcing vendors to create customized products to meet prescriptive government requirements. Too often, standardized government terms reflect an overemphasis on uniformity of terms across contracts rather than focusing on how a vendor's solution meets the government's business requirements. Moreover, standardized government terms are not well-suited to the types of highly innovative products and services (including generative and agentic artificial intelligence) the government has indicated it wants to procure. Permitting commercial terms with a regulatory wrapper would reduce barriers to entry and accelerated contracting timelines, while still protecting the government's legitimate interests.

Replace most favoured customer pricing with fair and reasonable pricing certifications

Current price certification clauses, through which Canada insists on receiving the most favourable price of any of customer anywhere in the world, impose significant burdens on vendors and distort healthy market competition by fundamentally limiting a vendor's ability to set prices dynamically based on the unique circumstances of each transaction. These clauses have generally fallen out of favour in the private sector procurements as being impractical and ineffective. Further, vendors often have legitimate reasons to offer different pricing to different customers, including volume-based discounts, pricing for strategic partnerships, or promotional rates to enter new markets. Price certification clauses are particularly harmful to smaller Canadian technology vendors seeking to grow their businesses and compete against more established players. If a smaller vendor cannot offer a discounted entry rate to a prospective customer without triggering an obligation to reduce pricing for the government, its ability to scale will be significantly impaired. Replacing the current price certification clause with a certification that pricing is fair and reasonable would address these concerns while still ensuring the government pays competitive rates.

Align intellectual property provisions with market terms

Current intellectual property ownership and licensing provisions should be replaced with provisions aligned to market terms. The government's current approach to IP, which often includes unnecessarily broad license rights or government ownership, creates material risks for technology vendors and often deters them from participating in procurements. Market-aligned terms would remove this barrier while still ensuring the government obtains the rights it needs to use procured technology effectively.

Modernize liability and risk allocation provisions

Liability and risk allocation provisions should be updated to reflect the types of technology products and services, including artificial intelligence, that the government is looking to procure. These updates should include clarifying that the customer — in this case the government — is responsible for deciding how to deploy technology products, whether the output of a solution is accurate and can be relied upon, and whether human review is required. These updates are necessary to ensure that the government does not shift unreasonable financial risks to Canadian technology vendors for matters outside their control, creating yet another reason for vendors to stay on the sidelines rather than pursue sales to public sector customers.

Embrace negotiation over mandatory terms

Finally, the government should be more open to negotiating terms and conditions with technology vendors, including in the course of competitive procurements. Negotiations are not just about legal terms. They often clarify misalignments and faulty project or solution design and promote more successful outcomes for the government and the vendor. A willingness to negotiate would enable the government to access a broader range of innovative solutions while still protecting its core interests.

Conclusion

Together, these seven reforms would remove unnecessary barriers, reduce costs and delays, encourage innovation, and enable Canadian technology companies to compete effectively for government business. The current procurement framework was designed for a different era and does not reflect the realities of how modern technology products are developed, sold, and deployed. Modernization is not merely desirable — it is essential if the government is serious about supporting domestic technology companies and achieving better outcomes for Canadian taxpayers.