techNL

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SCALING UP INNOVATION CHAMPIONS IN NEWFOUNDLAND AND LABRADOR

A Policy Framework for Maximizing Economic Impact through Local Technology Procurement

Prepared for the Government of Newfoundland and Labrador

Message from the Chair

Johanna Brown, Chair of techNL Board of Directors

For years, we've heard a clear and consistent message from a subset of our members — particularly HealthTech startups and IT companies — that public procurement remains one of the most significant barriers to their growth in Newfoundland and Labrador. These firms have repeatedly shared how complex processes, lengthy timelines, and limited pathways for local participation make it difficult to succeed within the provincial system.

This report reflects those concerns. It demonstrates how modernizing procurement, aligning it with innovation, and recognizing economic impact can unlock substantial opportunities for these companies and strengthen the province's broader innovation ecosystem. Just as our traditional industries have benefited from strong policy frameworks that ensure public spending supports local development, our tech sector needs procurement tools that reflect the realities of a modern, digital economy.

The recommendations presented here offer a practical, balanced path forward. They respect trade agreements, emphasize value-for-money, and show how Newfoundland and Labrador can support local firms while improving service delivery for residents. Most importantly, these insights come directly from the companies who experience these challenges firsthand and who are eager to contribute to better outcomes for the province.

We are grateful to the members and partners who provided their input, and we look forward to collaborating with the provincial government to ensure procurement becomes a driver of innovation, growth, and opportunity across Newfoundland and Labrador.

Message from the CEO

Florian Villaumé, CEO, techNL

Over the past months, techNL has undertaken extensive research into provincial, national, and international best practices in technology procurement. We examined models from Finland, the United Kingdom, other Canadian provinces, and leading innovation jurisdictions. We reviewed policy frameworks, trade agreement boundaries, and case studies showing what works — and what doesn't — when governments try to buy technology, co-develop new solutions, or partner with innovative companies.

This report reflects that work. It lays out a clear, evidence-based path for Newfoundland and Labrador to modernize its procurement system in a way that delivers better services and supports local innovation. The recommendations focus on value-based procurement, reducing barriers for small companies, increasing agility, and creating structured pathways for co-development and pilot-to-procurement adoption. These ideas come directly from global successes and are adapted to our provincial context.

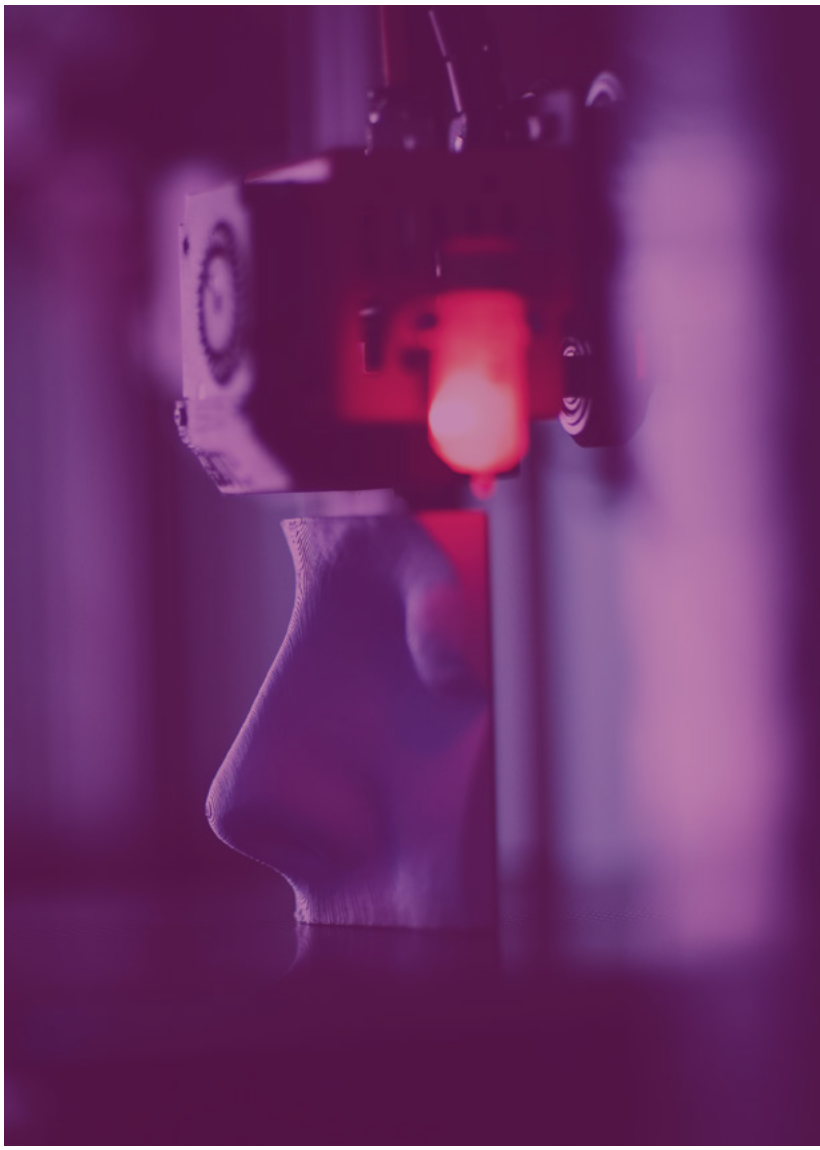
More importantly, this report is not about criticizing government — it's about co-creating solutions. Newfoundland and Labrador has a major opportunity to become a leader in innovation procurement, and techNL is committed to working with the provincial government in a constructive, forward-looking way to get there. We believe that aligning procurement with economic development will create high-value jobs, retain intellectual property in the province, and strengthen our tech ecosystem for the long term.

We look forward to collaborating with government, our members, and partners across the province to turn these recommendations into action. Modernizing procurement and aligning public spending with local innovation will unlock new economic growth and help put Newfoundland and Labrador on track to reach a $2.5 billion tech-sector GDP contribution by 2030.

01
Executive Summary

Newfoundland and Labrador (NL) is home to a vibrant and growing technology sector, contributing over $1.8 billion annually to the provincial economy in 2023, up 24% from 2016. The provincial government invests in innovation and startup development through granting programs and private capital investment, which have helped drive growth, but there is more that government can do to make Newfoundland and Labrador a leading place in Canada to build an innovative, successful tech company. Newfoundland and Labrador has the opportunity to be a national tech policy leader, with the growth, jobs, and wealth creation to match.

Newfoundland and Labrador's traditional cornerstone industries – energy and fisheries – point to a path forward. For those industries, the provincial government has always used the full spectrum of policy levers to maximize benefits to the province, including ensuring that public and private procurement dollars build up the provincial economy in a dynamic and holistic way. For example, the Atlantic Accord governing Newfoundland and Labrador's offshore resources includes the "[promotion of] growth and development in order to optimize benefits accruing to Newfoundland [and Labrador]," and requires that companies operating in the offshore area establish local offices, provide training, conduct research and development, and accord preferences to local businesses in procurement.



No similar framework exists for technology and innovation, despite its increasing importance in a global economy driven by intangible assets like intellectual property (IP) and data. In a global, competitive race for talent and investment Newfoundland and Labrador is leaving these policy levers largely untouched. Right now, public procurement of tech solutions remains largely disconnected from local economic development priorities.

Simply adopting the same policies – which would create new obligations for companies investing in Newfoundland and Labrador – is not the right solution. Unlike oil and gas, good ideas and hard-working people can be found anywhere. But Newfoundland and Labrador's policymakers can turn the provincial government into a catalyst for innovation and growth by being a good first customer for companies that focus on selling to governments, helping companies find market fit, refine their offerings, and secure powerful validation from a large customer. In turn, this will help government deliver better, more sustainable services to residents by harnessing innovation.

Currently, a substantial portion of government technology spending flows out of the province, bypassing local businesses and undermining the opportunity to build up local capacity and create high-value jobs. Even where permitted by trade agreements, the province is leaving substantial flexibility unused. In the 2024 reporting period, the Newfoundland and Labrador government spent $262.3M procuring goods and services in purchases under the Canadian Free Trade Agreement threshold, but just under 20% of this went to firms located within the province.

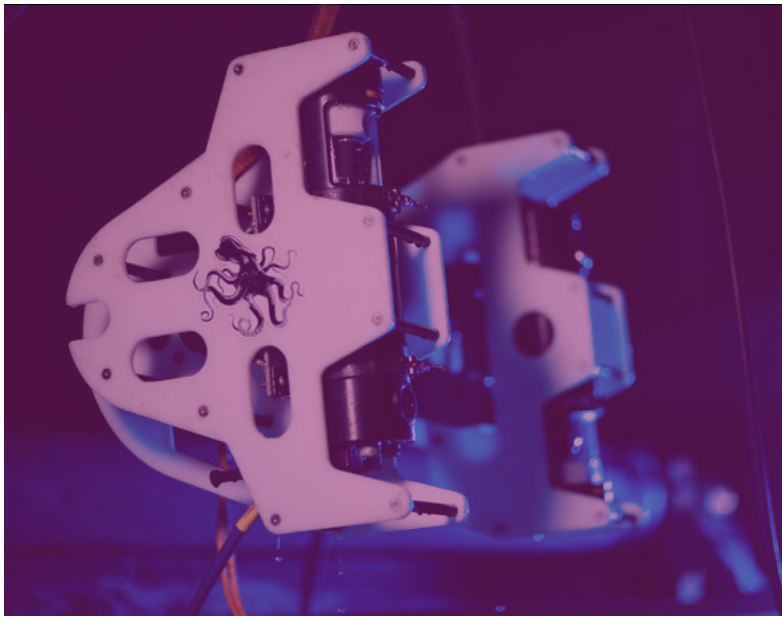
Newfoundland and Labrador has an opportunity to build on successful policies that have transformed the province's traditional industries engines of prosperity and wealth creation.

This report proposes key principles in modernizing technology procurement policies, and a roadmap for ensuring they are better aligned with the province's economic development strategy.

By implementing data-driven policies, economic impact scoring, and targeted innovation pilots, the province can reduce economic leakage and ensure public dollars support local business growth and job creation. It can foster scalable innovation by aligning government technology spending with local technology innovation initiatives (e.g. startups, etc.). Finally, Newfoundland and Labrador can build capabilities for the long term in a rapidly evolving sector by retaining intellectual property and local expertise.

These policies are not about additional spending, but about better leveraging existing resources to deliver real economic benefits. With a focus on transparency, fiscal responsibility, and capacity building, this is a critical opportunity to unlock the untapped multiplier effect of technology spending and position Newfoundland and Labrador as a leader in local innovation and economic growth.

This report provides guiding principles for reform, as well as detailed policy recommendations that will serve to transform them into action and empower Newfoundland and Labrador to effectively use procurement as a lever to create lasting prosperity.



Guiding Principles

Value-Based Model

Put long-term economic value and social impact, not just short-term cost savings, at the heart of public buying by adopting a value-based procurement model. This holistic approach to purchasing requires decision-makers assess the full lifecycle of a product or service they want to procure, including quality, maintenance costs, and environmental and economic impact. Other jurisdictions, including the EU already implement value-based models such as 'green public procurement'. Newfoundland and Labrador should do the same, building a procurement system that uses weighted criteria to factor in local economic benefit, sets clear spending targets for local firms, and encourages sub-contracting and partnerships for large contracts.

Innovation Sandboxes

Unlock more innovation in procurement through industry-government collaboration in product development by introducing procurement sandboxes and pilot project funding. Procurement works best when it is an iterative process. These programs foster public-private relationships and de-risk procurement for both parties, allowing smaller firms to demonstrate proof of concept, and enabling government to test new technologies before committing to large-scale contracts.

Transparency + Accountability

Ensure transparency and accountability by mandating annual reporting on the economic impact of technology procurement decisions, including the percentage of contracts awarded to local firms and the number of local jobs created. Reporting requirements will allow for the on-going assessment of Newfoundland and Labrador's procurement process.

Removing Barriers

Remove barriers for small businesses by reducing onerous bureaucratic hurdles that deter them from placing bids. Simplifying paperwork and compliance requirements, including the creation of pre-approved local vendor lists and increasing the direct procurement threshold will enhance local firms' access to procurement opportunities, helping firms scale and grow and bolstering NL's economy.

02
Background

Innovation is the foundation of 21st century prosperity. Productivity gains – which mean better jobs and bigger paycheques – depend on doing more with less, and innovation is what makes better and more efficient processes possible. As we increasingly shift to a global economy centered on intangible assets – over 90% of the value of the S&P 500 is made up of intangible assets – the Government of Newfoundland and Labrador must leverage every available policy lever, including procurement, to foster technological development and support local firms in scaling globally. Technology procurement is an area of growing public expenditure. Between 2018 to 2022 federal spending on IT procurement grew from $3.5 billion to $4.5 billion. Newfoundland and Labrador's commitments to IT and other tech innovation can be strategically mobilized to support local development.

Newfoundland and Labrador's historic strengths have been its resource sectors, chiefly oil and natural gas, mining, and fisheries. While these remain critical drivers of the economy, the government should encourage growth in the burgeoning technological space.

Policies specifically targeting these legacy sectors – requirements that offshore oil and gas operators must provide a 'full and fair opportunity' for local suppliers to encourage local contracting, and strict licensing policies to ensure that commercial fishing benefits local communities – have seen them flourish over the years, but no analogous policies specifically targeting the technology sector are in effect.

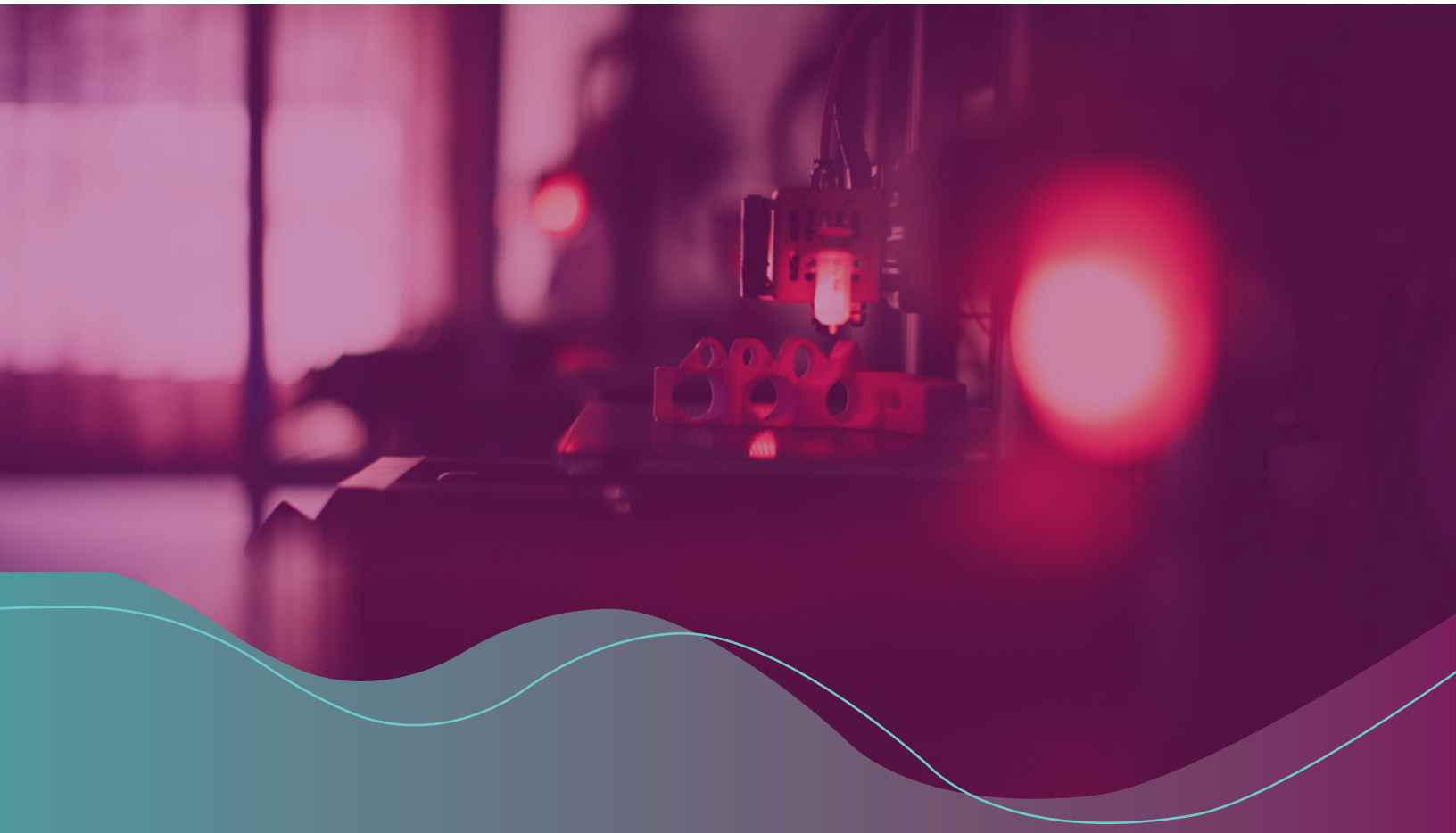
Value-based procurement which takes numerous factors – including long-term economic development and job creation – into account when assessing bids, along with measures such as encouraging sub-contracting and raising direct procurement thresholds are all practical steps that the government can take to better support the growth of Newfoundland and Labrador's innovation economy. Newfoundland and Labrador has long made use of such policies in its fisheries and energy industries.

Co-development for emergent technology procurement is a model used by many countries, notably Finland, the United Kingdom, and the United States to source solutions for government while giving firms a channel to refine and find clients for new technologies. These countries have developed impactful public innovation procurement programs that Newfoundland and Labrador can learn from.

Lengthy, **overly bureaucratic legacy procurement processes** create strong disincentives for smaller firms to participate in procurement. Navigating these processes often take time and expertise that would be better spent, from the perspective of a smaller, innovative company, on refining their product or working with commercial clients. Consequently, governments are left with bidders who do not necessarily offer the best solutions, but who are best equipped to make their way through hurdles. Streamlining efforts such as prequalification, an approach used widely in Canada (see Appendix A), can help smaller firms reach more opportunities.

Transparency is an important pillar of a successful public procurement program. Citizens should understand how public funds get used to solve public problems and how the province is using procurement dollars strategically to promote economic growth. The province should measure and publish regularly on its performance in creating economic value and from where it sources.

The government should craft sectoral policies for technology that embrace value-based procurement, co-development and experimentation, ease of use, and transparency to ensure that domestic companies can both share in the gains of larger foreign firms operating in the province and receive government support to scale and grow, driving broader prosperity. While trade agreements are often cited as barriers to favouring local firms in government procurement processes, many tools can be employed within existing legislative and regulatory frameworks as well as Newfoundland and Labrador's Public Procurement Policy (for a comprehensive assessment of trade agreements and their applicability see Appendix C).

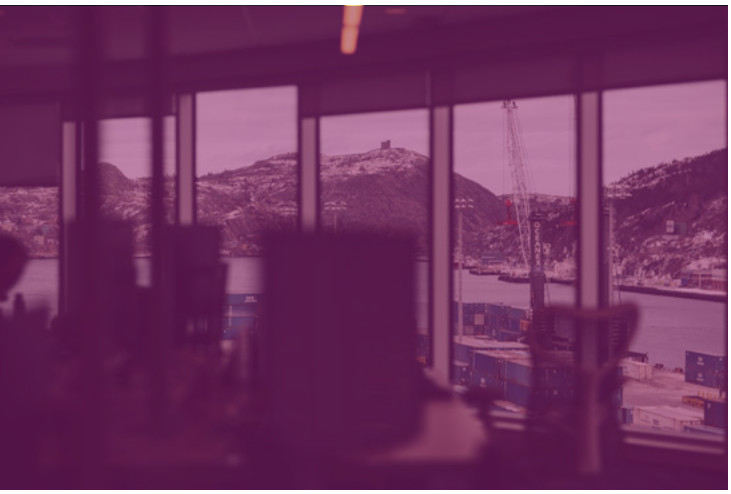


2.1
Procurement in Newfoundland and Labrador

Newfoundland and Labrador's Public Procurement Policy governs how public entities purchase goods, services, public works, and leases. It aims to ensure fairness, transparency, and value-for-money in procurement while maintaining compliance with **national and international trade agreements**. While the policy supports open and competitive bidding, the province can create more room for local technology companies to benefit within these constraints. By leveraging strategic procurement practices, Newfoundland and Labrador can better support its tech sector **without violating trade agreement rules**.

Newfoundland and Labrador's public procurement must comply with trade agreements such as the Canadian Free Trade Agreement **(CFTA)**, Comprehensive Economic and Trade Agreement **(CETA)**, and World Trade Organization Agreement on Government Procurement **(WTO-GPA)**. These agreements establish procurement thresholds, above which provinces must follow **open, non-discriminatory** processes. However, within these rules, there are strategic ways to **support local technology companies through value criteria and other levers**.

Even where the province has substantial freedom of action, however, Newfoundland and Labrador businesses see only a small share of business. **Only 19%** of procurements under the CFTA threshold in the 2024 reporting period **went to NL-based businesses**.



One way to maximize local participation is through **strategic use of limited tendering (direct awards)**. Trade agreements allow direct awards in specific cases, such as when ensuring compatibility with existing technology, protecting intellectual property, or when only one supplier can fulfill a requirement. Newfoundland and Labrador can take advantage of these exceptions by maintaining **pre-approved supplier lists** of local technology firms, ensuring that whenever a direct award is legally permitted, local businesses are considered first. This approach aligns with procurement exceptions outlined in CFTA Article 513 and CETA Article 19.12.

Leveraging social and innovation-based procurement can also create significant benefits for local companies. Trade agreements prohibit geographic preference but allow governments to **prioritize innovation, sustainability, and economic impact** in their procurement scoring criteria. By introducing a **value-based evaluation system**, the government can favor companies that contribute to workforce development, environmental sustainability, and job creation in Newfoundland and Labrador, without violating trade rules. The CFTA Chapter Five allows for non-price factors in procurement evaluations, which can be used to promote local benefits without discrimination against other parties.

Finally, **pre-qualification and vendor development** can help local companies become more competitive in public procurement. Many local tech firms struggle with the complexity of government bidding processes, making it difficult for them to win contracts.

To remain compliant with trade agreements while supporting the local tech sector, Newfoundland and Labrador must focus on **structuring procurement policies in a way that encourages local participation without explicit geographic favoritism**. By **leveraging procurement exceptions such as research and development, introducing non-discriminatory evaluation criteria, requiring local subcontracting for procurements that are not covered by trade agreements due to size or type**, and **investing in vendor development**, the province can significantly boost local tech sector involvement while staying within trade agreement rules.

Implementing structured technology procurement policies will align government spending with economic development priorities, ensuring NL-based technology companies benefit from the same strategic protections and considerations already applied to other key industries.

2.2
Innovation Procurement: International Best Practices

Finland

Finland has developed a strategic approach to innovative public procurement, ensuring that 10% of its public procurement budget is allocated to fostering innovation by 2030. This initiative, supported by the **Competence Centre for Sustainable and Innovative Public Procurement (KEINO)**, aims to enhance public services, drive sustainability, and create new business opportunities without violating international trade agreements. KEINO acts as a national advisory network, offering training, guidance, and best practices to public entities looking to procure innovative solutions.

Finland's strategy ensures compliance with EU procurement directives, the WTO Government Procurement Agreement (WTO-GPA), and other trade obligations while maximizing opportunities for local businesses to develop cutting-edge solutions.
One of the primary ways Finland ensures compliance is through **functional and performance-based procurement criteria**. Instead of specifying exact products or suppliers, procurement tenders outline the desired outcomes or functionalities that solutions must achieve. This approach allows for competition on innovation rather than brand or supplier preference, ensuring fairness while enabling new and emerging technologies to be considered. For example, rather than requiring a specific LED streetlight model, a tender may seek an energy-efficient smart lighting system that reduces maintenance costs by 30%, which opens bidding to a wider range of innovative companies while remaining trade-compliant.

Another key mechanism Finland uses is **Pre-Commercial Procurement (PCP) and Innovation Partnerships**. These procurement methods allow public buyers to **co-develop solutions with companies** before launching full-scale tenders. PCP enables public entities to fund research and development (R&D) of innovative solutions in stages, where companies can compete for funding without being guaranteed a final contract. Since PCP is classified as an R&D investment rather than a commercial procurement, it can take advantage of exemptions for R&D provided for in trade agreements. Innovation Partnerships, on the other hand, allow Finland to establish long-term collaborations with companies to develop innovative solutions that are not yet available on the market. This model ensures that government agencies get tailored, cutting-edge solutions while maintaining a **competitive, non-discriminatory process**.

To further enhance transparency and prevent trade violations, Finland conducts open market consultations before launching innovation-based tenders. These consultations provide equal access to all potential suppliers, ensuring that both domestic and international companies are aware of upcoming procurement opportunities. By openly engaging the market, Finland avoids favoritism while encouraging new solutions from businesses of all sizes.

United Kingdom (UK)

The United Kingdom employs **Forward Commitment Procurement (FCP)** as a strategic approach to stimulate innovation within public procurement while adhering to international trade agreements. FCP is designed to bridge the gap between the public sector's future needs and the market's current capabilities by signaling a **credible and articulated future demand** for innovative solutions. This method encourages suppliers to invest in research and development, knowing there is a committed buyer for their innovations.

In practice, FCP involves the public sector identifying unmet needs or challenges and communicating these to the market with a commitment to procure solutions that meet specified future requirements. This forward-looking approach allows suppliers, including small and medium-sized enterprises (SMEs), to develop and deliver innovative products and services tailored to public sector needs. By fostering early market engagement and providing suppliers with the confidence of a committed buyer, FCP mitigates the risks associated with developing new solutions.

By implementing FCP within these parameters, the UK effectively promotes innovation in public procurement without breaching its international trade obligations. This approach not only enhances public services but also stimulates economic growth by providing businesses with the assurance needed to invest in innovative solutions.

03
From Principles to Prosperity

Governments must be savvy buyers of high-tech goods and services if they want to deliver cost-effective governance that leaves citizens, vendors and public servants happy with process and results.

Unfortunately, across Canada, governments struggle to buy even off-the-shelf software, let alone co-developing new and innovative tools. A technical skills gap within most governments, as well as a specification-based process for developing Requests for Proposals (RFPs). Research has found that bigger projects tend to fail systematically as they come up against the limits of outdated and ineffective processes – software procurements with budgets of over $10 million succeed in remaining on time and on budget in only 8% of cases, where 70% of smaller projects with budgets of under $1 million stay on track in 70%.

When it comes to established, off-the-shelf services with a proven track record of reliability, widespread adoption, and well-defined market positioning, governments can and should adopt international best practices to shrink project sizes, develop in-house technical expertise, avoid long-term vendor lock-in, and make better use of agile development.

Below are examples of technology companies in Newfoundland and Labrador that provide these types of products and services. Appendix D includes additional details on what they currently deliver to government and what they could offer going forward.

FONEMED · NetBenefit · PolyUnity · TxtSquad · Carnegie Learning

vifta · NotificationAPI · IMP solutions · Pinnacle Equipment | Networks | Interiors · mysa

Refined Solutions Systems · NUCLIQ Biologics · RIVET · omega 365 · Spellbook

robot interactive + marketing · DischargeHUB · Sparrow Bioacoustics · Luxsonic · CGI

COMPUSULT · SENTINEL Institute for Cybersecurity · Triware Technologies Inc. · Vision33 · Angler Solutions

3.1
Developing a Value-Based Framework

Project management best practices are only a part of the answer. To maximize economic benefits and development impact of meeting the province's technology needs, **Newfoundland and Labrador should design and implement a trade-compliant, value-based model of procurement policy across public sector entities and across types of contracts.**

3.1.1 Staff Augmentation: Prioritizing Local Workforce

Staff augmentation can be a useful to maintain or expand public sector capacity. Taking into account the full value created, from skills development to operational security, local workforces can represent a much more efficient and effective use of public spending than out-of-province sourcing.

Key Policies:

- **Ensure the highest quality of collaboration, responsiveness and security** within IT professional services delivery by encouraging **NL-based resources for staff augmentation contracts** wherever possible.
- **Strengthen operational efficiency and accountability** by requiring a minimum of 30-50% onsite presence/local availability for applicable contracts. Onsite staff ensure enhanced security, higher quality delivery, deeper stakeholder relationships, and superior results through seamless collaboration and direct oversight.
- **Grow the tech skills workforce** by mandating, if non-local resources are required, vendors to provide a **local workforce transition plan** to **train and hire NL-based employees** over time.

Prioritizing a local workforce ensures knowledge retention, creates long-term career opportunities, and reduces reliance on external contractors. This is not an embrace of a geographic protectionist preference, but the valorization of an important factor that impacts the quality of delivery.

3.1.2 Small Custom Builds and Enhancements: Prioritizing Local Capacity

The core provincial government, as well as **both** the municipalities, academic institutions, schools and hospitals (MASH) sector and Crown corporations, can use a combination of policies to achieve a value-based model that creates more economic benefits for the province while meeting public sector needs and complying with the province's internal and international trade commitments.

Key Policies:

1. **Ensure the creation of economic benefits by allocating at least 15% of the total RFP evaluation score** to economic impact and value-add, giving preference to vendors who demonstrate:

    - **Local job creation and subcontracting partnerships.**
    - **On-the-ground presence in NL** (see Appendix B) or investment in local infrastructure.
    - **Knowledge transfer.**
    - **Recruitment of local talent from NL post-secondary institutions.**
    - **Training of local talent.**

2. **Promote local capacity building and engage regionally competitive firms** for custom technology development and enhancement projects under $133,800 (or $528,300 for Crown corporations),

3. **Attract small and medium-sized enterprises (SMEs)** and **regionally competitive** firms for custom technology work by using Invitational Tenders and RFQs. These processes support **fair competition** while creating opportunities for NL-based companies.

4. **Ensure transparency and accountability** while maintaining compliance with procurement regulations, by requiring procurement teams, in the case that no qualified NL vendor submits a proposal, **to document the justification for awarding the contract to an out-of-province firm.**

This approach avoids direct geographic restrictions while maintaining a local-first focus through structured procurement processes and weighted evaluation criteria. By encouraging Invitational Tenders and RFQs, the policy ensures that smaller, regionally competitive firms have a fair opportunity to compete, aligning with economic development goals without breaching trade obligations.

[1] See Appendix B for a proposed weighting formula.

3.1.3 Large Technology Procurement: Stronger Economic Impact Scoring

For larger technology procurements, the provincial government and public entities should structure RFPs and other vehicles so as to heavily weight economic impact. These larger-scale projects are key to developing and deepening capabilities that will position the province to be an innovation leader.

Key Policies:

- **Target growing the NL economy** by requiring that 10% of the total RFP score must be allocated to Canadian economic impact within the limits of trade agreements.
- **Promote local supply chains** by requiring vendors to make a **business case** for integrating **NL subcontracting, implementation, or support services to demonstrate economic impact.**
- **Leverage and develop local expertise** by requiring that **key project roles (project manager, security lead, integration lead, etc.) be filled by NL-based staff** unless a clear knowledge gap is demonstrated.
- **Ensure ongoing compliance with local benefit commitments** by creating regular, ongoing review mechanisms.

A value-weighted scoring model balances cost-effectiveness with meaningful local participation, ensuring competitive procurement while avoiding unnecessary reliance on out-of-province firms.

[2] The 10% figure is in line with the Canadian Free Trade Agreement's Article 503.4(a) to accord a preference for Canadian value-add with a premium of 10%, and the CETA agreement with the EU stipulates that procurers can select the "most advantageous" tender and are not limited to price as the sole criterion.

3.2
Co-Development for Innovation

Emergent products and services are new, innovative offerings that are in the early stages of development, commercialization, or adoption. These solutions often leverage cutting-edge technology or address unmet market needs. They typically involve higher risks but offer the potential for higher value to customers and users.

On the right are examples of technology companies in Newfoundland and Labrador with early-stage products that could be co-developed with the Government of Newfoundland and Labrador. Appendix D provides additional details on these products.

Newfoundland and Labrador has an opportunity to support the deployment of local emergent technology services by being a leading jurisdiction or testing and early adoption. This would highlight the commitment of the province to buy local while drive innovation in multiple sector it supports.

Public procurement of innovation (PPI) is an emerging field, with internationally accepted best practices still being defined. Both Finland and the United Kingdom use innovative policy tools to better meet their public sector needs while promoting private sector innovation. These international best practices suggest key policies that the Government of Newfoundland and Labrador could adopt to position the province as an innovation procurement leader.

Key Policies:

- **Promote flexibility and responsiveness to public needs** by developing adaptive RFPs that identify **challenges and desired outcomes** rather than rigid technical requirements.
- **Create on-ramps for businesses with novel solutions with discovery, prototype, and scale-up phases**, with defined budgets and performance evaluations at each phase.
- **Benefit from iterative collaboration and scope adjustments** based on real-world feedback.
- **Demonstrate to businesses that their time is valuable** with timelines for procurement decisions following pilot completion to ensure startups are not stalled by delays.
- **Avoid abandoned pilots** by requiring funding plans for **scalable adoption** before they begin.
- **Protect commercial intellectual property and innovation** by preventing any public bodies from requesting royalties or equity as part of the public procurement negotiations with tech companies, ensuring they can continue to scale and attract investment capital.

This approach supports co-innovation, reduces risk, and ensures solutions are tailored to evolving needs while maintaining momentum for startups. Clear timelines and procurement-ready plans reduce delays and increase the likelihood of successful outcomes.

3.2.2 Innovation Accelerators

As projects graduate from pilot or testing streams, the provincial government and public entities should stand ready to scale adoption and deployment, serving as a launchpad for growth and wealth and job creation.

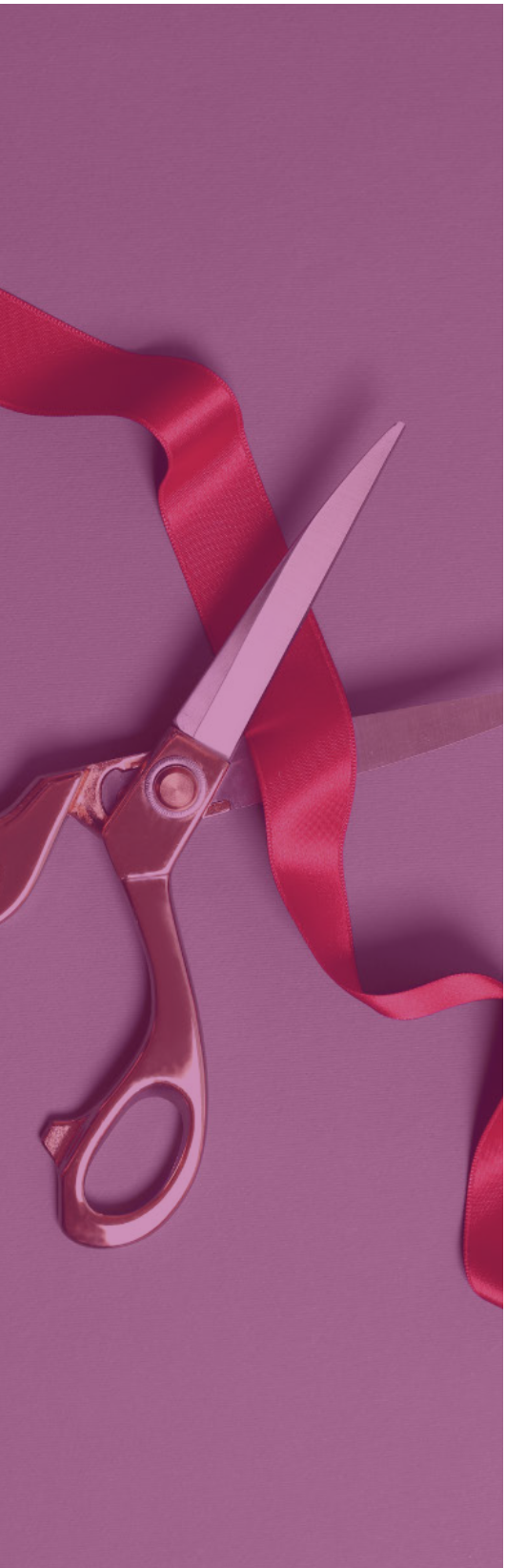
Key Policies:

- **Scale proven solutions out of the pilot stage** with a new **Innovation Procurement Fund**. This should not come from new funding, but existing allocations can be redistributed to focus on this area. For example, mirroring the US Small Business Innovation Research program, each department and agency should set aside a small portion of their procurement budget for innovation.
- **Require procurement readiness KPIs** from sponsoring departments, ensuring they allocate budgets and resources to adopt successful pilots.
- Prioritize **local supply chains and manufacturing involvement** in innovation projects, where appropriate.
- Build a **Tech Innovation Fund** to bridge the gap between **prototype and commercialization**, with specific funding for scaling production and certification.

This will ensure that NL-based companies producing innovative solutions can scale locally, retain intellectual property, and create jobs while avoiding the “pilot trap” where successful pilots fail due to lack of funding for procurement and deployment.

Funding from existing budget envelopes and allocations **would increase accountability and select for the projects likeliest to have a transformative impact**. Allocating funds for innovation places accountability on the government to invest in technologies that promise positive ROI, increased GDP, and numerous secondary benefits. Experienced economists should be engaged (e.g., lower delivery costs, improved health outcomes, etc.) to track and report on value-based metrics, demonstrating the multiplier effect on GDP, tax base growth, and other indicators to ensure transparency and measure the true ROI of these investments. Building a permanent set-aside within existing funding also ensures program longevity and sustainability.

3.3 Cutting Red Tape



Recent research shows that innovators, if they engage with public procurement at all, leave frustrated from serious flaws in procurement processes that make pouring time and energy – which are scarce resources for smaller companies – unlikely to result in success, further contributing a negative perception of working with government among tech companies. This is a drag on Newfoundland and Labrador's innovative businesses and is a missed opportunity to create local growth.

Overspecification and lack of dialogue with public buyers leave little latitude for genuine innovation; this requires real co-development, as discussed above. UK data show that 79% of innovative businesses identified a lack of interaction with buyers as a significant barrier to doing business with government, and over 66% pointed to overly prescriptive specifications. Canadian businesses have also pointed to onerous disclosure requirements that can put trade secrets at risk.

Lengthy processes are another serious barrier to innovation. Layers of approvals stretch processes for months. Investors have little interest in staking capital in companies who plan to do business with government due to long timelines and uncertain results, creating a negative feedback loop that disincentivizes companies from engaging with the public sector to begin with.

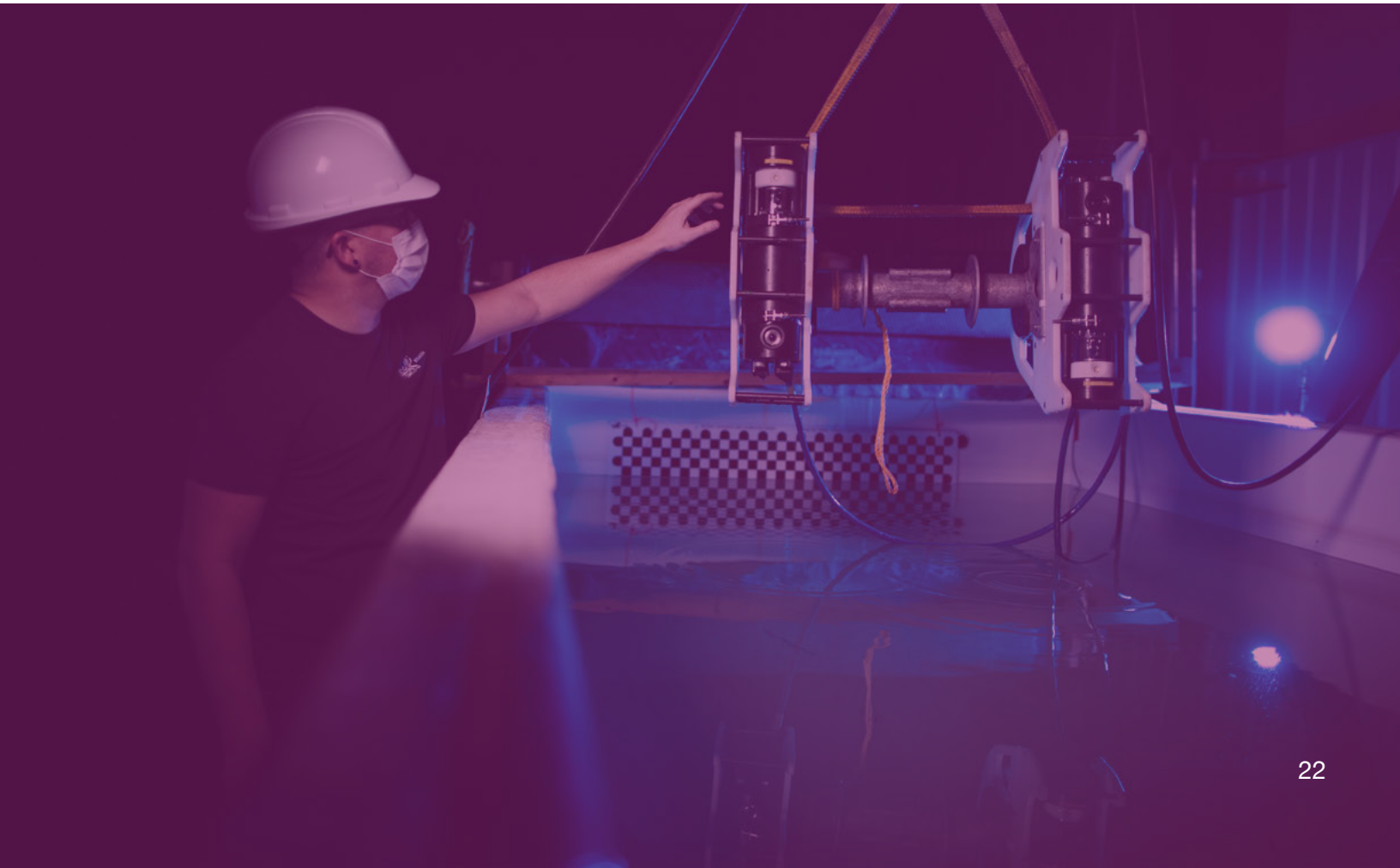
Finally, a culture of **risk aversion** works against innovation in procurement. Governments evaluate and assess their public buyers on their adherence to process, but the reality is that a dysfunctional status quo is extremely expensive. Government misses opportunities to make operations more efficient, service delivery more effective, and create more net economic benefits for the province if they create even a perception of risk.

Reforming processes to be lighter, more flexible and empowering public servants to take informed risks will improve procurement and economic outcomes.

Key Policies:

- **Create on-ramps for innovators** by expanding the use of pilots for procurements with outstanding technical uncertainty.
- **Better prepare small and medium businesses for procurement** through a **readiness program** that includes **training sessions, workshops, and a pre-qualification registry** of local suppliers. The Newfoundland and Labrador First Procurement Strategy already encourages vendor development, and expanding it to include **targeted training for the tech sector** could further support local companies.
- **Equip public buyers for innovation** by creating a centre for value-based procurement excellence within the public service to share, systematize and spread best practices for innovation procurement and value-based procurement between procurement officers, departments and officials from other public sector entities.
- **Improve agility in the procurement system** by creating a prequalification system, analogous to Ontario's Vendor of Record (VOR) system, that allows companies to avoid onerous and time-consuming piecemeal qualifications – ideally, such a system would be interoperable with similar provincial systems around Canada.

Taken together, these reforms would empower innovators to engage more confidently with public procurement processes and drive more competition and better results in the market for public provision for government.



3.4
Measuring What Matters

Consistent measurement and reporting is a critical component of any novel policy approach. Value-based procurement of technology and innovation is no different, and the province should move to establish key performance indicators and regularly measure progress against them.

Key Policies:

- **Promote accountability and measure progress** through annual publication of a **Government Technology Procurement Economic Impact Report**.
- **Ensure meaningful metrics** by measuring **total annual technology spending** across government and Crown corporations and track the share of in-province, Canadian and other procurements. It should also calculate the **economic multiplier effect** for local technology procurement and its long-term fiscal impact.
- **Create long-term capacity** by involving innovators in a standing advisory capacity in producing this research and reporting.

Without accurate data on the leakage of technology spending out-of-province, evidence-based policy decisions cannot be made. This report will establish a baseline for tracking progress and guiding future procurement reforms.

04
Roadmap for Reform

This framework positions Newfoundland and Labrador to lead in technology, health innovation, and advanced manufacturing while maintaining fiscal responsibility and high service delivery standards. By aligning procurement practices with economic development goals, the government can ensure that public spending drives long-term growth and resilience in the province's most promising sectors.

The following section presents a roadmap of key policies to implement in the short and medium term to drive systemic change, as well as key performance indicators against which to measure progress.

1. **Commission a Government Technology Procurement Economic Impact Report**

   - **Timeline:** Within **six months**, covering a retrospective of **2024** at a minimum.
   - **Objective:** Establish a baseline for current tech spending across government departments and crown corporations, categorized by **in-province, out-of-province, and out-of-country spending**.
   - **Outcome:** Provides critical data for **evidence-based policy decisions** and ongoing measurement.

2. **Implement Staff Augmentation and Small Project Policies Immediately**

   - **Timeline: Immediate implementation** for all applicable departments and organizations.
   - **Staff Augmentation:** Default to **in-province resources** unless exceptions are justified through an objective, transparent process.
   - **Small Custom Builds and Enhancements:** Prioritize local vendors for projects under the **applicable procurement thresholds** for crown corporations, core government, and MASH organizations.

3. **Apply Mandatory Local Economic Impact Scoring for Large tech Projects**

   - **Timeline:** Begin within the **next two years**.
   - **Implementation:** Allocate **10–15% of RFP scoring** to local economic impact, encouraging vendors to include **local subcontracting, training, and capacity-building efforts**.
   - **Outcome:** Ensures local participation in larger projects while maintaining compliance with procurement rules.

4. **Launch a Government-Led Education Initiative for Procurement Officers**

   - **Timeline:** Launch within **12 months**.
   - **Objective:** Educate procurement teams on **adaptive procurement models, economic impact scoring, and innovation-friendly RFPs.**
   - **Focus:** Ensure **compliance with trade regulations** while maximizing local economic benefits and building procurement capacity.

5. **Pilot HealthTech Innovation Policies with NL Health Services and Bounce Health Innovation**

   - **Timeline:** Launch pilot within **18 months**.
   - **Objective:** Test **adaptive procurement approaches, innovation procurement funds, and pilot-to-procurement conversion processes**.
   - **Measure:** Track KPIs such as **pilot-to-procurement conversion rates, procurement response timelines, and commercialization outcomes**.
   - **Outcome:** Create a scalable model for **health innovation** that can later expand to other sectors.

6. **Establish a Pre-Qualified Local Tech Innovation and Agile Support Group**

   - **Timeline:** Establish the group within **12–18 months**.
   - **Objective:** Form a group of **pre-qualified local tech vendors** to provide **rapid response for innovation needs and urgent projects**.
   - **Implementation:** Create a **streamlined procurement process** to engage these pre-qualified vendors, reducing response time and administrative overhead.

7. **Develop a Technology and Advanced Manufacturing Fund**

   - **Timeline:** Launch within **two years**.
   - **Objective:** Support the **scaling of proven pilots**, bridge the gap between **prototypes and commercialization**, and **prioritize local supply chains**.
   - **Outcome:** Enables **NL-based companies to retain intellectual property**, grow locally, and create high-value jobs.

8. **Ongoing Policy Review and Adaptation**

   - **Timeline:** Conduct **annual reviews** to ensure policies align with **economic priorities and evolving market conditions**.
   - **Objective:** Adapt and improve based on outcomes from **pilot projects and economic impact data**.

4.1
Key Performance Indicators (KPIs) for Innovation Program Leadership

1. **Pilots**
    - **Target:** set an annual target of pilots to undertake and report on them (number undertaken and demonstrated outcomes for each pilot)
    - **Why it matters:** Measures the effort of integrating innovative products and services into public institutions.

2. **Pilot-to-Procurement Conversion Rate**
    - **Target:** at least 75% of successful pilots transition to full-scale procurement within two years.
    - **Why it matters:** Measures the success of turning innovation into real-world adoption and scalable solutions.

3. **Procurement Decision Timelines**
    - **Target:** 90% of procurement decisions made within 6 months of pilot completion.
    - **Why it matters:** Reduces delays that hinder startup growth and ensures timely scaling of proven solutions.

4. **Innovation Procurement Fund Utilization**
    - **Target:** 80% of available funds allocated within each fiscal year.
    - **Why it matters:** Demonstrates active support for innovation and ensures funding is not underutilized.

5. **Local Supply Chain Participation**
    - **Target:** 50% of technology and manufacturing projects involve at least one NL-based supply chain partner.
    - **Why it matters:** Encourages local capacity building and job creation.

6. **Commercialization and Market Readiness**
    - **Target:** 20% of projects achieve commercialization within three years of scaling support.
    - **Why it matters:** Tracks the innovation program's long-term success and economic impact.

Appendix A: Canadian Provinces and Territories with Agile IT Procurement Frameworks

Several Canadian provinces and territories have established Vendor of Record (VOR) programs or similar frameworks to streamline procurement and enhance agility in IT project delivery. These programs are designed to streamline procurement processes, reduce administrative burdens, and enable more agile responses to IT project needs within their respective jurisdictions.

Ontario

Vendor of Record (VOR) Program

Ontario has a comprehensive VOR system that prequalifies vendors across various categories, including IT services. This program allows government ministries to procure goods and services more efficiently by selecting from pre-approved vendors, reducing procurement time and fostering agility in project execution.

Quebec

Prequalified IT Vendor Lists in Quebec

The Government of Quebec maintains prequalified lists of IT vendors to streamline procurement processes and support agile project implementation. These lists enable quicker access to qualified vendors for various IT projects across different sectors.

Chapter V.1 of provincial procurement regulations lays out rules for qualification processes for suppliers. Only companies that have successfully completed this process can bid on calls related to these “qualified” markets. The qualification criteria focus on factors such as the quality of the workforce, the company’s experience, and its track record of successful projects.

Alberta

Prequalification Practices

The Government of Alberta utilizes prequalification models and procurement strategies that streamline access to IT consulting and digital services, helping government agencies engage prequalified suppliers more efficiently.

Alberta Purchasing Connection (APC) is Alberta's primary procurement portal, where government agencies issue tenders, including for IT consulting and digital services. Alberta frequently establishes prequalified supplier lists for specific IT service categories (e.g., cybersecurity, development & operations, project management), which allow for faster procurement without initiating a full RFP process each time.

Cybera, Alberta's non-profit technology accelerator, offers the ShareIT initiative, which includes a **prequalified IT Services Roster**. This program increases access to qualified providers and reduces costs associated with IT professional services for public sector organizations in Alberta. The IT Services Roster includes various service areas such as cloud solutions, software development, and IT support.

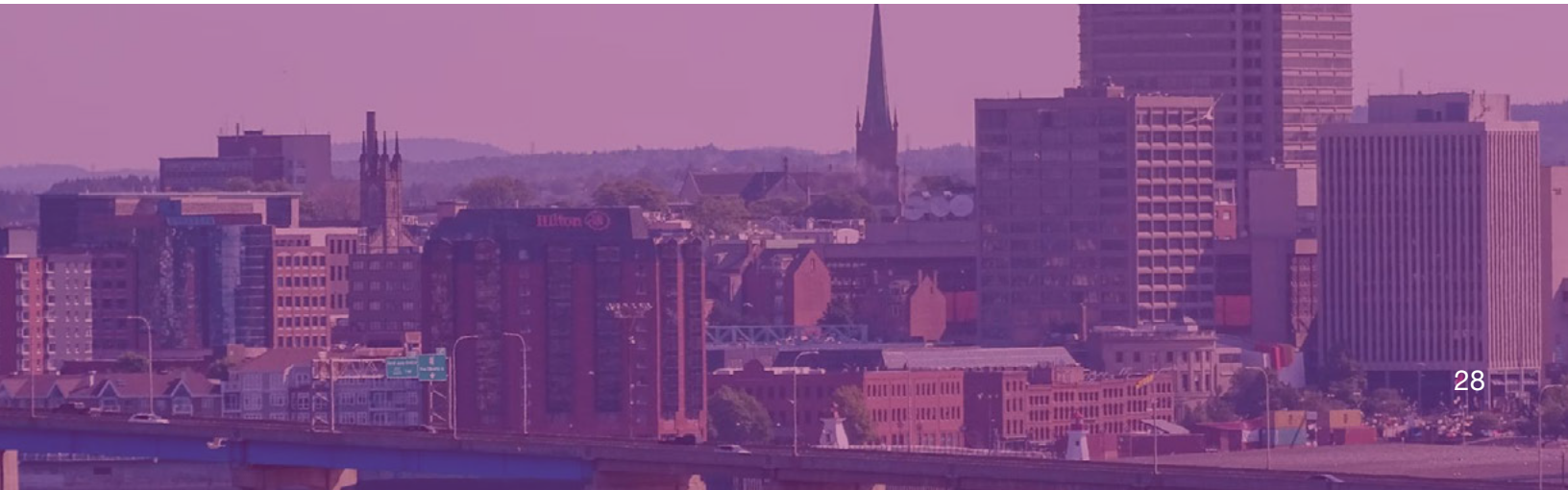
New Brunswick

Prequalified Supplier Lists for Digital Services

The Government of New Brunswick employs **prequalification processes** to streamline procurement for IT services, enabling provincial agencies to engage vendors more efficiently without initiating a full **Request for Proposal (RFP)** process for each project. This approach enhances procurement agility and supports local innovation.

As outlined in New Brunswick's Goods and Services Regulation, procuring entities may establish **prequalification lists of goods, services, or prospective suppliers** for future competitive bidding processes. This allows for a more efficient procurement method by engaging prequalified suppliers directly.

New Brunswick Opportunities Network (NBON) is the official tendering site for all New Brunswick public sector entities. Suppliers can register for free to **access tender opportunities, receive email notifications**, and **participate in procurement processes**. This platform facilitates the dissemination of procurement information and the management of **prequalified supplier lists**.



Government of Canada

Shared Services Canada (SSC) – Supply Arrangements (SA)

The Government of Canada, through **Shared Services Canada (SSC)**, has implemented **Supply Arrangements (SAs)** to streamline the procurement of IT professional services and cloud solutions. These arrangements prequalify suppliers, expediting the acquisition process and promoting agility in IT service delivery.

SSC establishes SAs with suppliers who meet specific criteria, allowing federal departments to access a pool of vetted vendors for IT services. This includes cloud services, including Infrastructure as a Service (IaaS) and Platform as a Service (PaaS), through approved providers. Departments can procure these services via the Government of Canada's Hosting Services Portal.

Public Services and Procurement Canada (PSPC) has established the Software-as-a-Service Supply Arrangement to provide federal departments with access to prequalified suppliers offering Software as a Service (SaaS) solutions. This arrangement facilitates the procurement of cloud-based software applications.

These supply arrangements are part of SSC's broader mandate to consolidate and modernize IT infrastructure across the federal government, ensuring secure and efficient service delivery.

Appendix B: Local Presence Definition and Service Implications for Weighted Economic Impact Scoring

Local Presence Definition

A business entity is considered to have a local presence if it meets the following criteria:

- **Physical Location:** The business must have a physical office or operational facility located within the geographical boundaries of Newfoundland and Labrador. This location should be actively used for conducting business operations, including but not limited to administrative functions, sales, customer service, and technical support.
- **Local Employees:** The business must employ a significant number of local residents as part of its total workforce. Local employees are defined as individuals who reside within Newfoundland and Labrador and are employed on a full-time, part-time, or contractual basis. The business should demonstrate a commitment to hiring and retaining local talent, contributing to the local economy through job creation and workforce development.
- **Local Ownership:** The business must have a significant percentage of ownership held by residents of Newfoundland and Labrador. Local ownership is defined as the percentage of the business that is owned by individuals or entities residing within the province.

Weighted Score Reflecting Local Presence and Service Integration

To quantify the local presence and economic impact of vendors, a weighted score can be assigned based on the following formula:

Local Presence Score = $(P \times Wp) + (E/100 \times We) + (O/100 \times Wo) + (S/100 \times Ws)$

Where:

- P is the physical location score (1 if the business has a physical location in Newfoundland and Labrador, 0 otherwise).
- Wp is the weight assigned to the physical location (e.g., 0.2).
- E is the percentage of local employees compared to total employees (0 to 100).
- We is the weight assigned to the local employee percentage (e.g., 0.5).
- O is the percentage of local ownership (0 to 100).
- Wo is the weight assigned to the local ownership percentage (e.g., 0.2).
- S is the score for value-added services (0 to 100).
- Ws is the weight assigned to the value-added services score (e.g., 0.1).

Example Calculation

For a business with a physical location in Newfoundland and Labrador, 75% of its total employees being local residents, 60% of the business being locally owned, and a value-added services score of 80, the local presence score would be calculated as follows:

Local Presence Score= $(1 \times 0.2) + (75/100 \times 0.5) + (60/100 \times 0.2) + (80/100 \times 0.1) = 0.2 + 0.375 + 0.12 + 0.08 = 0.775$

This formula ensures that businesses with a stronger local presence, both in terms of physical location, local employment, local ownership, and value-added services, receive a higher score.

Service Implications for Weighted Economic Impact Scoring

Integrating value-added services like configuration, deployment, asset management, and license management into tech procurement can have significant implications for the Weighted Economic Impact Scoring. Here are some considerations and potential changes to the wording:

- **Enhanced Local Skills Development:** By integrating value-added services, the government can foster skills in local companies that can be easily transferred to the private sector. This can be reflected in the economic impact scoring by giving additional weight to vendors that demonstrate a commitment to local workforce development and skills training.
- **Comprehensive Service Offerings:** Vendors that offer comprehensive service packages, including configuration, deployment, asset management, and license management, can be given higher scores. This encourages local companies to develop and offer these services, enhancing their competitiveness and value proposition.
- **Long-Term Economic Benefits:** The integration of value-added services can lead to long-term economic benefits, such as increased local employment and the development of a skilled workforce. The scoring system can be adjusted to reflect these long-term benefits by assigning higher weights to vendors that contribute to sustainable economic growth.

Appendix C. Public Procurement and Trade Agreements:

Overview of Trade Agreements and Their Impact on Procurement

Public procurement in Canada is governed by several trade agreements that set rules on how provinces and public entities can purchase goods and services. These agreements ensure fair competition, prevent discrimination against suppliers from specific regions, and set thresholds above which procurement must be open to domestic and/or international bidders.

The key trade agreements affecting provincial procurement are:

1. **Canadian Free Trade Agreement (CFTA)**

   The CFTA applies to all public sector procurement within Canada, ensuring fair competition among Canadian suppliers. It mandates that procurements above specific thresholds must be open and non-discriminatory between provinces and territories.

2. **Comprehensive Economic and Trade Agreement (CETA)**

   The CETA, an agreement between Canada and the European Union, applies when procurements exceed certain values. It requires that European suppliers be given the same opportunity to compete as Canadian companies in covered procurements.

3. **World Trade Organization Agreement on Government Procurement (WTO-GPA)**

The WTO-GPA applies to public procurement that exceeds certain financial thresholds, ensuring that suppliers from signatory countries (including Canada) have equal access to procurement opportunities in each other's markets.

4. **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)**

The CPTPP applies to procurement involving suppliers from Pacific Rim countries. Like CETA and WTO-GPA, it sets rules for openness and transparency in procurement processes.

According to the Treasury Board of Canada (Contracting Policy Notice 2023-6), each agreement sets a financial threshold that determines whether procurement must be open to domestic and/or international suppliers.

Entity Type	CFTA (Canada-wide)	CETA (EU-Canada)	WTO-GPA (Global)
Provincial Governments	Goods: $33,400 Services: $133,800	Goods & Services: $229,600	Goods & Services: $229,600
	Construction: $133,800	Construction: $8,800,000	Construction: $8,800,000
MASH Sector (Municipalities, Academia, Schools, Health)	Goods: $133,800 Services: $133,800 Construction: $334,400	Goods & Services: $353,300 Construction: $8,800,000	Not covered
Crown Corporations & Government Enterprises	Goods: $668,800 Services: $668,800	Goods & Services: $627,200	Goods & Services: $627,200
	Construction: $6,685,000	Construction: $8,800,000	Construction: $8,800,000

If the procurement value exceeds the applicable threshold, the procurement must follow open and non-discriminatory practices. Below the thresholds, a province may have more flexibility to prioritize local companies.

What This Means in Practice:

1. **Below Threshold Procurement**

    1.1 Provinces can **directly award** contracts to local suppliers.
    1.2 They can **use set-asides or targeted policies** that prioritize local economic development.

2. **Above Threshold Procurement**

    2.1 The procurement **must be open to all eligible suppliers**, including those from other provinces (CFTA) and, in some cases, from the EU, WTO members, or CPTPP countries.
    2.2 **No explicit preference** can be given to local companies.
    2.3 **Transparent procurement processes** must be followed, including publicly posted tenders and fair evaluation criteria.

3. **How to Support Local Companies While Complying with Trade Rules**

    3.1 **Use non-discriminatory criteria** like innovation, sustainability, or local job creation, rather than explicitly favoring local businesses.
    3.2 **Encourage partnerships** by structuring procurements to allow consortia where local and international suppliers can work together.
    3.3 **Set contract sizes and use exclusion categories such as R&D strategically** so that smaller and innovative procurements remain below thresholds where local selection is allowed.

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[x] Information for CETA thresholds on MASH Sector procurement were retrieved from: Marcia Mills, *Trade Agreement Procurement Thresholds for 2024: Fasken's Procurement Practice Group* (Fasken, 2024): https://www.fasken.com/en/knowledge/2024/01/new-year-new-trade-agreement-thresholds-but-no-new-trade-agreements.

Appendix D. Existing and Potential Tech Products/Services with GovNL:

Existing Procurement Relationships

NL Hydro is working on a pilot project using Mysa's smart thermostat to manage the energy grid during peak hours.

Newfoundland and Labrador Health Services uses TxtSquad to improve patient communications at Family Care Teams, New Canadian Clinics, Walk-in Clinic and in select surgical teams.

Newfoundland and Labrador Health Services is working with PolyUnity Tech to establish an end-to-end Additive Manufacturing as a Service solution to foster innovation and save on costs in healthcare.

NL Hydro uses Omega 365 Project and Asset Management software for their Major Projects group, including document/engineering management, cost management, and risk management.

After a successful CanHealth evaluation project, the Department of Health and Community Services is exploring the integration of Luxsonic's Virtual Imaging Platform to improve access to medical imaging workflow and expertise across the province.

GovNL relies on Triware's enterprise hardware solutions, local warehousing, vendor management, and onsite service delivery to streamline procurement and ensure reliable technology operations.

Newfoundland and Labrador Health Services uses Fonemed's Florizel virtual care platform to operate the 811 HealthLine and support virtual primary and urgent care programs, improving patient access and system efficiency.

The Office of the Chief Information Officer is piloting cybersecurity training offered by the Sentinel Institute, with the potential of provisioning it to all government.

Newfoundland & Labrador Health Services uses DischargeHUB (product of Seafair Capital) in over 15 sites across the province to optimize patient transitions from hospital to home to reduce ALC levels, improve patient flow, and enhance coordination of care across the full continuum.

Potential Procurement Relationships

GovNL could use Spellbook, the world's #1 AI contract review and drafting solution, to detect risks, redline documents, draft language, and benchmark contracts for fairness.

NL Hydro could use NetBenefit, a world leader in socioeconomic impact tracking, as a sole-sourced solution to meet their critical tracking needs.

The Department of Energy and Mines could use Angler Solution's MESO, a techno-economic modeling software, to rapidly evaluate renewable and hybrid energy systems across the province without advanced technical training.

GovNL could use Sparrow BioAcoustics' downloadable medical device for large-scale public cardiac screening and trial programs, detecting structural and rhythmic heart conditions efficiently.

Newfoundland and Labrador Health Services could expand to use PolyUnity Tech's full suite of services, including 3D-printed custom casts and manufacturing of equipment such as test tube racks and lab supplies.

GovNL IT teams could use NotificationAPI to deliver emails and SMS notifications securely and reliably across sectors, reducing costs, accelerating projects, and meeting data residency requirements.

GovNL Department of Health and Community Services and Eastern Health could use Nucliq Biologics' Gutcheck platform to gain population-level microbiome insights for preventative healthcare, chronic disease management, and wellness programs.

GovNL could use Vision33's iDocuments to automate Accounts Payables and expense processes and Saltbox to connect cloud, on-premises, and legacy systems, supporting modernization across agencies.

GovNL could use Sentinel Institute's conversational AI to help citizens access information across departments via web or phone, improving accessibility for blind or non-English-speaking users.

GovNL could use CGI Transcend to modernize social services, CGI OverCite to streamline licensing and compliance, CGI OpenGrid360 to modernize utility operations and manage decentralized energy resources, and CGI DigitalGov360 to transform their online service delivery with AI-enabled, modernized screen development and rendering.

GovNL could further leverage Triware's local service, consulting, and vendor partnerships to support additional IT operations, enhance procurement efficiency, and strengthen operational reliability across departments.

GovNL's Eastern Health and Public Works could use Omega 365 to manage construction, hospital operations, and major infrastructure projects, leveraging Omega's St. John's office for local support, configuration and implementation services.

GovNL could leverage Pinnacle's expertise in IT, Cyber Security, Communications, Printing technology and solutions by partnering with leading global brands.

GovNL could use IMP Solutions' Cybersecurity Assessment and Remediation Services, including health checks, penetration testing, and compliance reviews, to identify risks and strengthen security posture.

GovNL departments could use Rivet's commercialization consulting and AI-powered Sales Blueprint Builder to accelerate local innovation, helping tech companies commercialize and scale faster.

GovNL could use Compusult's Incident Command /Emergency Management platform for decision support, information sharing, and collaboration across first responders during emergency situations such as wildfires, as well as use Compusult's geospatial, asset tracking, and robotics solutions to enhance quality control and improve operational efficiency across departments.

Opportunity to Co-Develop Early-Stage Products

GovNL could co-develop Carnegie Learning's AI-driven K–12 curriculum to expand elementary education in mathematics, literacy, and other subjects, providing students and teachers with a comprehensive learning solution.

The Department of Tourism, Culture, Arts and Recreation could use Art Manager Pro, a Vifta portfolio management platform for artists, to manage collections across locations and provide public digital access, improving accessibility.

GovNL departments such as Education, Immigration & Skills Development, or Health & Community Services could use a Refined Solutions Systems, a mobile-first AI-powered LMS, for remote learning, upskilling, and public training programs.

GovNL could use Engage Creative's OmniVUE for AI-driven environmental and emergency management and Robot Interactive + Marketing's chat agents to improve citizen engagement with accurate, verified information.

GovNL could co-develop a procurement dashboard with Compusult to increase transparency, streamline processes, and support data-driven decision-making.

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