



Cabinet

Minute of Decision

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Enhancing the Effectiveness of Government Procurement Policy

Portfolio **Economic Development**

On 23 October 2018, following reference from the Cabinet Economic Development Committee (DEV), Cabinet:

- 1 **noted** that the existing government procurement policy framework is fit for purpose and supports participation of New Zealand suppliers in government procurement, both domestically and as an export market;

Further development of policy framework

- 2 **noted** that while New Zealand's free trade commitments prohibit "buy local" requirements, there is an opportunity to be more explicit in supporting New Zealand business and to use procurement to support additional outcomes, thereby deriving greater value from government investment;
- 3 **noted** that by prioritising a set of outcomes for agencies to leverage from procurement, the government could have greater collective impact and better manage additional costs and complexity in contracts;
- 4 **agreed** to place a certain level of requirement on agencies to leverage those priority outcomes and provide guidance and support for agencies to implement those requirements;
- 5 **agreed** in principle to the proposed set of four priority outcomes, subject to further investigation and consultation, namely to:
 - 5.1 increase New Zealand businesses' access to government procurement;
 - 5.2 increase the size and skill level of the domestic construction sector workforce and provide employment opportunities to targeted groups;
 - 5.3 improve conditions for workers and future-proof the ability of New Zealand business to trade; and
 - 5.4 support the transition to a net zero emissions economy and assist the government to meet its goal of significant reduction in waste by 2020;

6 **agreed** that agencies will initially be asked to target specific contracts for these four outcomes, namely:

Construction contracts	Training (including H&S) (outcomes 2 and 3)
AoG vehicles	Reducing emissions (outcome 4)
Stationary heat in government buildings	Reducing emissions (outcome 4)
ICT services/computer software	Innovation and local content (outcome 1)
AoG office consumables	Reducing waste (outcome 4)
Cleaning services	Employment standards (outcome 3)
Security services	Employment standards (outcome 3)
Forestry contracts	Employment standards, training and H&S (outcomes 2 and 3)

7 **agreed** that if the approach proves effective this will, where applicable, be extended to other industries and contracts over time;

8 **noted** that:

8.1 the Minister of Forestry will report to DEV with a Think Timber paper to encourage the use of wood in government-funded building projects;

8.2 Think Timber will support multiple priority outcomes, particularly numbers 1 and 4, and is in line with the government’s sustainable, inclusive and productive economic strategy which was considered in September 2018 [DEV-18-MIN-0222];

9 **noted** that agencies can continue to voluntarily leverage other outcomes from their procurement;

10 **invited** Ministers to write to their Chief Executives (using the letter at Annex 3 to the submission under DEV-18-SUB-0234) which outlines the expectation that when their agency purchases replacement vehicles, they purchase vehicles with emission profiles significantly below their agency’s current fleet average;

11 **directed** the Ministry of Business, Innovation and Employment (the Ministry) to develop a monitoring and reporting framework to obtain a system-wide view of government procurement activity, including establishing a baseline and tracking what outcomes are being achieved across government (this will be reported to DEV annually, and findings would be used to inform improvements in design and practice);

12 **noted** that the Ministry will undertake work to develop an agreed definition of a New Zealand business for the purposes of the monitoring and reporting framework;

13 **invited** the Minister for Economic Development to report to DEV by February 2019 on:

13.1 options for collecting data to provide a system-wide view of business participation in government procurement and for establishing a monitoring and reporting framework on leveraging broader outcomes;

13.2 details on implementing the priority set of outcomes, following stakeholder consultation; and

- 13.3 proposed amendments to the Government Rules of Sourcing;
- 14 **invited** the Minister for Economic Development and the Minister for Māori Development to report to DEV with further information and analysis on the benefits of indigenous procurement policies, such as those in Australia and Canada, as a mechanism to improve wellbeing outcomes;
- 15 **noted** that the Minister for Economic Development will give further consideration to opportunities to leverage outcomes from government procurement policies, such as wool products.

Michael Webster
Secretary of the Cabinet

Secretary's Note: This minute replaces DEV-18-MIN-0234. Cabinet amended paragraph 6.

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister for Economic Development