



COVERSHEET

Minister	Hon Nicola Willis	Portfolio	Economic Growth
Title of Cabinet paper	Proposed 5 th Edition of the Government Procurement Rules	Date to be published	9 October 2025

List of documents that have been proactively released

Date	Title	Author
August 2025	Proposed 5 th Edition of the Government Procurement Rules	Office of the Minister for Economic Growth
19 August 2025	Proposed 5 th Edition of the Government Procurement Rules EXP-25-MIN-0082 Minute	Cabinet Office
August 2025	Appendix A: <i>Government Procurement Rules: Responsible expenditure of public funds.</i> Will be publicly available at NZGP home New Zealand Government Procurement	MBIE

Information redacted

YES / NO (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

In Confidence

Office of the Minister for Economic Growth

Cabinet Economic Policy Committee

Proposed 5th Edition of the Government Procurement Rules

Proposal

- 1 This paper seeks:
 - 1.1 approval of the 5th edition of the Government Procurement Rules;
 - 1.2 agreement that the 5th edition of the Government Procurement Rules will come into force three months after Cabinet approval of this paper;
 - 1.3 agreement to remove the requirement to use an approved sustainable building rating system for new non-residential government owned buildings.

Relation to government priorities

- 2 This initiative supports the Government's *Going for Growth* plan by improving the Government Procurement Rules (the Rules) to reduce red tape and ensure spending is responsible, promotes competition and considers economic benefits to New Zealand in every procurement.

Executive Summary

- 3 The Rules set Government's minimum expectations for public servants when spending public money. They promote consistent practice and support accountability and public trust through fair and competitive procurement processes.
- 4 The Ministry of Business, Innovation and Employment (MBIE) completed a comprehensive review of the Rules to ensure they continue to deliver on their primary purpose to promote public value and the responsible use of public money as well as support the economy through a 'procurement for growth' approach. A new 5th edition of the Rules has been developed (at **Appendix A**). The 5th edition of the Rules represents a significant shift towards greater efficiency, transparency and value for money; improving delivery through new rules for contract management; and strengthening rules and practices that support New Zealand businesses.
- 5 The 5th edition of the Rules will make it easier for New Zealand businesses to win government contracts collectively worth more than \$50 billion a year, whilst ensuring New Zealand meets its international trade commitments. The changes I am proposing cut red tape and reduce unnecessary requirements on businesses responding to government procurement opportunities. This will level the playing field, so that New Zealand businesses are not locked out of winning government contracts. The number of rules has been reduced from 71 to 47 by removing rules that are redundant or no longer necessary.
- 6 I propose that the 5th edition of the Rules comes into force three months after Cabinet approves this paper. This will give agencies and suppliers time to familiarise themselves with the new requirements and update their processes.

Background

Government Procurement Framework

- 7 The New Zealand public sector spends over \$50 billion each year on purchases of goods and services to support the delivery of its activities, including infrastructure, social and other public services.
- 8 I am responsible for the Government Procurement Framework which includes policy, the Rules and guidance. Chief executives have autonomy over how their agencies operate, including accountability for their procurement, working within this Framework.

Government Procurement Rules

- 9 The Rules set the Government's minimum expectations for public servants when spending public money to procure the goods and services they need to provide public services and to:
 - 9.1 deliver public value and promote accountability for the appropriate use of public money;
 - 9.2 ensure the system operates with integrity, including transparency, fairness, and competition among suppliers;
 - 9.3 reflect New Zealand's government procurement trade obligations; and
 - 9.4 establish procurement processes that are consistent and predictable, making it easier for agencies and suppliers to engage with each other.
- 10 On 22 April 2014 the Minister of State Services and the Minister of Finance issued a direction under section 107 of the Crown Entities Act 2004 that all Crown entities (except School Boards of Trustees) must apply the Rules. Around 135 agencies must follow the Rules (referred to as "mandated agencies") including Departments, Ministries, Crown entities (except school board trustees) and Public Finance Act Schedule 4A companies.
- 11 With the agreement of the Minister of Finance and Minister for the Public Service, I propose that the Rules continue to bind Crown Entities (except school board trustees) and Public Finance Act Schedule 4A companies in order to promote a whole of government approach to procurement policy and practice, enhance the economic benefits to New Zealand from procurement, and to implement the commitments New Zealand has already made in its free trade agreements.

Government Procurement Rules Review

- 12 MBIE completed a comprehensive review of the Rules, including public consultation, and has developed the new Rules to ensure that they continue to deliver on their primary purpose. This is to deliver public value, promote the responsible use of public money as well as support the economy through a 'procurement for growth' approach, including by promoting efficiency, competition and support for New Zealand businesses.
- 13 The review included consideration of opportunities to support supplier diversity and meets a requirement to report back to Cabinet on this [CAB-24-MIN-0321 refers].

Proposed changes to the Government Procurement Rules

- 14 Ensuring government expenditure is focused on delivering public value is crucial, but the changes I am proposing to the Rules retain this focus while making it easier for New Zealand businesses to win government contracts that are collectively worth more than \$50 billion a year. The changes I am proposing:
- 14.1 promote competition by levelling the playing field – including stronger requirements to prevent agencies from locking out businesses that have not yet won a government contract;
 - 14.2 support New Zealand business – a new expectation to award contracts to New Zealand businesses below value thresholds of \$100,000 for goods, services and refurbishment works and \$9 million for construction works;
 - 14.3 drive efficiency – the Rules have been streamlined and simplified, with emphasis on process and practice that is right sized to the value, risk and complexity of the procurement;
 - 14.4 support effective contract management - ensuring the contracts are managed to retain value for money over the life of the contract; and
 - 14.5 improve transparency – driving accountability and visibility of contracts for the responsible use of public money.
- 15 The number of rules has been reduced from 71 to 47 by removing rules that are redundant or unnecessary, duplicate content, repeat statutory and regulatory requirements or have never been applied in practice.

Replacement of broader outcome rules with a new economic benefit rule

- 16 The 4th edition of the Rules included rules relating to broader cultural, economic, environmental and social outcomes (Broader Outcomes) that could be achieved through procurement activities and focussed on four priority areas:
- 16.1 increasing access for New Zealand businesses;
 - 16.2 construction skills and training;
 - 16.3 improving conditions for New Zealand workers; and
 - 16.4 transitioning to a Net Zero Emissions Economy and designing waste out of the system.
- 17 I am proposing that the Broader Outcomes rules and designated contracts associated with them are removed from the 5th edition of the Rules and replaced with a new rule focused on the Economic Benefit to New Zealand (Rule 8).
- 18 Every year government procures billions of dollars' worth of goods and services and the new economic benefit rule I am proposing will require government agencies to seek public value to New Zealand in every procurement. Unlocking New Zealand's potential through economic growth is a key priority for this government and government procurement activities can support this. Delivering public value to New Zealand is about getting the best result from a procurement. This includes looking to achieve a good commercial outcome, taking into account what solution represents the best balance of quality, outcomes and whole-of-life costs and benefits. When

agencies are procuring, they should consider quality and cost but getting value is also about assessing the economic contribution that contracts can make to New Zealand as a whole.

- 19 The new Economic Benefit to New Zealand rule will apply to all procurements over the specified thresholds, ensuring that economic benefits to New Zealand will be considered for every procurement. I am also proposing that agencies must apply a minimum weighting of 10 per cent to economic benefits when evaluating proposals. This will ensure these benefits are clearly and transparently considered when agencies decide to award a contract.

Promoting supplier diversity

- 20 The new Economic Benefit to New Zealand rule provides a framework for considering the public value of every procurement. Examples include creating employment opportunities for New Zealanders, using a range of New Zealand businesses to deliver goods and services, either directly or as a subcontractor in the supply chain. Focusing on economic benefits to New Zealand will help level the playing field, improving the ability of smaller businesses to bid and giving more small and medium sized New Zealand businesses the opportunity to grow and become global players.
- 21 The objective of promoting supplier diversity remains in New Zealand's government procurement framework through the Economic Benefit to New Zealand rule and is further strengthened by a new focus on right-sized and proportionate procurement approaches that cut red tape, streamline and simplify processes and reduce the burden on businesses responding to government procurement opportunities. This includes ensuring they are not disadvantaged because they have not previously contracted with government.

Monitoring

- 22 MBIE undertakes monitoring of the Rules and will ensure that this has a strong focus on the delivery of economic benefits to New Zealand. To monitor implementation and build a picture of the economic benefits that will be delivered through government contracts, MBIE is making changes to the Government Electronic Tender Service (GETS)¹. For opportunities advertised and awarded on GETS, information will be collected:
- 22.1 when agencies go to the open market – to ensure they are complying with the requirement to seek economic benefits to New Zealand in their procurement activities and that economic benefits are weighted at least 10 per cent;
- 22.2 as suppliers are selected and contracts are awarded – on the types of economic benefits that are being built into contracts.
- 23 MBIE will report on this information on a six-monthly basis.
- 24 Economic benefits will be delivered over the life of contracts. Some benefits, such as the completion of training and apprenticeships, or the development of innovative products will take time to be realised. To understand what economic benefits are

¹ GETS is where government contracts must be openly advertised if the total value of the procurement meets or exceeds \$100,000 for goods, services or refurbishment works, or \$9 million for new construction works, when there is no exemption from open advertising.

delivered over the life of contracts, MBIE will require agencies to report a summary of the key economic benefits that they have achieved through their procurement activities. Information on these longer-term benefits will be included in MBIE's six-monthly reporting over time, as they are realised and reported to MBIE.

Removal of the requirement to use an approved sustainable building rating system

- 25 On 1 October 2021 Cabinet agreed that agencies, that are required to apply the Rules, must use an approved sustainable building rating system when building a new non-residential government owned building with an estimated capital value of \$9 million and over [CAB-21-MIN-0397 refers]. Cabinet also agreed that this requirement would be implemented through the Rules and the Green Star rating system would be an approved sustainable building rating system.
- 26 Decarbonisation is expected to have longer term environmental and economic benefits (eg avoided costs resulting from extreme weather events), but the upfront costs can be significant. The relative costs and benefits of decarbonisation should be considered for individual procurements to determine if investing in decarbonisation represents good public value and will deliver economic benefit for New Zealand.
- 27 I am proposing that we remove this requirement. The proposed Economic Benefit to New Zealand rule creates a framework where agencies can incorporate decarbonisation into their procurements, where it represents good public value and will result in economic benefit to New Zealand.

Retention of the Open Syndicated Contracts Framework

- 28 Due to concerns raised about a historic open syndicated contract that has a term of 15 years (renewals of 5+5+5 years), I sought advice from MBIE about whether to retain the ability for government to establish new open syndicated contracts. I am satisfied that this framework can create benefits to the Crown through cost savings, efficiencies and achieve public value, provided they are set up appropriately. The Procurement System Leader will ensure that any new contracts are robustly assessed and reflect modern procurement practices and conditions before being approved. If proposals for open syndicated contracts reflect poor procurement practice or contract conditions (eg recommends a long contract duration or the appointment of a single supplier without good reason) they will no longer be approved by the Procurement System Leader.

Implementation

- 29 I propose that the 5th edition of the Rules comes into force three months after Cabinet approval of this paper and will be applied from this date as procurements go to the market. Existing contracts will remain as they are and will apply the requirements of the 5th edition of the Rules when they are refreshed or return to the market. The three-month transition period will allow businesses the time to familiarise themselves with the new Rules, so they are well placed to respond to the new requirements.
- 30 Unlocking New Zealand's potential through economic growth is a key priority and the changes to the Rules that I am proposing support this. I expect agencies to apply the necessary resource to be ready to implement the 5th edition of the Rules in three months. Where agencies can apply the new Rules sooner, I expect them to do so.
- 31 To ensure that agencies are focused on the implementing the 5th edition of the Rules and delivering economic benefits for New Zealand, I am proposing that before the 5th

edition of the Government Procurement Rules come into effect, agencies will be required to:

- 31.1 reflect the requirements of the new Rules, including the achievement of economic benefits, and what ongoing reporting they plan to undertake, into their agency-wide procurement strategies and policies. This will drive change internally;
 - 31.2 provide a briefing to the Minister with overall responsibility for the agency on what changes they are making to implement the requirements in the 5th edition of the Rules, including how they will implement and monitor economic benefits;
 - 31.3 forward these briefings to MBIE to enable the development of a system-wide view.
- 32 This requirement will be applied proportionately, with the level of administrative effort reflecting the size of the agency and the scale of its procurement activity. MBIE will provide guidance to agencies.

Cost-of-living Implications

- 33 This proposal does not have cost of living implications.

Financial Implications

- 34 There may be some administrative and resourcing implications, at least initially, for government agencies while they incorporate the changes to the Rules into their procurement policies and processes. These will be met within agency operational baselines.
- 35 There may also be some increased resourcing implications resulting from new requirements in the Rules (eg to have a systematic approach to identifying contracts and have contract management plans in place). However, this will be justified by the longer-term benefits of improved transparency, accountability and public value.

Legislative Implications

- 36 No legislative implications have been identified.

Impact Analysis

Regulatory Impact Statement

- 37 This proposal does not require a Regulatory Impact Assessment as it has no direct legislative implications.

Climate Implications of Policy Assessment

- 38 A Climate Implications of Policy Assessment (CIPA) is not required.

Population Implications

- 39 This proposal will not impact on specific population groups.

Human Rights

- 40 The proposal in this paper does not have direct implications for the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of external Resources

- 41 There has been no use of external resources in the context of this proposal.

Consultation

- 42 Public consultation on the 5th edition of the Rules took place from 12 March to 8 April 2025. There was broad agreement that the new Rules had been simplified, placed a stronger emphasis on transparency and were easier to read and follow. A greater focus on accountability, growing the New Zealand economy and improved contract management activities were welcome additions. MFAT was consulted and provided support to ensure that the new Rules continue to meet its international government procurement trade commitments. Departmental consultation sought feedback from all agencies (around 135) who are required to apply the Rules.

Communications

- 43 MBIE will use a range of channels to ensure that agencies and businesses are aware of the new 5th edition of the Rules.

Proactive Release

- 44 This paper will be proactively released, subject to redactions as appropriate under the Official Information Act 1982 within 30 days of Cabinet decision.

Recommendations

The Minister for Economic Growth recommends that the Committee:

- 1 note that the Government Procurement Rules have been revised to provide a stronger focus on supporting the economy, improving transparency and accountability and have been simplified to make them easier to understand and apply;
- 2 approve the 5th Edition of the Government Procurement Rules;
- 3 note that the review of the Government Procurement Rules considered opportunities to support supplier diversity, and this paper meets the requirement to report back to Cabinet on supplier diversity [CAB-24-MIN-0321 refers].
- 4 note that agencies will require some time to update their internal procurement policies and procedures and train staff on the provisions in the new Rules;
- 5 agree that the 5th Edition of the Government Procurement Rules will come into force three months after Cabinet approval of this paper;
- 6 note that broader outcomes and related designated contract requirements in the 4th edition of the Rules have been replaced with a new Rule: Economic Benefit to New Zealand;
- 7 agree to remove the requirement that agencies, that must follow the Government Procurement Rules, must use an approved sustainable building rating system when

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building a new non-residential government owned building with an estimated capital value of \$9 million;

- 8 note that the proposed Economic Benefit to New Zealand rule creates a framework where agencies can incorporate social and environmental outcomes into their contracts, where it represents good public value and will result in economic benefit to New Zealand;
- 9 agree that before the date on which the 5th edition of the Government Procurement Rules come into effect, agencies must brief the Minister with overall responsibility for their agency, and forward this to MBIE, on what changes they are making to implement the requirements in the 5th edition of the Government Procurement Rules, including how they will implement and monitor economic benefits;
- 10 agree that, in relation to paragraph 9 above, the requirement for agencies to brief their responsible Minister should be applied proportionately, with the level of administrative effort reflecting the size of the agency and the scale of its procurement activity, and that MBIE will provide guidance to agencies;
- 11 note that the Minister of Finance and the Minister for the Public Service agree to continue to bind application of the Rules to those Crown entities and Public Finance Act Schedule 4A companies covered by the Whole of Government Direction on Functional Leadership issued under section 107 of the Crown Entities Act on 22 April 2014.

Authorised for lodgement

Hon Nicola Willis

Minister for Economic Growth

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Appendix A: 5th Edition of the Government Procurement Rules

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