

In Confidence

Minister for Economic and Regional Development
Te Minita Whanaketanga Māori

Chair
Cabinet

SUPPORTING THE MĀORI ECONOMY AND ACHIEVING ECONOMIC AND SOCIAL OUTCOMES THROUGH TE KUPENGA HAO PĀUAUA

Proposal

1. This paper seeks Cabinet agreement to a progressive procurement policy to increase the diversity of government suppliers and achieve broader economic and social outcomes, with a specific focus on increasing the proportion of relevant contracts across mandated government agencies¹ awarded to Māori businesses.
2. The paper addresses a Manifesto commitment to set a target for Māori business procurement by government and also provides an update on progress in implementing the Budget 2020 initiative, *Supporting the Māori Economy through Social Procurement*.

Executive Summary

3. Social procurement is when organisations use their buying power to generate social and public value beyond the value of the goods, services or works being procured. Examples of social and public value in procurement include economic, social, cultural, and environmental outcomes that are generated as part of the delivery of the goods, services or works being delivered. Social procurement aligns with the work underway to realise broader outcomes through government procurement, and our intention to measure wellbeing as well as economic growth set out by the Treasury's Living Standards Framework.
4. Small and medium businesses face significant challenges recovering from the economic effects of responding to the COVID-19 pandemic. Māori businesses are particularly vulnerable to this as they are more heavily distributed towards areas of the economy most exposed to the economic impact of the COVID-19 such as accommodation and food services, retail trade, and manufacturing. Employment forecasts have signalled high levels of Māori unemployment arising from these economic impacts.
5. The Government has signalled in its Manifesto it will support whānau Māori enterprise through a progressive procurement policy that would set a target for Māori business procurement. A more intentional approach to the procurement of services from Māori business with our existing government spend is a lever to rapidly support Māori businesses to participate in the economic recovery. This will have enduring value to

¹ *Mandated government agencies* means those Public service departments and agencies, New Zealand Police and New Zealand Defence Force, and State Services agencies covered by the *Whole of Government Direction* required to follow the Government Procurement Rules. See www.procurement.govt.nz/about-us/mandate-and-eligibility/eligible-agencies-procurement/.

the Māori economy, but is particularly urgent as Aotearoa moves into an unprecedented window of economic uncertainty.

6. To achieve this, we propose a progressive government procurement policy that combines supplier diversity with a social procurement approach, initially focused on Māori businesses. Based on international experience and consultation with stakeholders such as Māori businesses, the primary features of the policy will be:
 - 6.1. *A definition of a Māori business* for procurement purposes that requires either recognition as a Māori Authority as classified by the Inland Revenue Department (IRD) or a minimum 50% Māori ownership - consistent with the recent New Zealand Business Number (Māori Entity Identifier) Order 2020 in relating to the use of a Māori identifier for the New Zealand Business Number
 - 6.2. *The establishment of clear Government procurement targets* for supplier diversity and to create more procurement opportunities for Māori businesses. An initial target of 5% of the number of procurement contracts for mandated agencies is recommended
 - 6.3. *An intermediary organisation:* to verify suppliers' businesses are a Māori business for the purposes of the policy; and act as a broker, matching and connecting buyers and suppliers to realise procurement opportunities
 - 6.4. Support for *sustainable, long term behavioural change* of government agencies and businesses.
7. The target of 5% is considered aspirational, based on the proportion of the Māori population, data on the Māori economy and the developing social procurement systems in New Zealand. The ultimate goal will be to increase the target level over time and change to a target based on the value of contracts awarded to Māori businesses. We propose a review of the target after the first year of reporting.
8. We do not envision any changes to the Government Procurement Rules to implement this policy. Once Cabinet agrees to the proposed policy, we will issue a joint statement outlining the policy, the targets and our expectations for government procurement. Ministry for Business, Innovation and Employment and Te Puni Kōkiri will work together to develop the appropriate guidance and instructions for agencies, including the requirement to report on progress against the targets.
9. Work is underway already from Te Puni Kōkiri to support a range of functions from an intermediary, with Amotai already contracted by them to undertake some of these. In Australia, Supply Nation is the intermediary that provides a full suite of business support to Aboriginal and Torres Strait Islander businesses². In Canada, their Indigenous Procurement Policy has been in place for 24 years, and although it has been generally effective in stimulating indigenous business growth, they do not have a dedicated intermediary. Te Puni Kōkiri and the Ministry for Business, Innovation and Employment will continue to develop capability and capacity across government agencies and with Māori enterprises to build on this approach.
10. A progressive approach to government procurement with an initial focus on Māori businesses will increase supplier diversity; support the shift from "value for money" to "public value"; and increase the capability of Māori businesses to realise procurement opportunities and may act as an economic stimulus to Māori businesses as a result of the COVID-19 pandemic.

² <https://supplynation.org.au/about-us/>

Background

11. Over the past decade, there has been a growing international recognition of the need to move beyond the measure of pure economic indicators to assess the wellbeing of society. Within New Zealand, this has led to the adoption of the Living Standards Framework, and a shift towards a more holistic, whānau-centred approach to policy development and interventions.
12. Government procurement has a role to play in supporting out Government's objectives. Government spending is a significant part of economic activity, with approximately \$42 billion a year spent by government buying goods and services from third party suppliers. In the 2019/20 Financial Year, the Government Electronic Tenders Service (GETS) website run by the Ministry of Business, Innovation and Employment, recorded approximately 3,002 tenders advertised and another 1,975 government tenders awarded. The value of the awarded tenders on GETS in the 2019/20 Financial Year was approximately \$5.2 billion. However, this is only a partial snapshot of the number of government contracts awarded as only contracts valued over \$100,000 are required to be advertised on GETS.
13. In May 2019, Cabinet approved the 4th Edition of the Government Procurement Rules (the Rules). As part of its decision, Cabinet noted that the Minister for Economic Development and the Minister for Māori Development would report back with an assessment of the benefits of indigenous procurement policies [CAB-19-MIN-0213.02 refers].
14. The updated Rules now include a new Rule 17 for increasing access for New Zealand businesses (attached as Annex One: Rule 17). Under this new Rule, for designated contracts (ICT and computer software), agencies must consider how they can create opportunities for New Zealand businesses, including Māori, Pacific peoples, regional businesses and Social Enterprises, while for other contracts, agencies must have regard to guidance published by the Ministry of Business, Innovation and Employment on how to effectively involve New Zealand businesses³ [CAB-19-MIN-0213.02].
15. On 11 May 2020, Cabinet approved funding of \$7.3 million to June 2021 for the initiative, *Supporting the Māori Economy through Social Procurement*. Cabinet also noted that this initiative is part of the Government's wider procurement strategy and invited the Minister for Māori Development and Minister for Economic Development to report back to Cabinet by 30 November 2020 on implementation and progress [CAB-20-MIN-0219.18 refers].

Growing Ideas, Business and Procurement Opportunities for Māori

16. The entire New Zealand economy remains at risk of economic contraction following the lockdown to halt the spread of the COVID-19 virus. The Government has provided economic stimulus and support to small and medium businesses to prevent widespread business failures, but with apparently lower levels of uptake by Māori business when compared to non-Māori businesses. Work undertaken by Te Puni Kōkiri suggests high levels of unemployment will arise from the economic impacts of COVID-19 and the number of Māori on the jobseeker work ready benefit has increased by 50% in 10 months⁴. The percentage of jobseeker work ready benefit recipients when compared to the total number of Māori in the labour force is 14%⁵.

³ Social enterprises are purpose-driven organisations that trade to deliver positive social, cultural and environmental impact. <https://www.akina.org.nz/learn-more/terminology>

⁴ MSD

⁵ June HLFS population from Statistics New Zealand

17. This policy has the potential to further assist with kick-starting of economic activity, with a deliberate focus on ensuring a resilient Māori economy going forward. It also has the potential to impact positively on Māori employment, as analysis undertaken by Te Puni Kōkiri indicates that Māori-owned businesses employ 43% of Māori, three times the rate as for non-Māori businesses⁶. The policy also has the potential to support the approximately 6,500 businesses owned by wāhine Māori.⁷
18. Māori currently have strength across food and fibre industries and tourism. Expanding into manufacturing processes or pivoting into new markets not only provides employment and supports enterprise, but also builds resilience, business capability and increases skill levels. New opportunities are being recognised through changes in the way businesses have had to operate, including digitech and ICT. Government could support that capability development through enhanced procurement practice.
19. In the short term, government procurement can also provide important cash flow to Māori businesses by providing access to government contracts. Even if these are smaller contracts, the income from these contracts can provide an important lifeline to these businesses. This could include 'shovel-ready' projects as well as any sectors where government procures goods and services.

Te Tiriti o Waitangi and government procurement

20. Te Tiriti o Waitangi (Te Tiriti), sets the foundation for social procurement with Māori businesses. This recognises the obligations that the Crown has to Māori under Te Tiriti, particularly Article Three, with an aim to achieve equitable outcomes and develop a system based on indigenous values and knowledge. The Government Procurement Rules recognise these outcomes and how they relate to procurement activities.

Indigenous Procurement and Supplier Diversity Policies

21. Indigenous procurement is the act of purchasing goods and/or services from an Indigenous-owned business.
22. Indigenous procurement policies focus on supplier diversity. "Supplier diversity" is defined as an organisation's efforts to include different categories of suppliers in its sourcing process and active supply base.
23. Supplier diversity is not a promise that suppliers will secure business from participating buyers. It is also not a compromise on the quality, cost or service requirements that are expected of every supplier. Supplier diversity is also not a guarantee; it is a market-access opportunity.

Overseas Examples

24. International evidence demonstrates that increasing supplier diversity through the proportion of government contracts held by indigenous small to medium enterprises (SMEs) supports greater innovation, builds greater economic resilience and regional opportunities. In turn, this leads to increased wealth, financial stability, employment opportunities, and wider social and community wellbeing benefits.⁸
25. In countries such as Canada, Australia, the United Kingdom, the United States and South Africa, changes in government and corporate procurement have seen a

⁶ *Te Matapaeroa – looking to the horizon; some insights into Māori in business*, Te Puni Kōkiri 2020.

⁷ *Māori Women in Business: Insights*, Ministry for Women 2019.

⁸ https://www.csi.edu.au/Social_Procurement_in_Australia_Report_-_December_2010 and <https://supplynation.org.au/wp-content/uploads/2018/08/Sleeping-Giant-Report.pdf> and <https://www.aadnc-aandc.gc.ca/eng/1554219055004/1554219078355>

significant rise in the number of indigenous or minority-owned businesses and resulting improved socio-economic conditions for targeted groups.

Evidence of Benefits to the business and the procurer

26. As an example, since the commencement of Australia's Indigenous Procurement Policy in July 2015 to May 2019, 1473 Indigenous businesses won 11,933 contracts valued in total at over AUD\$1.83 billion⁹. In total, 286,038 contracts were advertised on the AusTender, the online portal for Australian government contracts, with a total value of AUD\$175,394.36 million in the period 2015/16 to 2018/19.
27. The table below provides a breakdown of the number of Australian government contracts awarded per year to indigenous businesses for the period 2015/16 to 2017/18 (the latest date that statistics on Australian government procurement contracts were readily available).

Table1: Number of government contracts awarded to indigenous businesses in Australia

	2015-16	2016-17	2017-18
Number of contracts awarded to indigenous businesses	1,509	3,748	5,235
Total number of contracts advertised on AusTender	70,338	64,092	73,458
Total value of contracts awarded to indigenous businesses (AUD \$m)	\$284.2	\$285.4	\$802.2
Total value of contracts advertised on AusTender (AUD \$m)	\$56,912.3	\$47,354.7	\$71,127.3
Number of indigenous businesses	493	726	735

28. Information on the indigenous procurement models in Australia and Canada is attached as Annex Two.

Bringing the Benefits to New Zealand

29. It is important to ensure that government policies and practises are effective for Māori. There is also a high level of interest across government and by Māori, to better quantify the "Māori Economy". We believe there is sufficient capability within the Māori Economy and across Māori businesses, whānau enterprise, and social enterprise to develop a policy for indigenous procurement.
30. Officials from Te Puni Kōkiri and the Ministry of Business, Innovation and Employment have engaged with their colleagues overseas and researched the features of indigenous procurement policy, to determine how we can achieve similar social and economic benefits here in New Zealand.

Social Procurement

31. In looking at how we could ensure alignment to the broader outcomes¹⁰ and the public-value priorities for government procurement, we looked at models of "Social

⁹ <http://www.scoop.co.nz/stories/AK1905/S00283/social-procurement-a-game-changer-for-tackling-inequality.htm>

¹⁰ Broader outcomes are the secondary benefits which are generated due to the way goods, services or works are produced or delivered. They include economic, environmental, social, and cultural outcomes.

Procurement". "Social procurement" is when organisations use their buying power to generate social value beyond the value of the goods, services or works being procured.

32. In New Zealand social procurement policies have already been implemented by some local government and central government agencies. Auckland Council through The Southern Initiative (TSI) has pioneered social procurement in Aotearoa, creating opportunities Māori and Pacific peoples' businesses would not be able to access otherwise. The success of TSI has led to Auckland Council's Sustainable Procurement Policy and Objectives. Auckland Council have set an objective to have 5% of the value of all direct contracts awarded to diverse suppliers, with 15% of the total subcontract value to be awarded to Māori and/or Pacific peoples' businesses or social enterprises. The target for direct contracts will increase over time.¹¹
33. At the central government level, Oranga Tamariki designed an innovative procurement process to identify a partner for the co-design and delivery of a new community-based remand service for young Māori.
34. The Department of Internal Affairs is working with councils to promote a social procurement approach in the local government sector, with an initial focus on indigenous procurement. Social procurement is continuing to evolve and develop in New Zealand across the four aspects of procurement practice: policy, buyer, supplier and market development. Further development of social procurement policy will enhance the changes already made to government procurement.

Proposed Policy

35. It is proposed that government agencies adopt a progressive approach to government procurement with an initial focus on Māori businesses. This approach will increase the diversity of government suppliers and develop a more intentional approach to the existing government spend to achieve broader economic and social outcomes.

Elements of the Policy

36. Learning from the experiences of Australia and Canada, and informed through engagement with government procurement specialists, Māori business owners, and supporting entities the policy has focused on the following elements:
 - 36.1. *A definition of a Māori business* for procurement purposes
 - 36.2. *The establishment of clear Government procurement targets* for supplier diversity and to create more procurement opportunities for Māori businesses
 - 36.3. *An intermediary organisation* to: verify suppliers are a Māori business for the purposes of the policy; and act as a broker, matching and connecting buyers and suppliers to realise the procurement opportunities
 - 36.4. Support for *sustainable, long term behavioural change* of government agencies and businesses.

Definition of a Māori Business

37. In order to set a target, we need to have a definition of a Māori Business for government procurement purposes. Recent work undertaken for Te Puni Kōkiri identified Māori businesses by linking businesses to Māori individuals. A total of 1,300 businesses were identified as Māori based on Statistics NZ identifiers, with another 8,800 having Māori as majority shareholders. A further 14,700 were identified as Māori sole traders and 10,200 businesses were classified as larger employers of Māori.

¹¹ <https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/docsprocurement/sustainable-procurement-objectives.pdf>

38. For the purposes of measuring against the target we will be using the same definition as adopted by Cabinet through Order in Council for the Māori identifier for the New Zealand Business Number. Consequently, around 10,100 businesses are thought to be included by this definition as:
- 38.1. Recognition as a Māori Authority as classified by the Inland Revenue Department (IRD)
 - 38.2. Minimum 50% Māori ownership.

Government Procurement Target

39. Targets are fundamental for setting the expectation for government agencies to support supplier diversity through procurement with Māori businesses. A single procurement target for the mandated government agencies is preferred.
40. A target by value is a measure of how much a mandated agency spent with Māori businesses, compared with how much it spent in total on all of its relevant procurement contracts. As detailed in Paragraph 59, this is the type of target set by Auckland Council.
41. In comparison, a target by volume involves counting the number of contracts a mandated agency has awarded to Māori businesses and then comparing this to the total number of its relevant procurement contracts it has awarded.
42. Australia started with a volume target of 0.5% of the number of Commonwealth procurement contracts to be awarded to indigenous businesses, increasing over time to a target of 3% that was achieved in 2019.
43. Australia has now moved to a value based target because while the volume based targets were effective in increasing the number of contracts awarded to indigenous businesses, the value of the contracts won by indigenous businesses remained low, limiting the benefits of the policy and its effects in driving economic growth amongst these businesses.
44. An initial target of 5% of the number of all procurement (including social services) contracts that each agency awards a year is recommended for the first year. This figure reflects the need for an ambitious yet achievable target and recognises the lack of centralised data about government procurement, as detailed in Paragraph 12. However, we expect agencies to treat this target as the minimum expectation and where possible agencies are encouraged to exceed it.
45. Mandated agencies will also be expected to report on both the value and the number of contracts awarded to Māori businesses or those included in the supply chain and report and publish their procurement statistics on an annual basis. Publication is an effective tool in providing an incentive for agencies to create opportunities for Māori businesses and help drive changes in procurement behaviour.
46. It is worth noting that some government contracts may be excluded from the targets due to the specialist or sensitive nature of the goods or services this may include certain defence, pharmaceuticals and medical devices or national security contracts in the first instance.¹² Where possible, however, we would encourage agencies to find opportunities for Māori businesses in the supply chains of these contracts. We also note that some procurement activities, such as for infrastructure projects, have long lead in times before they are finalised and suppliers engaged. Consideration will have

¹² Te Puni Kōkiri and the Ministry for Business, Innovation and Employment will consult with agencies on the specific types of contracts that may be initially excluded from the proposed target.

to be given to this when measuring some agencies' performance against the initial target.

An Independent Intermediary

47. Through engagement with buyers, suppliers and support organisations, it was identified that an intermediary organisation would assist social procurement with Māori businesses. Te Kupenga Hao Pāuaua is prototyping social procurement approaches including intermediary services, as detailed in Paragraph 46. As Te Puni Kōkiri is government's principal policy advisor on Māori wellbeing and development, in the long-term intent is that this intermediary would be independent of government and would be a connector between buyers and suppliers.
48. An intermediary matches and connects buyers and suppliers. Functions of an intermediary organisation may include:
 - 48.1. Verification of supplier diversity, in this instance, that suppliers meet the working definition of a Māori business
 - 48.2. Helping build capability by connecting with technical expertise
 - 48.3. Supporting suppliers engaging in the tender process
 - 48.4. Advocating for suppliers and creating awareness of social procurement practices with Buyers; and
 - 48.5. Monitoring and measuring impacts of social procurement.
49. In addition to the functional role, intermediaries add value in two ways: they increase opportunities for SMEs to engage in larger contracts and tenders; and they increase the visibility of the social procurement sector. As part of this project, Te Puni Kōkiri and the Ministry of Business, Innovation and Employment will work together to refine the functions of the intermediary for the New Zealand context.
50. In Australia, Supply Nation is the intermediary that provides a full suite of business support to Aboriginal and Torres Strait Islander businesses¹³. In Canada, their Indigenous Procurement Policy has been in place for 24 years, and although it has been generally effective in stimulating indigenous business growth, they do not have a dedicated indigenous intermediary and we have been able to learn about the challenges of this. The Canadian Aboriginal Minority Council is the intermediary that certifies and provides business support to Aboriginal peoples and/or visible minorities¹⁴.
51. There is no intermediary in New Zealand that performs all of these functions nationally. There are a range of organisations that provide some of these functions¹⁵. Te Puni Kōkiri has contracted Amotai (formerly known as He Waka Eke Noa) to work alongside agencies on procurement through the Provincial Growth Fund and other infrastructure projects. Amotai is working with agencies across New Zealand. Te Puni Kōkiri is looking to build the capability of Amotai to operate as the intermediary entity for Māori businesses. It is anticipated that Amotai will increasingly drive a more coherent and coordinated approach across agencies to include social procurement practices in their procurement processes, although it will not be responsible for government functions,

¹³ <https://supplynation.org.au/about-us/>

¹⁴ https://camsc.ca/about_camsc

¹⁵ The two well-known ones are: Amotai (formerly He Waka Eke Noa), working with Auckland Council and Māori and Pacific peoples suppliers. This was established with funding from Te Puni Kōkiri 9(2)(g)(i)

The second is the Fwd platform that works with Social Enterprises throughout New Zealand. This is funded through the Social Enterprise Sector Development Programme, in partnership with Ākina Foundation.

such as reporting against agency targets, running procurements or managing contracts.

52. Amotai works with Buyers by:

- 52.1. Developing support plans to understand the future needs of the organisation.
- 52.2. Delivering social procurement and supplier diversity training and workshops.
- 52.3. Assisting with developing social procurement processes.
- 52.4. Identifying suitable Suppliers and makes connections through networking events or arranges meetings for smaller groups.
- 52.5. Ensuring relationship between the Buyer and Supplier are effective.
- 52.6. Recruiting and registering Māori businesses into the Amotai business platform.
- 52.7. Verifying and certifying businesses that are Māori-owned business.
- 52.8. Providing Membership opportunities which includes access to the Amotai business platform.

53. Amotai works with Suppliers by:

- 53.1. Connecting with Buyers who are providing procurement opportunities.
- 53.2. Providing training and workshops e.g. tendering and bidding.
- 53.3. Connecting with business support services to provide additional training and support for running a business.
- 53.4. Identifying capability barriers and developing a support plan and where possible, provide additional support through securing funding, e.g. pre-qualifications.
- 53.5. Connecting with other Māori businesses through networking events.
- 53.6. Regular communications and updates through newsletters and social media.

54. There are also organisations which focus on business capability, technical assistance and support services. Te Puni Kōkiri is working with Ministry for Business, Innovation and Employment and other agencies on building the capability of Māori businesses to work together to be tender ready and apply for higher value contracts.

Sustainable long-term behavioural change

55. The ultimate objective is to see supplier diversity in government procurement become the new normal. Creating that behavioural change amongst buyers will reduce barriers in procurement and enable smaller, diverse, business to engage in procurement processes. The use of an aspirational procurement target will create the right level of incentive for agencies to initiate behaviour change and building up the capability and scale of Māori businesses through aggregation opportunities will support longer term, sustainable shifts in the market.

Benefits of the Policy

56. *Increase supplier diversity*

- 56.1. Supporting buyers to procure from a wider range of suppliers and aligns with our priority to increase New Zealand business' access to government procurement. It also acknowledges the relationship between Māori and the Crown under the Treaty of Waitangi, which includes supporting Māori

businesses to access procurement opportunities. Supplier diversity is also a benefit to buyers as it can boost innovation and competition.

57. *Support the shift from “value for money” to “public value”*

57.1. Increasing the social good, or public value, which we can achieve through government procurement. This recognises that ‘Value’ does not mean the lowest price. We can use procurement to positively impact on the economic, environmental, social and cultural well-being of the communities and world we live in.¹⁶

58. *Increase the capability of Māori businesses to realise procurement opportunities*

58.1. Setting expectations of agencies to drive a demand signal will create the market opportunities for Māori businesses that will allow them to compete for contracts and improve their procurement prospects. We intend to provide support to get businesses “tender ready”. These expectations can later be extended to other businesses such as Pacific peoples-owned businesses, Women-owned businesses and Social Enterprises.

59. *Lift household incomes and employment levels*

59.1. Equitable access to market opportunities has a flow on effect to employment opportunities and skills development pathways, as Māori businesses tend to employ Māori. This will also enable the transmission of knowledge, skills and experience within and across whānau. This in turn translates to better housing, reduced child poverty and access to more opportunities for whānau.

60. Similar to the Australian experience, the goal is that over time Māori businesses will be able to attain a proportion of government procurement contracts that reflects their proportion of the New Zealand population.

61. The flow on effects to communities will result in increased wellbeing outcomes. In Auckland, profit created through Māori and/or Pacific peoples’ businesses is likely to linger longer within those communities, rather than going directly offshore. Māori and/or Pacific peoples’ businesses are more likely to hire staff from their own communities, start them on higher wages and offer training to enable career progression¹⁷.

Implementation

Current activity

62. The policy fits within the scope of the Government’s achieving broader outcomes through government procurement work programme and Rule 17 ‘Increase access for New Zealand businesses’.

63. Under Rule 17 agencies must have regard to guidance published by Ministry for Business, Innovation and Employment on how to effectively involve New Zealand businesses, including Māori businesses, in contract opportunities. The Rule also requires agencies to conduct sufficient monitoring of designated contracts to ensure commitments are delivered and reported on. This means that some elements of this progressive procurement policy are already operating in pockets of the government procurement system. Examples include:

¹⁶ Auckland Council Sustainable Procurement Objectives

¹⁷ Auckland Council Sustainable Procurement Objectives

- 63.1. Oranga Tamariki has designed an innovative procurement process to identify a partner for the co-design and delivery of a new community-based remand service for young Māori.
- 63.2. The Department of Internal Affairs is working with councils to promote a social procurement approach in the local government sector, with an initial focus on indigenous procurement.
- 63.3. Waka Kotahi, The New Zealand Transport Agency (NZTA) has a Māori strategy *Te Ara Kotahi* and an Enterprise procurement strategy that affirm NZTA's commitment to developing strong and vibrant Māori communities, supporting the Māori economy, and achieving supplier diversity. They are implementing the Broader Outcomes framework in their own procurement practises and taking a leading role across government and councils in developing methodologies for achieving social outcomes through procurement.
64. In addition, Auckland Council has set an objective to have 5% of the value of all direct contracts to be awarded to diverse suppliers, with 15% of the total subcontract value to be awarded to Māori and/or Pacific peoples' business or social enterprises. The target for direct contracts will increase over time.¹⁸

Further Implementation required

65. 9(2)(g)(i) and 9(2)(h)
66. Subject to Cabinet agreement, the Ministry for Business, Innovation and Employment and Te Puni Kōkiri will work together to develop the appropriate guidance and instructions for agencies, including the requirement to report on progress against the targets.
67. An initial review of the policy will take place in early 2022 based on data to 31 December 2021. If uptake is successful, consideration could be given to extending to policy to other groups to enable supplier diversity that reflects our population. However, we note that there may be some challenges in the first year of reporting until the appropriate systems are established. In the initial stages, while the proposed buyers are limited to mandated government agencies, this too this could expand over time to include procurement from all of the public sector, including local government, the private sector, and non-profit organisations.

Progress Update: Supporting the Māori Economy through Social Procurement initiative

68. Through the COVID-19 Response and Recovery Fund Foundation Package: Vote Māori Development funding of \$7.3 million to June 2021 was allocated to the *Supporting the Māori Economy through Social Procurement* initiative [CAB-20-MIN-0219.18 refers]. This funding acknowledges the disproportionate effect COVID-19 has had on Māori and the Māori economy. The purpose of the funding is to accelerate a progressive approach to government procurement, combining the indigenous supplier and social procurement concepts, through the establishment of a partnership group hosted by Te Puni Kōkiri to:

¹⁸ <https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/docs/procurement/sustainable-procurement-objectives.pdf>

- 68.1. Provide support and guidance to Māori businesses to be “tender ready” to deliver goods or services required as part of the COVID-19 recovery/economic stimulus measures.
- 68.2. Support mandated government agencies and local government to implement Social Procurement practises in addressable (new) spend
- 68.3. Oversee the development of a database of registered Māori businesses and some reporting functionality to support the implementation of social procurement policies
69. A project team has been established supported by Te Puni Kōkiri and the Ministry for Business, Innovation and Employment, along with a Governance Group led by both agencies. The project team has a dual focus - creating the support ecosystem to connect Māori businesses to access expertise, finance, technical skills and professional development and reducing barriers to engagement with government processes.
70. To date, the project team has:
- 70.1. Established a prototype to support Māori businesses to gain pre-qualification status with a government agency in the infrastructure sector. The pre-qualification status acknowledges supplier qualifications and experience and simplifies the tender process.
- 70.2. Commenced development of a tender-ready assessment tool and framework to assist the small-medium Māori businesses that are not currently participating in government procurement processes.
- 70.3. Supported coordination of the Australia New Zealand Leadership Forum (ANZLF) Indigenous Business Sector Virtual Indigenous Trade & Connections Event. The online event will enable Indigenous businesses in Australia and Māori businesses in Aotearoa to explore potential opportunities for trade (trans-Tasman or jointly to third markets), social procurement contracts and collaboration.
- 70.4. Contracted Amotai to pilot intermediary services to June 2022. Amotai will work with government agencies and Māori businesses to identify: pipelines of work in regions; opportunities to include social procurement approaches in government procurement; and Māori businesses (suppliers) that can meet the government agency (buyer) requirements in order to tender for the pipeline of work identified. The contract identifies the Provincial Development Unit as the initial government buyer. Additional agencies will be added to the contract once agreements have been reached. 9(2)(b)(ii)
71. Over the next three months the project team will have developed a data framework and set up reporting which will include working with Ministry for Business, Innovation and Employment’s reporting and monitoring framework, set up prototypes to test how to best invest in supplier tender-ready capability development and developed an Investment Strategy. Additional information is provided at Annex Three.

International Implications

72. Government procurement is subject to the WTO Government Procurement Agreement (GPA) and is incorporated into most of New Zealand’s Free Trade Agreements (FTAs).

73. 9(2)(g)(i)

Financial Implications

74. There are no financial implications with this paper although operationalisation of the monitoring and reporting framework may have an impact on some agencies' baseline.

Legislative Implications

75. This policy is consistent with the recent changes to the Government Procurement Rules and does not require any legislative or regulatory changes.

Climate Change Implications

76. There are no climate change implications associated with this Cabinet paper.

Population Implications

77. While this paper is focussed on a progressive government procurement policy for Māori, the policy can be extended to at a later date other groups including such as Pacific peoples' peoples, women and disabled people to enable supplier diversity that reflects our population. Government procurement processes are a useful and important lever for achieving a broader set of outcomes that would likely have benefits in areas such as innovation amongst, employment and data for Pacific peoples, women and disabled people.

78. We are also aware the Ministry for Pacific People and the Ministry of Business, Innovation and Employment have funded a Pacific Business Initiative, engaging the Pacific Business Trust (PBT) to help get Pacific businesses tender ready. Te Puni Kōkiri is working with the Ministry for Pacific People and the Ministry of Business, Innovation and Employment to share learnings and ensure that Pacific Businesses can be incorporated into this policy.

Human Rights

79. This proposal is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Risks

80. 9(2)(g)(i)

81. As noted earlier, this policy is not about compromise or expecting less from Māori suppliers, it is about creating demand. Agencies will still be expected to apply the Government Procurement Rules as part of their procurement and look for the most appropriate opportunities for Māori businesses.

Consultation

82. The paper was developed jointly with Ministry for Business, Innovation and Employment. Core public service agencies consulted were: Crown Law Office, Department of Conservation, Department of Corrections, Department of Internal Affairs, Department of the Prime Minister and Cabinet, Education Review Office, Government Communications Security Bureau, Inland Revenue Department, Land Information New Zealand, Ministry for Culture and Heritage, Ministry for Pacific Peoples, Ministry for Primary Industries, Ministry for the Environment, Ministry for Women, Ministry of Business, Innovation and Employment, Ministry of Defence,

Ministry of Education, Ministry of Foreign Affairs and Trade, Ministry of Health, Ministry of Housing and Urban Development, Ministry of Justice, Ministry of Social Development, Ministry of Transport, New Zealand Customs Service, New Zealand Security Intelligence Service, Oranga Tamariki—Ministry for Children, Serious Fraud Office, Social Investment Agency, Public Service Commission, Statistics New Zealand, Te Arawhiti, Te Kāhui Whakamana Rua Tekau mā Iwa—Pike River Recovery Agency, and The Treasury.

83. Departmental agencies and major Crown entities were also consulted, including Accident Compensation Corporation, AgResearch Limited, Callaghan Innovation, Earthquake Commission, Education New Zealand, Education Payroll Limited, Electoral Commission, Electricity Authority, Energy Efficiency and Conservation Authority, Environmental Protection Authority, External Reporting Board, Fairway Resolution Limited, Financial Markets Authority, Fire and Emergency New Zealand, Government Superannuation Fund Authority, Guardians of New Zealand Superannuation, Health and Disability Commissioner, Health Promotion Agency, Health Quality and Safety Commission, Health Research Council of New Zealand, Heritage New Zealand (Pouhere Taonga), Kāinga Ora Homes and Communities, Human Rights Commission, Independent Police Conduct Authority, Institute of Environmental Science and Research Limited, Institute of Geological and Nuclear Sciences Limited, Landcare Research New Zealand Limited, Law Commission, Maritime New Zealand, Museum of New Zealand Te Papa Tongarewa Board, National Institute of Water and Atmospheric Research Limited, New Zealand Antarctic Institute, New Zealand Artificial Limb Service, New Zealand Blood Service, New Zealand Defence Force, New Zealand Film Commission, New Zealand Forest Research Institute Limited, trading as Scion, New Zealand Lotteries Commission, New Zealand Police, New Zealand Productivity Commission, New Zealand Qualifications Authority, New Zealand Symphony Orchestra, New Zealand Tourism Board, New Zealand Trade and Enterprise, New Zealand Transport Agency, New Zealand Venture Investment Fund Limited, New Zealand Walking Access Commission, Office of Film and Literature Classification, Otakaro Limited, Parliamentary Counsel Office, Pharmaceutical Management Agency, Predator Free 2050 Limited, Privacy Commissioner, Public Trust, Radio New Zealand Limited, Real Estate Agents Authority, Research and Education Advanced Network New Zealand Limited, Retirement Commissioner, Social Workers Registration Board, Southern Response Earthquake Services Limited, Sport and Recreation New Zealand, Takeovers Panel, Tamaki Redevelopment Company Limited, Te Reo Whakapuaki Iirangi (Māori Broadcasting Funding Agency), Te Taura Whiri i Te Reo Māori (Māori Language Commission), Television New Zealand Limited, Tertiary Education Commission, The Network for Learning Limited, The New Zealand Institute for Plant and Food Research Limited, Transport Accident Investigation Commission, and WorkSafe New Zealand.

Communications

84. We will issue a statement outlining the policy, the targets and government expectations for a social procurement, indigenous supplier policy for government procurement with an initial focus on Māori businesses.

Proactive Release

85. Subject to Cabinet approval, please note my intention to release this Cabinet paper on Te Puni Kōkiri website within 30 working days of Cabinet approval.

Recommendations

86. The Minister for Economic and Regional Development and Te Minita Whanaketanga Māori recommend that Cabinet:

- a) **note** that in May 2020, Cabinet approved funding of \$7.3 million to June 2021 for the initiative, *Supporting the Māori Economy through Social Procurement* [CAB-20-MIN-0219.18]
- b) **note** the progress report on the implementation of *Te Kupenga Hao Pāuaua* Supporting the Māori Economy through Social Procurement initiative [CAB-20-MIN-0219.18 refers]
- c) **note** that the proposed policy was outlined in our Māori Manifesto as a commitment to support Whānau Māori enterprise and opportunities through a progressive procurement policy that would set a target for Māori business procurement
- d) **note** the policy fits within the scope of the Government's *Achieving Broader Outcomes Through Government Procurement* work programme and Rule 17 'Increase access for New Zealand businesses' [CAB-19-MIN-0213.02]
- e) **agree** to the following policy features:
- a. a Māori business for government procurement purposes is one that has least 50% Māori ownership or a Māori Authority as defined by the Inland Revenue Department
 - b. a procurement target for Māori businesses starting with an initial target of 5% of the number of relevant contracts across mandated government agencies
 - c. an intermediary independent of government be established to drive a more coherent and coordinated approach
 - d. long-term sustainable behavioural change across government procurement evidenced by greater supplier diversity
- f) **note** that Te Puni Kōkiri and the Ministry for Business, Innovation and Employment will work together to develop the appropriate guidance and instructions for agencies, including the requirement to report against the target
- g) **note** that the initial 5% target should be considered a minimum requirement for agencies
- h) **agree** an initial review of the policy settings will be undertaken in early 2022 by Te Puni Kōkiri and the Ministry for Business, Innovation and Employment
- i) **note** that any recommended policy changes, including amendments to the target, will be informed by data for the period ending 31 December 2021
- j) 9(2)(g)(i) [REDACTED]

Authorised for lodgement

Hon Stuart Nash

Hon Willie Jackson

Released by the Minister for Māori Development

Annex One: Rule 17

RULE 17

INCREASE ACCESS FOR NEW ZEALAND BUSINESSES

1. For *designated contracts*, agencies must consider how they can create opportunities for *New Zealand businesses*.
2. Agencies must have regard to *guidance* published by MBIE on how to effectively involve *New Zealand businesses* in contract opportunities including Māori, Pasifika, and regional businesses, as well as social enterprises.
3. Agencies must conduct sufficient monitoring of *designated contracts* to ensure that commitments made in contracts are delivered and reported on.



How Rule 3 works with Rule 17

You can create opportunities for local, small, Māori, and Pasifika businesses to participate, but these opportunities must not preclude other suppliers. The decision on contract award must be determined by which supplier provides best *public value*.



For large procurements, consider if the procurement can be structured into separate parts and published as a tender with separate subcategories.

Structuring large contracts into smaller parts can be helpful for small *New Zealand businesses* that may not be able to compete for one large contract. For instance, instead of choosing one supplier who is able to deliver a national contract, you could split a contract by region and contract with multiple small, regional businesses.

Structuring larger contracts into smaller parts also helps enable Māori businesses and Pasifika businesses to participate as they, like most *New Zealand businesses*, are often smaller and not able to compete for large contracts. However, you must not split a procurement to avoid applying the *Rules*.

If you cannot structure a large contract into smaller parts and only large businesses are able to tender for the contract, consider engaging with suppliers on how smaller *New Zealand businesses* can be included in the supply chain.

You should also engage with your suppliers on larger contracts about how they can incorporate Māori businesses and Pasifika businesses in their supply chains, or provide opportunities for Māori and Pasifika workers.

Annex Two: Indigenous Procurement Policies in Australia and Canada

Indigenous policies	Australia	Canada
Targets (demand)	<p>Prescribed targets for the commonwealth only:</p> <ul style="list-style-type: none"> • 3 percent of commonwealth contracts must be awarded to indigenous enterprises • 3 percent of the value of commonwealth contracts must be awarded to indigenous enterprises by 2027 • Indigenous participation targets will be mandatory in high value contracts across more specified industries 	<p>No prescribed targets but there are set asides:</p> <ul style="list-style-type: none"> • Mandatory set-asides occur if indigenous people make up at least 80 percent of the population in the procurement area, the indigenous population will be recipient of the good, service or construction and the value of the contract is over \$5,000. • Voluntary set asides can apply where indigenous capacity exists
Intermediaries (supply)	<p><i>Supply Nation</i> is an indigenous intermediary that carries out a range of functions including:</p> <ul style="list-style-type: none"> • Accreditation of indigenous suppliers • Training and development of buyers and suppliers • Relationship management • Maintenance of a register of suppliers 	<p><i>The Canadian Aboriginal and Minority Supplier Council</i> is the indigenous intermediary that carries out a range of functions including:</p> <ul style="list-style-type: none"> • Training and development of buyers and suppliers • Maintenance of a register of suppliers <p>(The Council is part of a wider group called the <i>Supplier Diversity Alliance Canada</i>, and this entity promotes supplier diversity amongst a range of underrepresented communities)</p>
Behavioural change	<p>Commonwealth and portfolio results against prescribed targets are published on the Australian Prime Minister and Cabinet's website every 12-months</p>	

Annex Three: Te Kupenga Hao Pāuaua – Key Deliverables

Pou	Deliverable	Timeframe for completion
Pou 1: Project Management and Governance	Project Documentation	Whiringa-ā-Rangi 2020 (November 2020)
	MoU between Te Puni Kōkiri and MBIE	
	Cabinet Paper	19 Whiringa-ā-Rangi 2020 (19 November 2020)
	Initial Project team set up	Whiringa-ā-Rangi 2020 (November 2020)
Pou 2: Buyer Engagement	Buyer Framework	Hakihea 2020 (December 2020)
	Buyer Engagement Model	
Pou 3: Supplier Engagement	Tender-ready Framework	Hakihea 2020 (December 2020)
	Prototype supplier development fund(s)	Hakihea 2020 (December 2020)
	Investment Strategy	Final completed by Hui-Tanguru 2021 (February 2021)
	Australia New Zealand Leadership Forum (ANZLF) Indigenous Business Sector Group Virtual Indigenous Trade & Connections Event	22 Hui Tanguru 2021 (22 February 2021) 1 Poutū-te-Rangi 2021 1 March 2021
Pou 4: Data Management and Ministerial Servicing	Data Framework	Hakihea 2020 (December 2020)
	Data Collation	
	Draft Data dashboard	
Pou 5: Prototypes	First prototype signed and commenced	Whiringa-ā-Rangi 2020 (November 2020)
	9(2)(g)(i)	9(2)(g)(i)