

In Confidence

Office of the Minister for Economic and Regional Development

Office of Te Minita Whanaketanga Māori

Cabinet Economic Development Committee

Progress on implementing the progressive procurement policy and review of the policy settings

Proposal

- 1 This paper provides Cabinet with a review of the Government's progressive procurement policy settings and proposes refinements to better achieve the policy's objectives.

Issue Identification

- 2 Government spending in New Zealand forms a significant part of economic activity, with an estimated \$51.5 billion a year spent by government buying goods and services from third party suppliers. Increasing supplier diversity through the proportion of government contracts held by indigenous small to medium enterprises (SMEs) is widely considered to increase innovation in procurement solutions, build economic resilience and create regional opportunities. This in turn leads to wider employment, social and community wellbeing benefits.

Relation to Government priorities

- 3 The progressive procurement policy directly contributes to the Manifesto commitment to support Whānau Māori enterprise and create better equitable outcomes for Māori business communities through increasing the government target for Māori business procurement.

Executive Summary

- 4 In November 2020, Cabinet approved the implementation of a progressive procurement policy aimed at increasing the diversity of government suppliers and achieving broader economic and social outcomes. Cabinet agreed that the initial focus would be on increasing the proportion of relevant contracts across mandated government agencies¹ awarded to Māori businesses [CBC-20-MIN-0072 refers].
- 5 Progressive procurement is about buyers of goods and services looking beyond price to wider social and public value. It combines elements of social procurement, supplier diversity, indigenous procurement, and wellbeing measures. Examples of social and public value in procurement include economic, social, cultural, and

¹ Procurement mandated agencies are those that must apply the Government Procurement Rules.

environmental outcomes that are generated as part of the delivery of the goods, services or works that are procured by government.

6 Progressive 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. The initial policy settings were informed by comparable initiatives in a range of other countries, and notably by Australia's indigenous procurement policy.

7 The key policy settings agreed by Cabinet are:

7.1 a Māori business for progressive procurement purposes is one that has at least 50 percent Māori ownership or a Māori Authority as defined by the Inland Revenue Department;

7.2 a procurement target for Māori businesses starting with an initial target of 5 percent of the number of relevant contracts across mandated government agencies;

7.3 an intermediary independent of government be established to drive a more coherent and coordinated approach; and

7.4 long-term sustainable behavioural change across government procurement evidenced by greater supplier diversity.

8 Cabinet also noted that extending the progressive procurement policy to include other population groups and non-mandated agencies in the future should be considered when the appropriate systems are established.

9 The policy has achieved significant progress to date. The percentage of government contracts awarded to Māori businesses has risen from 5.7 percent (between 1 July 2021 to 31 December 2021) to 6.4 percent (1 January 2022 to 30 June 2022). Anecdotal evidence demonstrates some of the broader benefits of the policy, including repeated success for winning Government contracts, and greater employment and training opportunities for Māori.

10 Considering the progress to date, it is recommended that:

10.1 retaining the progressive procurement definition for Māori businesses (at least 50 percent Māori ownership or a Māori Authority as defined by the Inland Revenue Department);

10.2 increasing the government procurement target for Māori businesses to 8 percent until it is next reviewed in 2024;

10.3 continuing the provision of intermediary services, including through multiple providers; and

10.4 continuing to support government agencies to achieve long-term sustainable behavioural change, including through developing tools to assist government agencies to identify Māori businesses and report on the goods and services they provide.

- 11 It is proposed that a further review of the progressive procurement policy settings be undertaken in 2024, including advice on whether the policy should be extended beyond mandated agencies and to different population groups.

Background

International and New Zealand context

- 12 Internationally, progressive procurement policies typically focus on increasing 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. Increasing supplier diversity through the proportion of government contracts held by indigenous small to medium enterprises (SMEs) is widely considered to increase innovation in procurement solutions, build economic resilience and create regional opportunities. This in turn leads to wider employment, social and community wellbeing benefits.²
- 13 In Canada, Australia, the United Kingdom, the United States and South Africa, changes in government and corporate procurement have seen a significant rise in the number of indigenous or minority-owned businesses, resulting in improved socio-economic conditions for targeted groups.
- 14 In New Zealand, Government spending forms a significant part of economic activity, with an estimated \$51.5 billion a year spent by government buying goods and services from third party suppliers. In 2021/22, around \$7.1 billion in government tenders was awarded through the all-of-government Government Electronic Tenders Service (GETS), which records tenders over \$100,000 in value only.
- 15 In 2020, there were 21,213 recorded Māori-owned businesses operating in New Zealand (8.1 percent of all businesses). Of these, approximately 6,500 businesses are owned by wāhine Māori.³ Analysis undertaken by Te Puni Kōkiri (TPK) indicates that these businesses’ workforce is 43 percent Māori, three times the rate as for non-Māori businesses.⁴
- 16 Progressive procurement therefore has the potential to impact a significant portion of the New Zealand economy. It also provides government agencies with an opportunity to address some of the inequities faced by Māori and exacerbated by COVID-19 through the economic and subsequent employment opportunities.

Cabinet approved a progressive procurement policy in 2020

- 17 Government procurement has a role to play in supporting the Government’s objectives to diversify government spend on goods and services and increase Māori business engagement. Our investment in Māori businesses through improving supplier diversity is a core part of our economic strategy to improve economic security, both in good times and bad. However, it is more than just that – progressive

² https://www.csi.edu.au/Social_Procurement_in_Australia_Report_-_December_2010 and <https://supplnation.org.au/wp-content/uploads/2018/08/Sleeping-Giant-Report.pdf> and <https://www.sac-isc.gc.ca/eng/1554219055004/1612130030035>

³ *Māori Women in Business: Insights*, Ministry for Women 2019.

⁴ *Te Matapaeroa – looking to the horizon; some insights into Māori in business*, Te Puni Kōkiri 2020.

procurement seeks to improve the wellbeing of Māori and Māori businesses, enabling them to contribute to a successful economy and society.

- 18 On 11 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 refers]. This resulted in the establishment and funding of a project team, Te Kupenga Hao Pāuaua, based in TPK and drawing on staff from TPK and the Ministry of Business, Innovation and Employment (MBIE) to support the design and implementation of the progressive procurement policy.
- 19 In November 2020, Cabinet approved a progressive procurement policy aimed at increasing the diversity of government suppliers and achieving broader economic and social outcomes. The initial focus was on increasing the proportion of relevant contracts across mandated government agencies awarded to Māori businesses [CBC-20-MIN-0072 refers].
- 20 The progressive procurement policy has the following elements:
 - 20.1 *Definition of a Māori Business*: a Māori business for government procurement purposes is one that has least 50 percent Māori ownership or a Māori Authority as defined by the Inland Revenue Department;
 - 20.2 *Government Procurement Target*: an initial target of 5 percent of the number of relevant contracts across mandated government agencies being awarded to Māori businesses;
 - 20.3 *An independent intermediary*: appointing an intermediary independent of government to drive a more coherent and coordinated approach; and
 - 20.4 *Sustainable long-term behavioural change* across government agencies evidenced by an increase in the diversity of suppliers that they contract with.
- 21 Cabinet agreed that a review of the policy settings was to be undertaken in early 2022, based on data to 31 December 2021. This review was to include consideration of extending the policy to include other population groups and non-mandated agencies. However, this review was delayed in order to take a full year of data (July 2021 to June 2022) into account.

Progress to date

- 22 In the short time the policy has been operating, the Te Kupenga Hao Pāuaua initiative has set up prototypes and initiatives to support agencies to implement the policy and increase the number of Māori businesses engaging with government procurement. These include raising awareness of the policy, developing an approach to verifying whether a business is a Māori business, prototyping both the intermediary approach and capability uplift programme, and developing a reporting framework.
- 23 These prototypes have delivered early and important 'wins'. They have also revealed the barriers and challenges present in our current procurement landscape and the capability requirements needed to engage in government procurement. This has informed the intermediary approach and capability uplift programmes going forward.

- 24 Government agencies have demonstrated willingness to engage on and implement the policy. For both reporting rounds to date, over 95 percent of agencies have provided data. Many agencies have also been actively embedding the requirements of the policy in their internal procurement process and strengthening their relationships with Māori businesses.
- 25 The table below demonstrates the success of the first year of the progressive procurement policy, in particular how the 5 percent target for contracts awarded has already been exceeded.

Table one: Progressive procurement indicators

Metric	1 Jul 2021 – 31 Dec 2021	1 Jan 2022 – 31 Jun 2022 ⁵	Difference	Full year data
Against the 5% Target (% contracts awarded)	5.7%	6.4%	0.7%	6.0%
Number of contracts in period	27,993	25,639	(2,354)	53,632
Number of contracts with Māori businesses	1,602	1,632	30	3,234

- 26 In Budget 2022, the Government provided an additional \$26 million over two years to:
- 26.1 scale up local networks in regions to grow awareness of government opportunities and build capability;
 - 26.2 provide targeted one-to-one support to Māori businesses that are ready to deliver procurement solutions but need to lift capability to navigate and engage effectively in government tender processes;
 - 26.3 develop a centralised Māori business database; and
 - 26.4 continue to engage with and build capability of government agencies to achieve long-term change in government procurement processes.

Review of policy settings

We recommend retaining the current definition of a Māori business

- 27 The current definition agreed by Cabinet is that *a Māori business for progressive procurement purposes is one that has at least 50 percent Māori ownership or a Māori Authority as defined by the Inland Revenue Department.*

⁵ Data for 1 January 2022 to 31 June 2022 is not yet public as it is provisional and subject to validation.

- 28 This definition was consistent with the policy settings for social procurement that had been implemented in other jurisdictions, where indigenous ownership of business correlated to secondary benefits such as employment rates of indigenous people and economic benefits flowing through to indigenous communities. In the New Zealand context, Māori make up around 6% of economically significant businesses. The TPK research report, *Te Matapaeroa*, demonstrates similar correlations between indigenous ownership and broader outcomes. For example, businesses with 51 percent or more Māori ownership are three times more likely to employ Māori than other types of businesses.⁶
- 29 In 2022, Statistics New Zealand Tatauranga Aotearoa (Stats NZ) introduced a new Māori business definition aimed at ensuring that as many Māori businesses as possible can identify and be identified as a Māori business: “A Māori business is a business that is owned by a person or people who have Māori whakapapa, and a representative of that business self-identifies the business as Māori.”⁷
- 30 This definition is intended to evolve over time as more data is collected and the unique features of Māori businesses become easier to identify. While self-identification as a Māori business is useful for the collection of administrative data, having too broad a criterion for procurement purposes risks skewing the policy and data collection in unintended ways (especially if there is no minimum ownership level). Such practices have been well documented in other countries where there are incentives in place for awarding contracts to indigenous businesses.
- 31 At this stage it is recommended to retain the use of the progressive procurement definition, that is *a Māori business for progressive procurement purposes is one that has at least 50 percent Māori ownership or a Māori Authority as defined by the Inland Revenue Department*. This is because:
- 31.1 The current definition is now in widespread use by Māori businesses and government agencies – changing it now would disrupt the policy implementation and reporting.
 - 31.2 The current definition aligns us with other international progressive procurement initiatives.⁸
 - 31.3 The progressive procurement policy seeks to increase supplier diversity. Having no minimum ownership level may cause it to be less likely to achieve that outcome because any business could potentially self-identify as a Māori business.
 - 31.4 Restricting the policy to 50 percent or more Māori ownership may improve broader outcomes for Māori – as businesses with 50 percent or more Māori ownership are three times as likely to employ Māori than other businesses.
- 32 Stats NZ recognises that other Māori business definitions – including that used for progressive procurement – exist, are complementary and can continue to be used. Over the medium term, Stats NZ is considering making its definition compulsory for

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

⁷ <https://www.stats.govt.nz/consultations/maori-business-definition-consultation-findings/>

⁸ For example, Canada’s Indigenous Procurement Policy includes a 51 percent ownership criterion; Australia’s Indigenous Procurement Policy has a 50 percent or more ownership criterion.

government agencies, but able to be incorporated with other definitions. TPK and MBIE will continue to engage with Stats NZ on this work.

We recommend increasing the government procurement target

33 Cabinet initially agreed to an initial target of 5 percent of the number of procurement contracts awarded by mandated agencies going to Māori businesses. This target was not just to measure progress – the target itself was to be a lever to influence agencies' behaviour when considering tenders and awarding contracts.

34 As noted in Table 1, for the period 1 July 2021 to 30 June 2022, 6 percent of contracts awarded by mandated agencies were to Māori businesses. For the 1 July 2021 to 30 June 2022 period this represents around \$930 million of Government spend.

35 Despite the progressive procurement policy still being in its early stage, we consider that the target should be raised from 5 percent to 8 percent until it is next reviewed. This is because:

35.1 Data indicates that the current all-of-government target is already being achieved. A higher target reflects that further progress is possible to achieve within current resources by 30 June 2024.

35.2 Budget 2022 saw a further \$26 million investment over two years to scale up the actions underway since 2020. This includes further support for Māori business capability to get them to a "procurement ready" level.

35.3 Some businesses receiving government contracts that should be recorded as Māori businesses are not currently being identified. During the first reporting period, around 700 awarded government contracts should have been recorded as going to Māori businesses but were not. As the policy beds in, more Māori businesses receiving contracts are likely to be identified.

35.4 There are cumulative and sustained effects for the support provided.

36 As with the original 5 percent target, agencies can (and are encouraged to) exceed the 8 percent target where possible.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

38 Alternative forms for the target were also considered but not recommended. These included:

- 38.1 Setting a value target, either in addition to or in place of a volume target: This is not supported because:
- 38.1.1 the volume target best achieves the progressive procurement policy objective to increase supplier diversity; and
 - 38.1.2 while other countries have adopted value targets in response to the total value of contracts awarded remaining relatively static despite more contracts being awarded, this is not currently the case in New Zealand.
- 38.2 Setting sector-specific targets (for example, for the construction, health or social sectors): This is not supported at this stage because there is not yet sufficient robust sector-specific data available on which to base such targets.
- 38.3 Setting targets that progressively increase each year over 2 or more years. This is not supported at this stage because, with only two valid data points to date, projections over multiple years are difficult to justify and current funding for progressive procurement support ends in June 2024.
- 39 Data is currently collected on value and sector participation, and this will continue to occur.

We recommend retaining the provision of intermediary services but with refinements

- 40 Cabinet approved the approach to using intermediary services in December 2020. The functions of the intermediary organisation were defined as:
- 40.1 verifying that suppliers meet the working definition of a Māori business;
 - 40.2 helping build capability by connecting suppliers with technical expertise;
 - 40.3 supporting suppliers engaging in the tender process;
 - 40.4 advocating for suppliers and creating awareness of social procurement practices with buyers; and
 - 40.5 monitoring and measuring impacts of social procurement.
- 41 In addition to the functional role, intermediaries were intended to increase opportunities for SMEs to engage in larger contracts and tenders, and to increase the visibility of the social procurement sector.
- 42 Based on Australia's approach with its progressive procurement policy delivered through the intermediary Supply Nation, it was initially envisaged that in New Zealand a single intermediary organisation could deliver most if not all intermediary services. However, engagement with Māori businesses and government agencies to date indicates that their needs are unlikely to be met by one intermediary alone.
- 43 MBIE and TPK's Te Kupenga Hao Pāuaua initiative is now in the process of refining its approach to intermediary services and capability uplift. This includes, but is not limited to, redefining the functions, allowing for specialisation in certain functions, increasing the focus on provision of services to government agencies, increasing the

focus on the regional government procurement landscape and increasing the number of providers of intermediary services.

We recommend continuing and refining support for Māori businesses

44 Te Kupenga Hao Pāuaua has identified that the two key barriers to Māori businesses successfully engaging in government procurement are:

44.1 *Lack of awareness of opportunities:* Experience to date has shown that many Māori businesses are not aware of the opportunities potentially available to them through government procurement. Raising the visibility of these opportunities is often the first barrier to be addressed when supporting Māori businesses.

44.2 *Lack of government procurement capability:* We are also becoming increasingly aware that for Māori businesses, support is needed beyond being 'tender ready' – Māori businesses require one-to-one wraparound support to be procurement ready.

45 Feedback from capability uplift providers and Māori businesses has informed an increased understanding of the best approaches to uplift Māori business capability in government procurement and being successful. For example, one capability uplift provider funded \$30,000 per Māori business to support 18 Māori businesses has seen a number of these businesses successfully secure around \$8 million in government contracts. Experiences like this have enabled refinements to capability uplift prototypes to be put in place.

46 The additional funding provided through Budget 2022 will allow Te Kupenga Hao Pāuaua to scale up its assistance to Māori businesses by targeting those agencies and Māori businesses that can most benefit from capability uplift and support.

We recommend continuing to support long-term behavioural change in government agencies

47 Te Kupenga Hao Pāuaua provides a range of support to mandated agencies to instigate behavioural change and promote the value of supplier diversity. This includes:

47.1 tools and advice to assist with policy and reporting requirements; and

47.2 avenues to feedback on the barriers and opportunities of implementing the policy.

48 Insights observed since 2020 include positive examples of behaviour change in mandated agencies. For example, some agencies are increasing supplier diversity and making improvements toward sustainable procurement practices. Others appear to be growing their understanding that developing meaningful relationships with Māori businesses across an organisation is important and/or specifically identifying opportunities to procure from Māori businesses.

49 Agencies report that the main barriers to implementing the progressive procurement policy are:

49.1 the lack of a centralised Māori business database and associated verification;

- 49.2 the underrepresentation of Māori businesses on All-of-Government panels;
- 49.3 a perception that Māori businesses have poor commercial capability to deliver; and
- 49.4 the limited number or availability of Māori businesses within a particular field or fields.
- 50 Work is progressing on establishing a Māori business directory and developing a tool to assist agencies with reporting. Until this is in place, agencies can continue to access the New Zealand Business Number (NZBN) Māori business identifier list.
- 51 New Zealand Government Procurement is also working to include more Māori businesses on each of the panels as they are refreshed. Currently, 48 suppliers that have self-identified as Māori businesses are included on All-of-Government (AoG) panels. Māori businesses are already well-represented on some panels (for example Design Services 26 percent; Advertising Services 12 percent) due to the fact that both were refreshed recently. It is expected that better representation of Māori businesses across AoG panels aligned with the system refresh will be visible in the next 12 months.

We recommend waiting for further data before considering if the progressive procurement policy should be expanded to other population groups and non-mandated agencies

- 52 Expanding to other population groups and non-mandated agencies right now risks failing to realise the policy objectives for Māori businesses. This is because it may overly complicate or dilute the procurement processes for government agencies that are still trying to operationalise and embed progressive procurement practices for Māori businesses within their organisation.
- 53 In addition, implementation of the progressive procurement policy is still evolving to better match the needs of both buyers and suppliers to enhance the effectiveness of government procurement. Currently the data on the progressive procurement policy covers a one-year period from July 2021 to June 2022. As such, shifting the focus might risk positive outcomes for Māori.
- 54 It is recommended that consideration of extending the progressive procurement policy to other population groups and non-mandated agencies be undertaken in 2024 once further data is available and progressive procurement practices are better refined and embedded.
- 55 In the meantime, TPK and MBIE through the project group supporting Te Kupenga Hao Pāuaua will continue to engage monthly with the Ministry for Pacific Peoples to provide regular updates and share learnings.

Financial Implications

- 56 There are no additional administrative or financial costs from this report back. Agencies' individual appropriations are used to meet any additional resources required to fulfil the government's broader outcome priorities.

Legislative Implications

- 57 This policy is consistent with the Government Procurement Rules and does not require any legislative or regulatory changes.

International Implications [legally privileged]

- 58 The Ministry of Foreign Affairs and Trade (MFAT) was consulted by MBIE and TPK on the development of this policy in 2020. Government procurement is subject to the WTO Government Procurement Agreement (GPA) and is incorporated into most of New Zealand's Free Trade Agreements (FTAs). These agreements generally specify that government procurement should not be discriminatory and treat domestic and international suppliers fairly and equally. MFAT considered these obligations were adequately taken into account in the 2020 policy and the current proposal to increase the target to 8 percent does not change this assessment. MBIE and TPK will engage with MFAT on the future review of the policy in 2024 to ensure any changes to the policy continue to take into account international trade obligations.

Regulatory Impact Analysis

- 59 A regulatory impact analysis is not required as this paper does not propose any changes to legislation or regulations.

Climate Implications of Policy Assessment (CIPA)

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

Population Implications

- 61 While the progressive procurement policy currently focuses on Māori businesses, the policy may be extended in the future to other groups such as Pacific 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 and other ethnic groups, women and disabled people.

Human Rights

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

Consultation

- 63 The draft Cabinet paper was developed jointly by Te Puni Kōkiri and the Ministry of Business, Innovation and Employment.

- 64 Mandated government agencies that provided feedback on the draft Cabinet paper are: The Department of the Prime Minister and Cabinet; Te Whatu Ora (Ministry of Health); Ministry of Education; Ministry for Ethnic Communities; MFAT; Ministry of Housing and Urban Development; Whaikaha (Ministry of Disabled People); Ministry for Primary Industries; Ministry for Culture and Heritage; Ministry of Social Development; Taumata Arowai; Toitū Te Whenua (Land Information New Zealand); Kāinga Ora; Te Aka Whai Ora (Māori Health Authority); Oranga Tamariki; Te Arawhiti; Department of Corrections; WorkSafe New Zealand; Inland Revenue

Department; Accident Compensation Corporation; New Zealand Customs Service; Serious Fraud Office; Tertiary Education Commission; Civil Aviation Authority; Earthquake Commission; Electoral Commission; Productivity Commission; New Zealand Trade and Enterprise; Waka Kotahi; Ōtākaro Limited; Pharmaceutical Management Agency; Predator Free 2050 Limited; Sport and Recreation New Zealand; Transport Accident Investigation Commission; Southern Response Earthquake Services Limited; Environmental Protection Authority; New Zealand Qualifications Authority; New Zealand Defence Force; Social Wellbeing Agency; Office of the Health and Disability Commissioner; and Te Puna Aonui (Joint Venture for the Elimination of Family Violence and Sexual Violence).

- 65 Other mandated government agencies that were invited to provide feedback are: Crown Law Office; Department of Conservation; Department of Internal Affairs; Education Review Office; Government Communications Security Bureau; Ministry for Pacific Peoples; Ministry for the Environment; Ministry for Women; Ministry of Defence; Ministry of Justice; Ministry of Transport; Public Service Commission; The Treasury; AgResearch Limited; Callaghan Innovation; Education New Zealand; Electricity Authority; Energy Efficiency and Conservation Authority; External Reporting Board; Financial Markets Authority; Fire and Emergency New Zealand; Government Superannuation Fund Authority; Guardians of New Zealand Superannuation; Health Promotion Agency; Independent Police Conduct Authority; Human Rights Commission; 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 Atmosphere Limited; New Zealand Antarctic Institute; New Zealand Artificial Limb Service; New Zealand Blood Service; New Zealand Film Commission; New Zealand Forest Research Institute Limited; New Zealand Lotteries Commission; New Zealand Police; New Zealand Symphony Orchestra; Tourism NZ; New Zealand Walking Access Commission; Office of Film and Literature Classification; Parliamentary Counsel Office; Office of the Privacy Commissioner; Public Trust; Radio New Zealand Limited; Real Estates Agents Authority; Research and Education Advanced Network New Zealand Limited; Te Ara Ahunga Ora Retirement Commission; Social Workers Registration Board; Takeovers Panel; Tamaki Redevelopment Company Limited; Te Reo Whakapuaki Irirangi (Māori Broadcasting Funding Agency); Te Taura Whiri I Te Reo Māori (Māori Language Commission); Television New Zealand Limited; The Network for Learning Limited; The New Zealand Institute for Plant and Food Research Limited; Climate Change Commission; Office of the Auditor-General; Reserve Bank; Commerce Commission; National Emergency Management Agency; New Zealand Infrastructure Commission; and the Mental Health and Wellbeing Commission.
- 66 The National Iwi Chairs Forum and the Māori Economic Development Advisory Board (MEDAB) were provided the opportunity to provide feedback. The MEDAB secretariat provided feedback on the draft Cabinet paper.
- 67 All agencies and stakeholders that provided feedback were generally supportive of the recommendations in the Cabinet paper, and their feedback has been incorporated.

Communications and publication

- 68 The Minister for Economic and Regional Development and the Minister for Māori Development will coordinate a joint press release announcing the results of the review of the progressive procurement policy.

Proactive Release

- 69 Consistent with the usual approach to proactive releases, this Cabinet paper will be released on Te Puni Kōkiri's website within 30 working days of Cabinet approval.

Recommendations

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

- a) **note** that in December 2020, Cabinet agreed to a progressive procurement policy so to increase supplier diversity of services provided to the government;
- b) **note** that the agreed progressive procurement policy has the following settings:
 - b.1 a Māori business for government procurement purposes is one that has at least 50 percent Māori ownership or a Māori Authority as defined by the Inland Revenue Department;
 - b.2 a procurement target for Māori businesses starting with an initial target of 5 percent of the number of relevant contracts across mandated government agencies;
 - b.3 an intermediary independent of government be established to drive a more coherent and coordinated approach;
 - b.4 long-term sustainable behavioural change across government procurement evidenced by greater supplier diversity;
- c) **note** that Cabinet directed Te Puni Kōkiri and the Ministry for Business, Innovation and Employment to review the policy settings, and that this review is supported by a full year of data;
- d) **Note** that the review of the progressive procurement policy settings was to include consideration of extending the policy to other population groups and non-mandated agencies;
- e) **note** that 6 percent of government contracts with mandated agencies were awarded to Māori businesses in the period 1 July 2021 to 30 June 2022,

Progressive procurement policy setting proposals

- f) **agree** to retain the current progressive procurement definition for Māori businesses as one that has at least 50 percent Māori ownership or a Māori Authority as defined by the Inland Revenue Department;
- g) **agree** to increase the government procurement target for Māori businesses to 8 percent (to be achieved by the time the target is next reviewed in 2024);

- h) **agree** to continue to provide intermediary services, including through more providers;
- i) **note** that Te Puni Kōkiri and the Ministry of Business, Innovation and Employment will continue to review and refine the approach to intermediary services and how they are delivered as part of the Te Kupenga Hao Pāuaua initiative;
- j) **agree** to continue to support government agencies to achieve long-term sustainable behavioural change;

Future report back

- k) **agree** that a further review of the progressive procurement policy be undertaken by Te Puni Kōkiri and the Ministry of Business, Innovation and Employment in 2024; and
- l) **note** that this review will include recommendations on whether the progressive procurement policy should be extended to other population groups and non-mandated agencies.

Authorised for lodgement

Hon Stuart Nash
Minister for Economic and Regional Development

Hon Willie Jackson
Minita Whanaketanga Māori

Released by the Minister for Māori Development