

## Government Procurement Rules: Open for consultation

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The Ministry of Business, Innovation and Employment (MBIE) has released a [draft version](#) of the fourth edition of the Government Procurement Rules for consultation.

The proposed amendments to the Government Procurement Rules reflect [Cabinet's desire](#) to enhance the effectiveness of government procurement and to leverage additional outcomes for government contracts in line with broader Government policy objectives (eg to increase businesses' access to government procurement and to provide employment opportunities to targeted groups).

While the revised rules include a number of changes, of particular note is the proposal that for certain contracts designated by Cabinet and Ministers against a specific priority outcome (these contracts as yet do not appear to be defined), government agencies must include requirements relating to that outcome in the procurement and can choose to incorporate one or more other 'Broader Outcome' as appropriate. The four 'Broader Outcomes' that Cabinet has agreed to date are secondary benefits generated from procurement activity. They are:

- Increasing the number of New Zealand businesses contracting directly, and within the supply chain, with government. For designated contracts, government agencies must consider how they can create opportunities for New Zealand businesses; this may mean that large procurements are broken up into smaller parts so that smaller suppliers are able to compete effectively
- Increasing the size and skill level of the domestic construction sector workforce. In construction projects over \$10m, tenders must include evaluation criteria in respect of skills development and training practices of the supplier and any sub-contractors. Government agencies must also monitor contracts to ensure that skills development and training commitments are delivered
- Improving conditions for workers and ensuring that firms are not undercut by those with poor labour practices. For 'designated contracts', government agencies must require suppliers to ensure that their businesses and supply chain comply with all relevant employment standards and health and safety practices. Government agencies must also monitor those contracts to ensure that commitments concerning conditions for workers are delivered on. Where goods are manufactured overseas, this may mean that government agencies need to ascertain that the relevant workers are not being exploited or subject to forced labour conditions
- Supporting the transition to a net zero emissions economy and assisting the Government meet its goal of 'significant' reduction in waste by 2020. For 'designated contracts', government agencies must support the procurement of low-waste and low-emissions goods and services and encourage innovation in the procurement process to significantly reduce climate and waste impacts. Government agencies must also monitor the relevant contracts to ensure that the contracted commitments are delivered.

MBIE is also currently seeking feedback on the [Supplier Code of Conduct](#), which will be incorporated into the Government Procurement Rules. This code is intended to specify the Government's expectations for government suppliers, including the Government's expectations on ethical behavior (eg the Government expects that its suppliers will not engage in any form of corruption). The Supplier Code of Conduct will likely apply to not only contracts that suppliers have with the government, but also to suppliers' overall conduct.

[MBIE has reported](#) that Government agencies spend approximately \$41b each year buying goods and services, which equates to approximately 18% of New Zealand's GDP. In light of this, changes to the Government Procurement Rules may have considerable impact on government agencies, suppliers and even the markets in which suppliers operate. Consultation on the Government Procurement Rules closes on 5 March and the Supplier Code of Conduct on 19 February.

If you would like to find out more about the proposed amendments, please contact a member of our team below.

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