

# **Aussie is better than us at Indigenous Procurement**

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Aussie and Aotearoa love a good competition, but when it comes to Indigenous procurement, we have to give it up for the Aussies (but we are hot on their heels).

In this article we look at some of the learnings we can take from Australia and how we could adopt some of those here.

## **Supplier Diversity in Australia:**

Australia has been implementing supplier diversity longer than us. They are about 10 years ahead of Aotearoa in their supplier diversity journey as a nation.

They have made significant strides in setting national indigenous procurement targets, setting up a national intermediary and getting buy-in across government and corporate buyer sectors. To date there has been well over \$3.5 billion in contract opportunities for indigenous businesses generated from their Indigenous Procurement Policy, awarding nearly 25,000 contracts to over 2,000 businesses. Supply Nation, their supplier diversity intermediary has over 520 corporate and government members actively looking to purchase from Indigenous businesses. They also have over 3000 registered Indigenous businesses.

## **Learnings from Australia:**

Aotearoa has a long way to go to be able to celebrate the same level of achievement, but we don't need to reinvent the wheel. There are lots of international learnings that we can take on board in our own progression of the practice here.

### **1.) Leapfrogging international best practice works**

Australia, like us in Aotearoa leant on the global supplier diversity intermediaries for guidance and support to establish what works, what doesn't and what best practice looks like. They enlisted the support of the National Minority Supplier Diversity Council (NMSDC) in the United States of America. NMSDC went to Australia to share the benefits of supplier diversity and share their learnings.

### **2.) Hard targets and hard accountability**

Initially when the Australian government looked to use the policy lever to create opportunity for Indigenous businesses, the policy did not adequately enable Indigenous businesses to get into government supply chains.

It wasn't until 2015 when the Indigenous Procurement Policy was set that real change was experienced. This meant that targets were public and all agencies had mandatory annual reporting which was also publicly published.



“There was no room for best endeavors, it was hard targets and public accountability for progress” - Supply Nation CEO Laura Berry (shared at the Amotai Summit 2021)

### 3.) Incremental increases and broader application

The Australian government had incremental increases to their targets that increased over a 5year period.

Additionally, they included provisions for private enterprises that wanted to do work with the government. Any contract above \$7.5million had indigenous business targets.

The government also engaged all federal state governments across Australia to encourage developing their own state Indigenous procurement policies. Now all federal governments across Australia have their own state policies in addition to the government policy.

### 4.) Private Enterprises are fast movers and adopters

In the early days of supplier diversity being established in Australia, private enterprises were the early adopters of the practice, particularly multinationals. There was no need to convince companies of why this was important as they were already implementing supplier diversity in other parts of the world.

### 5.) Verification of business ownership is vital

Supply Nation provides Australia’s leading database of verified Indigenous businesses. The government mandated Supply Nations verification of businesses making it easier for agencies to source businesses.

### 6.) Indigenous businesses respond to increased demand

Whilst the demand for goods, services and works from indigenous businesses increased, so did the growth of the indigenous business sector.

Supply Nation now has a registered database of over 3000 indigenous businesses and the indigenous business sector has a growth rate of 13%, well above the non-indigenous business sector.

Supply Nations own research has shown that for every \$1 spent with Indigenous businesses there is a \$4.41 social return.

*Kua para te huarahi. The path has been paved before us.*

## Progress in Aotearoa:

In the space of 3 years there has been significant growth in the supplier diversity practice and the awareness in Aotearoa:

- The government set the Progressive Procurement Policy in 2020, requiring government agencies to spend at least 5% of the total number of contracts with Māori businesses
- Amotai (previously He Waka Eke Noa) has grown from an Auckland focused organisation to a national Supplier Diversity Intermediary.
- Amotai had just a handful of informal Buyer partners and around 40 Māori and Pasifika owned businesses. Now there are over 130 corporate, government and Iwi Buyer members and over 1000 Māori and Pasifika owned businesses.
- There has been a significant increase in awareness about what supplier diversity is and why it is important. This means it's now no longer unusual to see specific supplier diversity targets in tenders and contracts.

## Adopting the learnings of Australia

Aotearoa has a while to go to consider our government's policy as a 'game changer' for Māori businesses. Whilst the efforts to date are commendable, when it comes to equity for Māori, no one can afford to sit on their hands. We still have work to do.

What we know worked in Australia was the setting of hard targets and hard public accountability. This meant that leaders of government agencies were held to account if they did not hit their indigenous procurement policy targets. Thanks to the online publishing of target results, everyone could see who had hit targets and who hadn't.

Whilst government agencies are asked to report here in Aotearoa, it's fair to say that the task is fraught with issues dumped on to procurement teams and the facts and figures of those reports are hidden in the government's cogs. We need a hardline approach to get change, that's what has been shown to work in Australia and until that happened, progress was incremental.

What we know didn't work was setting a target that was focused on the 'number of contracts'. Setting a target that is focused on 5% of the number of contracts is very different to a target that is focused on 5% of the total dollar value of contracts.

If you have 100 contracts and you must give out 5 to Māori businesses, targets could be hit by using a Māori caterer 5 times (low level spend). Rather than just counting the number of contracts we want to see equity in the actual spend amount. So, if the total contract is worth \$100 million, at least \$5 million needs to go to Māori businesses. Yet, our targets here are focused on volume rather than value.

Aotearoa targets also do not extend beyond the agencies themselves, meaning that there is no requirement for private enterprises that do work for the government to implement these targets. Some agencies have pushed the boundaries of these targets and added provisions into their own procurements. But this is done off their own accord and not because of the Progressive Procurement Policy.

The importance of verification is another lesson yet to be taken on board here. Whilst there is a Supplier Diversity Intermediary in Aotearoa, Amotai, that has a clear definition and verification process, the government still accepts tracking of progress against the Māori business Identifier, a controversial self-identification tool that allows businesses to self-identify as a Māori business based on things like 'Māori branding, Māori values and Māori employees'. Separately, the definition of a Māori business by Stats NZ is still under consultation. So, there is no one source of the truth.

In Australia, each federal government has created their own Indigenous procurement policy. We obviously don't have states here, but we do have territorial authorities like local body councils. Some Councils have begun establishing sustainable procurement guides and adding targets into some procurements but other than Auckland Council, Councils across Aotearoa have had very limited movement in terms of the setting of organisation-wide targets.

### What needs to happen next

We now have a progressive procurement policy. Like in Australia, the first iteration was about trialing and testing and the policy needed amending to become a tool that was truly 'game changing' for Indigenous businesses and the Indigenous economy.

It's time to progress Indigenous procurement in Aotearoa based off the learnings of our tuākana across the ditch and here's where we think we should start:

- 1.) We need a hardline approach that has hard targets, hard accountability and public accountability. We can't allow for a 'we tried' approach.
- 2.) Targets must be based on total value.
- 3.) We need an easy reporting and measuring matrix that allows government agencies to report using one method.
- 4.) We need incremental increases in the targets year on year until its representative of the Māori population
- 5.) We need to value verification of Māori businesses; we cannot allow for self-identification and the risks of fraudulent behavior when we are talking about significant commercial interests.
- 6.) We need a policy that extends to contractors, particularly businesses that get a lot of business from the government.
- 7.) We need a policy that cannot be revoked or ignored - it must be legislated.
- 8.) We need local councils across Aotearoa to set their own targets.

## About us

Puna Awarau is a Māori consultancy firm working at the forefront of Indigenous procurement in Aotearoa. With unrivaled expertise in supplier diversity, we are your specialist support. Generating Māori (and Pasifika) socio-economic outcomes within organisations and major projects.

We work with government agencies, local body authorities, Iwi, Māori land trusts, private enterprises and charitable trusts that want to better understand what social value they can create through their spending.

We understand the power of procurement in creating change and believe a more equitable Aotearoa is possible. We offer independent expert advice and support to organisations working towards broader outcomes through social procurement, progressive procurement and/or supplier diversity.

- We are 100% Māori owned
- We are 100% wāhine owned

*Puna Awarau founders have whakapapa links to Ngaati Te Ata Waiohua, Te Rarawa, Te Waiariki, Ngāti Tūtae, Ngāi Tuupoto, Ngāti Reinga, Te Hikutu, Te Aupouri, Ngāti Kahu.*

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