

Australia's Indigenous Procurement Policy: Public procurement as a strategic lever to pursue policy objectives

Title of the governance practice: The Indigenous Procurement Policy

Summary of the governance practice

The Indigenous Procurement Policy (IPP) is a mandated procurement-connected policy of the Australian Government's Commonwealth Procurement Rules launched in 2015. It allows Australian Government buyers to purchase directly from Indigenous small and medium enterprises (SMEs) through a simplified quote process while retaining efficiency as a core objective. Prior to the policy, Indigenous enterprises secured limited business with the Australian Government: in 2013, a reported AUD 6 Million in Commonwealth contracts were awarded to fewer than 30 Indigenous businesses. The IPP aims to increase the rate of purchasing thereby helping to drive Indigenous economic development and entrepreneurship.

Short description of the governance practice

The IPP commenced on 1 July 2015 and was updated on 1 July 2019. The primary purpose of the policy is to stimulate Indigenous entrepreneurship and business development, providing Indigenous Australians with more opportunities to participate in the economy. The IPP aims to increase the Australian Government's Indigenous procurement in three ways:

- Annual targets for the number of contract awarded to Indigenous businesses;
- A Mandatory Set-Aside (MSA) for remote contracts and those valued between AUD 80 000 and AUD 200 000;
- Minimum Indigenous participation requirements in contracts valued at or above AUD 7.5 Million in selected industries, known as the Mandatory Minimum Requirements (MMR).

The development and evaluation of the IPP is influenced by ongoing engagement with stakeholders within and external to the Australian Government, using a variety of mechanisms including round table discussions, electronic surveys and one on one interviews with Indigenous businesses, as well as large non-Indigenous businesses that employ Indigenous Australians or engage Indigenous businesses in their supply chains.

The NIAA contracts Supply Nation, an Indigenous organisation, to maintain a free registry of Indigenous businesses called 'Indigenous Business Direct' to help procurement officers and large businesses easily locate Indigenous businesses. Supply Nation has more than 1,900 businesses on its registry.

Achievement/Outcome of the governance practice

The Australian Government publicly accounts for its performance under the IPP on the NIAA website, and includes information on the performance of each Australian Government Portfolio against their target and the number and value of contracts awarded to Indigenous businesses each year.

The IPP has achieved remarkable results. Prior to the introduction of the policy only a few Commonwealth contracts were awarded to a small number of Indigenous businesses. For example, in the 2012-2013 financial year, a reported \$6 million in Commonwealth contracts were awarded to fewer than 30 Indigenous businesses. As at 18 July 2019, since the IPP's introduction in 2015, more than 1,550 Indigenous businesses have won over 13,700 contracts under the Indigenous Procurement Policy (IPP) totalling more than \$2.2 billion.

Following these unprecedented results, as well as the independent findings from a one-year review and a third-year evaluation, adjustments have been made to the policy

- In 2016, the volume target increased from 0.5% to 3% of all contracts.
- Since 1 July 2019, the IPP has adopted a value-based target of 1% of the value of contracts awarded to Indigenous SMEs, with a yearly 0.25% increase to reach 3% by 1 July 2027.
- From 1 July 2020, the MMR for Indigenous employment and supplier use will expand from eight industry sectors to a total of nineteen.

Source: Example of country practice provided by the Government of Australia as part of the Policy Framework's consultation process