

Country case: Centre-led collaborative contracts in New Zealand

Description

Complemented by Procurement Functional Leadership (PFL) since 2012, the Government Procurement Reform programme has been centred around three main objectives: i) create sound business environment for New Zealand businesses; ii) increase performance, add value and maximise results; and iii) unlock cost savings. Some key achievements of the reform programme include support for agencies to identify procurement skills gaps and areas for capability improvement, new rules for government sourcing, establishment and development of All-of-Government (AoG) contracts that have the potential to deliver cost savings and efficiencies.

Public Procurement
Principle: **Efficiency**

Procurement Stage:
All phases

Audience: **Policy Maker,**
Procuring Entity

A number of collaborative contracts — such as syndicated contracts, common capability contracts and AoG contracts — are managed and facilitated under the Ministry of Business, Innovation and Employment and its use has been further developed under the reform programme. Collaborative contracts allow the government agencies to achieve greater cost savings through economies of scale and produce greater value from providing consistency of policy implementation, aligning business requirements, saving transaction costs and establishing a common contract and governance framework. Recognising the potential benefits of it, an increasing number of government agencies participate in collaborative contracts. According to the PFL Progress Report of September 2014, more than 720 agencies are participating in the AoG contracts, whose number is expected to continue to grow. Total forecast savings over the lifetime of all AoG contracts have also augmented from USD 348 million to USD 415.1 million, representing in general between 10-15%.

In order to participate in an AoG contract, a government agency needs to sign a Letter of Agreement to a Memorandum of Understanding on AoG contract participation. Once the LoA is signed, the participating government agency receives a panel directory containing provider details, the primary service lots they were selected for, relative value-for-money and quality rankings, plus contracted fees. In this process, the Centre of Expertise, specialising in managing relationships and resolving issues, maintains the overall contractual relationships with each of the panel providers and government agencies maintain operational relationships with their individual panel providers (more detailed information can be found in the AoG Buyers Guide). The process demonstrates several benefits of the centred procurement process including, in addition to unlocking cost savings through aggregation of spending, improved ability to influence capability and capacity development, enforced strategic procurement and stronger centralised leadership and support.

Source: OECD (2016), [The Korean Public Procurement Service: Innovating for Effectiveness](#), OECD Publishing, Paris.