New Zealand

Strategic framework, action plan and scope for procurement for innovation policy

New Zealand is committed to open, transparent and competitive government procurement that: delivers best value for money, does not discriminate against suppliers (whether domestic or international) and meets agreed international standards.

Government procurement is based on the Five Principles of Government Procurement, the Government Rules of Sourcing, and good practice guidance. Collectively, these provide a broad framework that supports accountability for spending, sound business practice and better results. Applying the Rules is essential to providing open and fair competition that supports innovation and helps create a competitive, productive supply base in New Zealand.

The Procurement Functional Leadership and the NZ Government Procurement Branch of the Ministry of Business Innovation and Employment provides a centre-led (rather than centralised) approach to public procurement which is carried-out by government ministries and departments.

New Zealand has an enabling approach towards public procurement fostering innovation. The policy framework provides a flexible and supportive environment for procurement generating new and improved solutions. Guidance tools and templates are available to departments and ministries (e.g. guides and tools for Competitive Dialogues, Cost Benefit Analysis, and Total Cost of Ownership) to improve procurement. Procurement experts are available to support ministries and departments implementing complex or alternative procurements. Ministries and departments are using public procurement to foster innovation as part of their mainstream/normal procurement processes.

The procurement for innovation action plan is part of the country’s general innovation or procurement strategy. Good procurement practices should generally foster new or improved solutions (innovations). The New Zealand procurement strategy is focused on improving procurement skills and practices in ministries and departments, and developing an environment in which businesses can succeed. Public procurement is also part of the New Zealand government’s action plan “Business Growth Agenda: Building Innovation”. Actions include encouraging innovative public sector ICT procurement models, including accelerator programmes and hackathons.

In New Zealand, government support for R&D and innovation and commercialisation is provided through dedicated organisations, such as Callaghan Innovation, New Zealand Trade and Enterprise, University Commercialisation Office of New Zealand, the New Zealand Health IT cluster, and the Medical Technologies Association of New Zealand. Ministries and departments generally do not have budgets for external research and development, and do not have separate budgets for procurement related R&D. Public procurement fostering new and improved solutions (innovation) is done as part of mainstream good procurement practice.

New Zealand does not have separate programmes such as SBIR, PCP and PPI for procurement for innovation.

**Implementation**

There are specific actions to support the implementation of procurement for innovation at the national level of government. The Government Rules of Sourcing provide a supportive and flexible policy framework that encourages good procurement practices which can foster the development of new and improved solutions.

New Zealand’s government procurement branch has developed procurement guides, tools and templates to assist with implementation good procurement practices. It has also facilitated procurement professional development (CIPS, courses, online training, mentoring, and a graduate intake programme).

New Zealand’s Government Procurement Commercial Pool provides expert assistance on the implementation of large, complex, or alternative procurements undertaken by ministries and departments.

A Procurement Capability Index has been developed and is currently being piloted to enable ministries and agencies to assess their practices and identify areas for improvement.

New Zealand provided the following examples for policy instruments used to support procurement for innovation:

- Policy instruments: Government Rules of Sourcing - for the Public Sector
- Financial instruments: Better Public Services, Seed Fund - for Public Sector
- Programmes: Better Public Services, Result Area 9 - for Public Sector
- Stand-alone-cases: Pilot of Accelerator - for Public Sector
- Other: Commercial Pool experts - for Public Sector.

**Challenges, risks and solutions to overcome obstacles**

The most significant challenges in developing and implementing policies for procurement for innovation have included: the development of good procurement practices and professional development across government ministries and departments; encouraging ministries and agencies to balance risks and benefits; the limited time and resources to implement good procurement practices, such as early market engagement and supplier relationship management, that can generate new solutions and overcoming “myths” of what can and cannot be done in good public procurement.

New Zealand has been endeavouring to overcome these obstacles by undertaking the following activities:

- Government Rules of Sourcing providing a flexible and supportive environment for good procurement practice
- ministries and departments remaining responsible for implementing good procurement practices
• increased transparency of government procurement through Government Electronic Tenders Service (GETS)
• guides, tools and templates and capability development improving professional standards in government ministries and departments
• commercial pool providing procurement expertise to government ministries and departments
• reviews of ministries and departments procurement practices and development of Procurement Capability Index for ministries and departments to assess their practices.

**Key lessons learned**

Improvements in public sector practices require a clear and consistent policy framework, and on-going encouragement and support, ultimately linked to ministries and departments’ performance accountability mechanisms. Supply markets can sometimes be sceptical about public sector intentions to improve practices.

**Measurement and impact assessment**

New Zealand has the following systems in place to measure the impacts of actions related to procurement for innovation:

• Reviews of ministries and departments procurement practices.
• Development of the Procurement Capability Index against which ministries and departments can assess their procurement practices.
• Better Public Services, Result Area 9, monitoring includes procurement practices indicators.
• An evaluation of the Accelerator pilot is currently underway.
• Individual mainstream procurement projects have identified innovations and impacts.

A target has not yet been quantified for procurement for innovation. Regarding procurement for innovation, evaluation studies and a survey of government suppliers includes questions on openness to innovation.