

Indigenous Procurement Policy

What is the Indigenous Procurement Policy?

The policy commenced 1 July 2015. It applies to all non-corporate Commonwealth entities subject to the Commonwealth Procurement Rules (CPRs). However, entities that are not required to comply with the CPRs are encouraged to adopt the policy as best practice.

The policy has three parts:

- A target number of contracts that need to be awarded to Indigenous businesses.
- A mandatory set-aside of contracts for Indigenous businesses to apply in certain situations.
- Mandatory minimum requirements for Indigenous employment and Indigenous supplier use applying to certain Commonwealth contracts.

Commonwealth buyers can purchase directly from Indigenous small to medium enterprises (SMEs) for contracts of **any** size and value using the Indigenous business exemption (Exemption 17) in the CPRs.

This provides Indigenous businesses with a big advantage - they do not need to complete costly tender processes. Indigenous business must still demonstrate value for money, but this can be done through a simpler quote process.

Under the policy, what is an Indigenous business?

An Indigenous business is any business that is 50 per cent or more Indigenous owned.

[Supply Nation](http://www.supplynation.org.au) maintains a free register of Indigenous businesses at: www.supplynation.org.au

What is a small to medium enterprise (SME)?

An SME is defined by the Department of Finance as an Australian firm with fewer than 200 full-time equivalent employees.

Key elements of the new policy

1. What is the target?

Three per cent of new domestic Commonwealth contracts will be awarded to Indigenous suppliers in 2019-20. Interim targets apply annually to drive and track performance.

The interim targets are:

- 0.5 per cent in 2015-16
- 1.5 per cent in 2016-17
- 2.0 per cent in 2017-18
- 2.5 per cent in 2018-19.

In 2015-16, the target will result in at least 250 new domestic contracts being awarded to Indigenous businesses across the Commonwealth, increasing to more than 1,500 contracts in 2019-20 when the full 3 per cent target applies.

The target has been allocated across portfolios, based on past contracting share. Individual portfolio performance against the target will be published each year.

2. How will the mandatory set-aside work?

While Indigenous businesses can bid for any contracts, from 1 July 2015 there are requirements for Departments to look first to Indigenous businesses for all contracts in remote areas regardless of value; and all other domestic contracts valued between \$80,000 and \$200,000.

For these contracts, agencies will first have to check whether an Indigenous SME can deliver the goods or services on a value for money basis before approaching the market.

To satisfy the mandatory set-aside, the Commonwealth buyer will need to:

- Check whether there is an Indigenous business that has the necessary capability, and if so, investigate whether the Indigenous SME offers value for money.
- If it does, the contract must be offered to the Indigenous SME.
- If there is no suitable Indigenous SME, then the Commonwealth buyer can select another contractor through its normal purchasing process.

3. What contracts do the mandatory minimum requirements apply to?

Mandatory minimum requirements will apply to all contracts delivered in

Australia that are valued at \$7.5 million or more, where the majority of the goods or services are in one of the following specified industries:

1. Building, construction and maintenance services
2. Transportation, storage and mail services
3. Education and training services
4. Industrial cleaning services
5. Farming and fishing and forestry and wildlife contracting services
6. Editorial and design and graphic and fine art services
7. Travel and food and lodging and entertainment services
8. Politics and civic affairs services

What are the mandatory minimum requirements?

The minimum requirements are:

- **Contract-based requirement:** achieve at least 4 per cent Indigenous employment and/or supplier use on average over the term of the contract; OR
- **Organisation-based requirement:** achieve 3 per cent Indigenous employment and/or supplier use across the organisation on average over the term of the contract.

In addition, where part of the contract is to be delivered in a remote area, the government agency and the contractor will agree to significant Indigenous employment or supplier use requirements in that area.

The minimum Indigenous participation requirements must be included in approaches to market released after 1 July 2015.