



Australian Government
Department of Finance

Consideration of broader economic benefits in procurement

1. The government has in place a range of measures designed to promote economic growth through procurement. Two examples are the commitment to source at least 10% of procurement by value from Small and Medium Enterprises (SMEs), and publishing procurement plans for significant procurements to engage early with the market.

What has changed?

2. Two new paragraphs have been added to the CPRs.

CPRs Paragraph 10.30	In addition to the considerations at paragraph 4.4, for procurements above \$4 million, Commonwealth officials are required to consider the economic benefit of the procurement to the Australian economy.
CPRs Paragraph 10.31	The policy operates within the context of relevant national and international agreements and procurement policies to which Australia is a signatory, including free trade agreements and the Australia and New Zealand Government Procurement Agreement.

What is the purpose of this change?

3. This change requires officials to consider the economic benefit of a procurement to the Australian economy as part of their value for money assessment, for procurements above \$4 million for non-construction goods and services and above \$7.5 million for construction services. This assessment will require gathering appropriate information as part of the decision making process.
4. The change in paragraph 10.30 of the CPRs operates within the context of Australia's trade agreements. These agreements require officials to treat all potential suppliers equitably and not to discriminate against suppliers on the basis of their size, location or ownership.

What is included in economic benefit?

5. In general terms, benefits to the Australian economy result when the procured supply:

- makes better use of Australian resources that would be otherwise under-utilised (e.g. employing persons who would be otherwise under- or unemployed, spare industrial capacity, or freeing government funds for other spending); or
- otherwise increases productivity (e.g. adopting new know-how or innovation, or more people acquiring in-demand skills, or allowing resources to be allocated to sectors in which Australia has a comparative advantage).

6. An increase in productivity-enhancing technology development and adoption is also relevant to economic benefit, in matters such as:

- research and development related activities and investments (including those undertaken with universities);
- transfer of technology to Australian businesses;
- Indigenous workforce participation;
- use of goods and services from a business that provides services of persons with a disability;
- traineeships or apprenticeships in areas of skills shortage; or
- a positive effect on a supplier's international competitiveness (e.g. through greater efficiency or product innovation).

7. For consistency and efficiency, only direct effects to the Australian economy should be assessed. For example, officials may consider the economic benefit of employing unemployed people, but not second round effects of those employees buying additional goods and services because they are employed.

What do procurement officials need to do?

8. During planning, consider how the Australian economy may benefit from the procurement activity. Consider what economic benefit information will be collected, and how it will be used as an evaluation criteria to assess value for money.



9. **The level of information collected should be commensurate with the procurement. It should not introduce excessive red tape and cost for tenderers bidding for government contracts.**

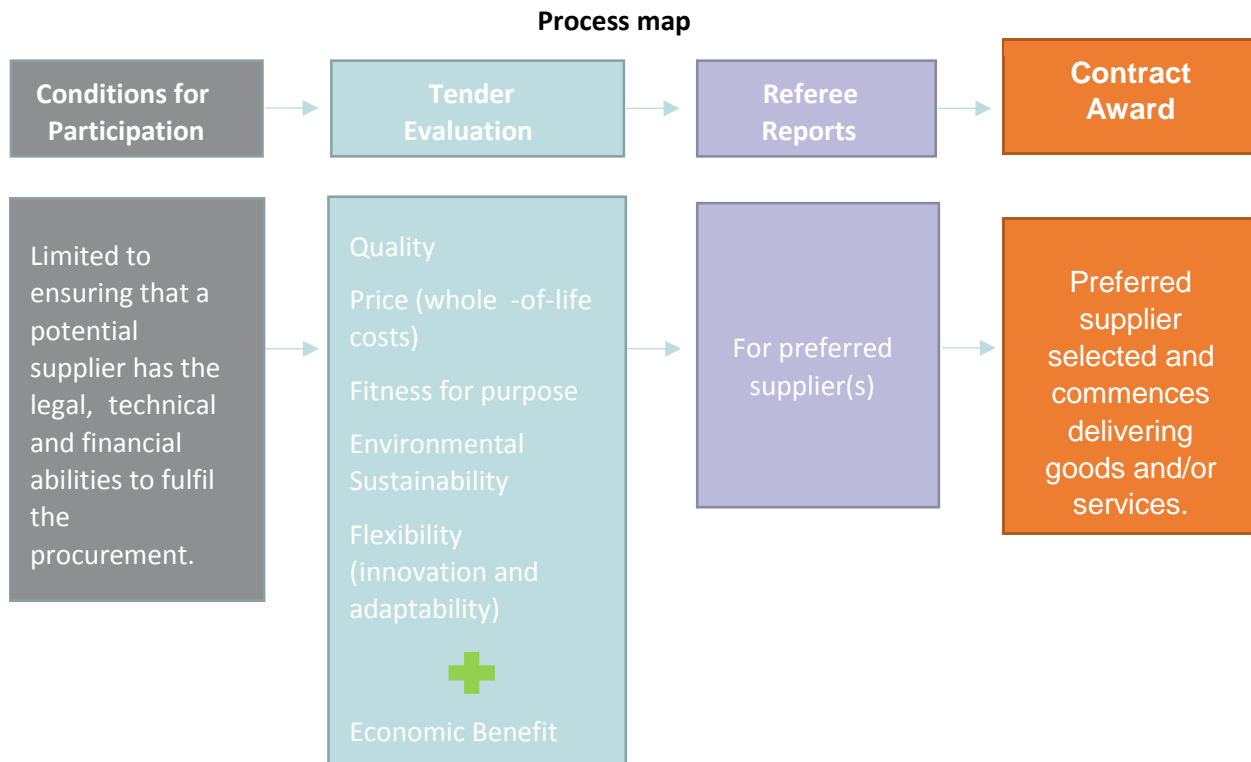
10. Evaluation criteria should allow officials flexibility to consider all important requirements in their tender evaluation. The economic benefit consideration is in addition to the assessment of other evaluation criteria, such as those set out in paragraph 4.5 of the CPRs, including the quality of the goods and services, fitness for purpose, flexibility of the proposal (including innovation and adaptability), environmental sustainability, and whole-of-life costs.

11. Economic benefit consideration should not detract from officials' ability to achieve high quality, value for money procurement outcomes. The relative importance of evaluation criteria should reflect the type of procurement, industry sector and market conditions.

12. Officials must include the evaluation criteria to be used in the procurement plan, the evaluation plan, and the approach to market documentation (in accordance with paragraph 10.6 of the CPRs).

13. Evaluation of the economic benefit to the Australian economy should be balanced with the efficient use of Australian government funds. For example, advantages of the production of a good in Australia may be outweighed by the cost of a similar good produced overseas.

14. Documentation of the consideration of economic benefit should be maintained in accordance with paragraph 7.2 of the CPRs.



How can a supplier provide an economic benefit?

15. There are many ways that a supplier can provide an economic benefit to the Australian economy. Some examples include, but are not limited to:

- competitive pricing;
- building, leasing or procuring infrastructure that supports Australian communities;
- providing skills and training that benefit Australian communities;
- employing workers in Australia;
- paying taxes in Australia;
- the environmental benefit of the proposed solution to Australia, for example, low environmental impact through energy efficient inputs;
- contributing to positive social outcomes in Australian communities;
- using indigenous businesses;
- using SMEs in delivering goods and services, such as a subcontractor or a supplier;
- sharing knowledge, skills and technology with SMEs; and
- using goods and services from a business that provides services of persons with a disability.

Is this consistent with existing economic benefit considerations in the CPRs?

16. Yes – In Section 5 of the CPRs – Encouraging Competition, Paragraphs 5.4 (c) and (d) already require officials to consider, in the context of value for money:

- SMEs' capabilities and their commitment to local or regional markets; and the
- potential benefits of having a larger, more competitive supplier base.

Do these new rules apply when establishing a panel arrangement?

17. The new rules will apply to the process to establish a panel arrangement when the total value of orders under the arrangement is collectively estimated to be above the relevant thresholds (\$4 million for non-construction goods and services and above \$7.5 million for construction services).

18. When the mandated whole of government coordinated procurement panels are refreshed, the new rules will be applied.

Example

Commonwealth officials are procuring call centre services. The value is expected to exceed \$4 million and therefore they are required to consider the economic benefit of the procurement to the Australian economy.

Officials could consider the following economic benefits:

- providing low cost services;
- building, leasing or procuring infrastructure that supports Australian communities;
- providing skills and training that benefit Australian communities;
- the environmental benefit of the proposed solution to Australia, for example call centre has low environmental impact through energy efficient inputs;
- contributing to positive social outcomes in Australian communities;
- use of indigenous businesses;
- use of SMEs in delivering goods and services, such as a subcontractor or a supplier;
- sharing knowledge, skills and technology with SMEs; and
- use of goods and services from a business that provides services of persons with a disability.