



Sustainable procurement in the water sector

↳ An untapped opportunity for Australia





**We are deeply
inspired to
foster positive
change.**

Foreword

How exciting is it to be part of the water industry right now?

Over the past few years, we've been deeply inspired by the industry's interest and desire to play a bigger part in the challenges we're facing to improve the natural environment, the cities where we live and work, and the livelihoods and quality of life of people everywhere. Across Australia and beyond, water authorities are taking up the mantle of community steward and collaborator, of caring for country, of environmental protector. It's something we're proud to be supporting, and we want to do more.

When we first considered how we could best foster positive change in the industry, a focus on sustainable procurement immediately sprang to mind. We're deeply passionate about this area, and for us it felt like a privilege to use our positions to advance this cause. We know a lot of our clients feel passionately about it too. So, we asked ourselves: How could we leverage GHD's footprint to feed the momentum and help the industry take an important next step? Our Australian water clients touch 20 million customers, so we knew there was the potential to have a big impact.

The result was a series of webinars that were insightful conversations with Australian managing directors who shared their organisations' journeys toward sustainable procurement. We uncovered initiatives, challenges, approaches, and insights, and we're so grateful to those leaders for what they shared. But that didn't seem like the end of the conversation. Our next question was: What if everyone in the Australian water sector took on a few simple actions? How big a collective difference could we make? That seemed like the bigger and more important question, and the one we've tried to advance here. Thanks to robust data from the Water Services Association of Australia (WSAA) and the insights from industry leaders, we're able to offer this document as a collation of some of the thinking out there in the industry right now – and the possibility of what could still be achieved.

Our industry momentum is heading in the right direction and we are keen to add our energy to it. We offer this to the industry with the hope of keeping the conversation going and being part of the evolution of our industry's great legacy.

Rod Naylor

Australian Market Leader - Water

Lindsey Brown

Water Market Leader, Victoria

Executive Summary

It's widely accepted that sustainable procurement is central to driving economic prosperity, social welfare and environmental protection in the communities where organisations operate. With an annual supply chain spend totalling approximately \$5 billion, the Australian water industry is in a strong position to make a significant impact. By directing its procurement in ways that consider broader benefits, water utilities have the power to play a key role in helping communities thrive, develop, and reach their potential.

In recent years, many water sector authorities have begun the process of redefining and reshaping their public identities to acknowledge their responsibility as important stewards of our society and economy. In this context, supply chain transparency and a thorough understanding of how procurement models impact climate change, environmental degradation, and social inequality is critical.

Increasingly popular strategies such as modifications to bidding process selection criteria, an increase in stakeholder engagement with underrepresented groups and transformation of work culture and governance have all helped raise the water sector's sustainable procurement credentials and performance. However, these initiatives only scratch the surface of what could be achieved by combining the water industry's considerable spending power.

GHD's whitepaper **Sustainable Procurement in the Water Sector: An Untapped Opportunity** paints a picture of what could be achieved through stronger industry collaboration.

Let's challenge the status quo, understand unconscious biases, and remove obstacles to successful procurement outcomes.

In particular, this document looks at the role water utilities can play by focusing on key areas of community vulnerability:

- ① **Aboriginal and Torres Strait Islander communities**
- ② **Socioeconomic vulnerability**
- ③ **SMEs and regional economies**

For Aboriginal and Torres Strait Islander communities, procurement is important to facilitate traditional knowledge sharing, and in terms of reconciliation, collaboration and closing the gap. With the expansive footprint of the water industry, there is great potential to be able to engage meaningfully with Indigenous businesses, employees and communities to improve the economic prosperity of Indigenous peoples across the country. However, to do this effectively, there are several important factors to consider including engagement methods, relationship building strategies, and capacity building.

Further, research indicates that procurement that supports vulnerable communities including Aboriginal and Torres Strait Islander peoples, also has positive economic outcomes; it's estimated that every \$1 invested in such programs can generate up to \$10 return in social value.

Finally, this document acknowledges the pivotal role SMEs play in driving local economies, and their susceptibility to environmental, social, and economic adversities. Large organisations within the water sector should consider adjusting their procurement patterns to provide stability and security to SMEs so long-term support for regional economies can be sustained.

Achieving scalability in all these areas through widespread adoption and embedded practice is critical to reaching the threshold to drive meaningful change. However, transformation will require leadership, a shift in mindset and a strong focus on partnerships and effective relationship building. In addition, there is an opportunity to accelerate the change through the innovative use of new technologies to adopt new methods, shift behaviours, capture data, monitor progress, and manage collaboration.

There has never been a more important time for the water industry to play its part in society. As such, it is important to challenge the status quo, understand unconscious biases, and strive to remove any obstacles to successful procurement outcomes.

All dollar figures noted throughout are in Australian Dollars (AUD).

Why sustainable procurement, at scale?



In recent years, sustainable procurement has become an important issue for customers and stakeholders associated with the water industry. Yet assessing and improving levels of sustainability across supply chains remains a tremendous challenge for many organisations. The incentive is clear; it's widely accepted that sustainable procurement is central to driving economic prosperity, social welfare, and environmental protection in the communities where organisations operate. Defined, sustainable procurement can be explained as 'a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis. This generates benefits not only for the organisation, but also for society and the economy, whilst minimising damage to the environment'¹

Sustainable procurement presents an opportunity to improve productivity, assess value and performance in new ways, enable communication between purchasers, suppliers and stakeholders, and encourage innovation.² This opportunity is timely, as water sector authorities' identities are being reshaped from being engineering-based water and wastewater services providers to more aspirational stewards of our society and economy. In short, a clear and deep understanding of how procurement models impact climate change, environmental degradation, and social inequality is fundamental in helping water authorities achieve that aspiration.

The Australian water industry spends approximately \$5 billion annually in its supply chain³. By directing these funds in ways that consider broader benefits, water utilities have the power to play a more significant role in helping communities thrive, develop, and reach their potential.

Pleasingly, organisations across the Australian water industry have begun to build momentum in sustainable procurement through strategies such as relevant weighting and selection criteria in bidding processes, stakeholder engagement with underrepresented groups, and a shift in work culture and governance that embraces new approaches. However, these small steps are only a fraction of what could be achieved by combining the water industry's considerable spending power. Achieving scalability through widespread adoption and embedded practice is critical to reaching the threshold to drive meaningful change. As such, the stories and information shared in this document should paint a picture of what can be achieved through stronger industry collaboration.

\$5B

is spent annually by the Australian water industry in its supply chain

Sustainable Procurement & the Sustainable Development Goals

To fully understand the opportunity, it's also worth emphasising the relationship between sustainable procurements and the Sustainable Development Goals (SDGs). The SDGs were unanimously agreed by all 193 member states of the UN in 2015 and were built upon the Millennium Development Goals (MDGs) (Figure 1)⁴. Aiming to act as the “blueprint to achieving a better and more sustainable future” (United Nations, 2015), the SDGs are targeted at both developed and developing countries due to the strong linkages through environmental adversities and consumption and production patterns. For water utilities, the SDGs are particularly important, not only as water authorities are large emitters of carbon but also because they represent a globally agreed framework to address the challenges faced by society such as climate change, inequality, health, and economic prosperity. For water businesses, sustainable procurement is an important area that can be used to implement and drive significant action on achieving the goals.

For example, SDG 12 – “Responsible consumption and production” and SDG 8 – “Economic growth” can be achieved through procurement practices designed to reduce pollution and avoid forced labour. In Australia there are several other important drivers of sustainable procurement including the Commonwealth’s Sustainable Procurement Guide, State-specific social procurement frameworks, and ministerial obligations.

Combined, these drivers are designed to help ensure that purchasing processes and transactions account for environmentally sustainable business outputs and practices, climate change, and social objectives including opportunities for Indigenous peoples or people with disabilities. As such, sustainable procurement can play a significant role advancing the SDGs and make a significant difference to the lives of many Australians, through job opportunities and skills training.

The following sections provide various lenses to demonstrate the role that water utilities can play to benefit communities and drive SDG implementation through sustainable procurement patterns. The focus is key areas of community vulnerability, these being Aboriginal and Torres Strait Islander communities, socioeconomic vulnerability, and SMEs and regional economies.



Figure 1. United Nations Sustainable Development Goals (UN, 2015)

Aboriginal and Torres Strait Islanders

The Aboriginal people of Australia were the country's first water managers, engineers and traders, and their wealth of traditional knowledge remains highly valuable to modern society.

Indigenous procurement is not only important to facilitate traditional knowledge sharing, but also in terms of reconciliation, collaboration and closing the gap. With the expansive footprint of the water industry, there is great potential to be able to engage meaningfully with Aboriginal businesses, employees and communities to support the economic prosperity of Aboriginal peoples across the country.

Procurement to support Aboriginal businesses is an important step towards achieving SDGs 8 and 10, with flow on benefits to other goals including SDGs 1, 3, 4, and 6 (Figure 1). There are also several social benefits Indigenous procurement. For example, every \$1 of revenue generates \$4.41 of social return for certified suppliers⁶. Furthermore, Indigenous businesses are 100 times more likely to employ other Indigenous people through training at the grassroots level⁷. There are however several factors to consider in terms of Indigenous procurement strategies and their incorporation in business plans such as engagement methods, relationship building strategies, and capacity building. It is important for water corporations to explore ways in which skills and capability can be built to scale Indigenous procurement and open a two-way learning and knowledge sharing environment.



Indigenous people make up around 3% of the Australian population but only approximately 0.5% of our business community.⁵

Case Study:

Water Corporation Western Australia

Summary

Water Corporation Western Australia has a longstanding connection to the Aboriginal community in Western Australia (WA). Water Corporation WA is the state's principal water services provider, serving about 1.3 million homes and businesses across WA's 2.6 million square kilometre⁸ expanse. Water Corporation WA employs 3500 employees and many more contractors and service providers.

Reconciliation journey

Water Corporation WA established its first reconciliation action plan in 2006, with a focus on building cultural competence and increasing Aboriginal employment. In 2015, a target was set to award five contracts per year to Aboriginal-owned business. One contract was awarded in 2015; this increased to five in 2016 and was followed by 13 contracts by the end of 2017. In 2019, Water Corporation WA launched its current strategy which commits to awarding 3% of all contracts (over \$50,000) to Aboriginal and Torres Strait Islander owned businesses, in line with the Government of Western Australia's Aboriginal Procurement Policy⁹. In 2020, 168 contracts were awarded to aboriginal businesses, with a combined value of almost \$5 million. Sixteen of these projects were individually worth over \$50,000. Combined, these 16 projects totalled approximately \$3.5 million, exceeding the current target⁴.

Aboriginal and Torres Strait Islander employees make up about 4.5% of Water Corporation WA's workforce and this is on track to reach 6% by the end of 2021. This has been possible by focusing on retention, as well as building the pipeline of recruitment candidates, with approximately 40% of trainees and apprentices being Indigenous. Water Corporation WA is currently working towards improving services to support remote Aboriginal communities, with planning already underway for three communities. However, there is still an important journey ahead in ensuring these communities have access to safe and clean water (SDG 6).

Challenges faced and how these were overcome

When working with Aboriginal businesses, it is important to understand that relationships with Aboriginal suppliers need to be managed differently. Alternative relationship building and procurement methods must be applied to support Aboriginal businesses so that they can penetrate the water industry. Through the process of bringing project managers and Aboriginal suppliers together, Water Corporation WA found that some of the major challenges encountered by Aboriginal businesses include the complexity of navigating internal systems and processes, and a limited understanding of the work program and bid opportunities. Similarly, within the water business, barriers to Indigenous procurement include limited enterprise information on Aboriginal businesses, leading to little confidence in supplier competence or currency.

“Solutions are found as relationships are built.”

– Pat Donovan, CEO of Water Corporation WA

As such, one of the major focus points for Water Corporation WA is on building relationships by organising networking opportunities for project managers and Aboriginal suppliers. One solution included the establishment of an internal Aboriginal supplier engagement role for collating lists of Aboriginal suppliers for project bids, including contact details and relevant experience. This made it easier for Water Corporation WA project managers to identify relevant suppliers for engagement. To complement this, a contracting model was established for large projects, with a requirement for the head contractor to engage with at least two Aboriginal suppliers as part of the bid. This has introduced large number of Aboriginal suppliers to Water Corporation WA, resulting in all parties benefiting through increased networks and business opportunities.

Another important strategy was the provision of mentoring to Aboriginal businesses to help them navigate the bureaucracy of large corporates and build their confidence and capability in bidding for large projects. The mentoring included assisting local Aboriginal suppliers to rewrite capability statements to appeal to other businesses and providing an understanding of the range of contracts that were available for bidding.

Additionally, Water Corporation WA invested in internal capacity building by training employees to overcome unconscious bias and misconceptions that were stopping them from engaging with Aboriginal businesses.

Combined, these strategies helped project managers to bundle up projects of work for Aboriginal suppliers and build a pipeline of smaller projects to enable sustainable workforce expansion for longer term and larger projects.

How can we scale Indigenous Procurement?

Scaling Indigenous procurement can have significant widespread impact on Aboriginal businesses, with flow on effects on the wider Indigenous community. If a target of 3% of all contracts to be tendered to Aboriginal businesses was scaled across the entire water industry, this would amount to a value of almost \$154 million¹⁰. This equates to approximately \$679 million in social returns for Aboriginal communities.

To enable this level of scaling, it is essential for Indigenous procurement to be a core component of any business strategy. The fundamental building blocks of Indigenous procurement include an enabling internal environment, target sourcing, effective management systems, and competent engagement (Figure 2).



If a target of 3% of all contracts to be tendered to Aboriginal businesses was scaled across the entire water industry

This would amount to a value of almost

\$154[Ⓜ]

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Indigenous procurement policy setup is important in articulating businesses cases, and aligning drivers, leadership and engagement, as well as monitoring and reporting on progress. This can occur in a centralised environment where policies and procedures are uniform and standardised across the organisation, or in a decentralised environment where different policies and approaches are applied in different departments, supported by numerous procurement managers. Regardless of the environment, it is critical to ensure that the fundamental dimensions of Indigenous procurement discussed above underpin the policy setup.

While these foundations are key in facilitating Indigenous procurement, such strategies are only possible when the engagement and relationship building occurs at all levels of the business. While this requires individual leadership across the business, it can be fostered through designated managers that create the linkages between the external market and internal project managers. Deliberate efforts to engage with suppliers and give businesses or individuals a leg up to increase their capabilities and confidence is key. An interactive approach to procurement focuses on assessing the willingness of Aboriginal businesses to engage in solution development rather than focusing on the final product. As such, requirements should be adjusted so that the interaction facilitates two-way learning and occurs before the proponent is required to issue their formal position in the market. This can occur through capacity building programs that facilitate ongoing communication, as well as through interactions in small projects.

Call to action

- Bring project managers and Indigenous suppliers together to help Indigenous businesses penetrate the water industry
- Establish an internal engagement role that focuses on collating lists of Indigenous suppliers for project managers to make it easy to identify opportunities for procurement
- Provide mentoring to Indigenous businesses to build capacity and increase confidence in bidding for projects and navigating internal systems and processes
- Train employees to overcome unconscious biases and misconceptions that stop them from engaging with Indigenous businesses.
- Implement Indigenous procurement as a core component of business strategy

The fundamental building blocks of Indigenous procurement include an enabling internal environment, target sourcing, effective management systems, and competent engagement.

01

Enabling an internal environment

- Articulate business case
- Align Government policies
- Leadership endorsement
- Develop an Indigenous procurement policy
- Designated champions

03

Management systems

- Capturing Indigenous procurement
- Targets to measure performance
- Performance reviews
- Report and monitor
- Rewards scheme to encourage implementation and uptake

02

Target sourcing

- Review/modify procurement procedures
- Preferencing and weighted tender criteria
- Unbundling packages
- Joint ventures with Indigenous businesses
- Modifying contract performance

04

Competency engagement

- Cultural competence
- Definitions of terms and policies
- Indigenous business development
- Two-way learning sharing of knowledge

Figure 2. Indigenous procurement framework example

Vulnerable Communities

Social inequality is a significant challenge in society today¹¹. Almost 3 million Australians live below the poverty line and 50% of our community is currently at risk of financial vulnerability. Climate change and extreme events such as the COVID-19 pandemic can impact increasing numbers of people through issues such as homelessness, economic vulnerability and job loss. Procurement can play an important role in addressing these issues and fostering a more sustainable society. In addition to social justice, procurement that supports vulnerable communities also has positive economic outcomes as every \$1 invested in programs that support vulnerable community members can generate up to \$10 return in social value¹². As such, scaling social procurement to support vulnerable populations should be an important strategic consideration for large corporations and is also key to advancing the SDGs.

Case Study: Yarra Valley Water

Summary

Yarra Valley Water (YVW) is the largest of Melbourne's three water corporations and services around 4000 square-kilometers. YVW employs close to 600 people and manages more than \$5 billion worth of infrastructure, including water and sewer mains spanning 20,000 km¹³. YVW is also a signatory to the UN Global Compact – a pact that encourages businesses around the world to adopt sustainable and socially responsible policies, and report on their implementation¹⁴.

Sustainable procurement is a significant focus of YVW's core business and is driven by their Supplier Code of Practice, which reflects YVW's key values around the environment, workforce wellbeing, diversity and

vulnerability in the community. YVW has translated these values into an enabling culture through its strategic framework, and this is demonstrated through several case studies that support vulnerable communities.

YVW's Bridge project is one of these examples, where support is provided to young people who have been through the juvenile justice system. The project focuses on collaborating with suppliers to provide a sponsored employment experience for a three-month period to try to break the cycle of repeat offending. As a result of the program, repeat offending has dramatically reduced from approximately 70% to 3% for project participants. Clearly this project has a positive impact on the individuals involved, but also benefits the broader community through reduced crime and associated costs¹⁵.

Another example of YVW's programs that support vulnerable communities includes identifying assets that can create community value. For example, the YVW owned land surrounding a sewage treatment plant in Whittlesea was not being used for productive purposes. In conversation with Melbourne Polytechnique and a local welfare group, an opportunity was identified to relocate sustainable agriculture and horticultural training to the site and in doing so, support vulnerable communities with a source of fresh produce in an economically viable way. This project reflects the types of initiatives that can be facilitated by the water sector through collaboration with various organisations and identifying opportunities to utilise assets in a way that enables community welfare.

Finally, in 2016 YVW was a leading force in initiating the "Thriving Communities Partnership" where cross-sectoral collaboration between energy, water, finance, and insurance providers supports people experiencing vulnerability¹⁶. This involves enabling easy access to essential services through a single source rather than several individual sources. The partnership then cross-references the data and information is provided in a more productive and efficient way. This not only maintains a dignified and more respectful approach,

but also increases awareness and removes barriers faced by vulnerable people from accessing essential services.

YVW's Managing Director Pat McCafferty believes it brought sectors together to support vulnerable members.

“..an instance where water was able to act as the ‘honest community broker’ ..”

– Pat McCafferty, YVW's Managing Director

Challenges & considerations

Initiatives such as those mentioned above inevitably have their own challenges and it is essential to be able to balance the complex landscape of legal, social, and business pressures. In the matter of vulnerable communities, it is important to understand the lived experiences of individuals through listening and learning. There are two main approaches to this. The first is through identifying people who became vulnerable in recent times and listening to their stories of what led to vulnerability. This involves a degree of compassion and giving individuals the benefit of doubt. The second approach involves leveraging partnerships with the welfare sector, noting that any information collection should be carried out in an accountable way with integrated auditing processes. As these issues tend to be sensitive, once the individuals and community groups have been identified, it is important to exercise a degree of caution around business and suppliers to be included in the program, and ensure they share similar values. These strategies allow for integrity and ensure that programs are executed through a foundation of understanding and empathy.

Economic regulation can also be a barrier to investment in social procurement. However, demonstrating influence from stakeholders and the customer base to subsidise and spend money to support vulnerable populations can allow for flexibility in the economic regime. In this way, water utilities can represent the voice of their customer base and advocate on their behalf to demonstrate evidence to regulators. Subsequently, leveraging supply chain relationships that share the same values can also be used to demonstrate the social and economic benefits that can be borne out of self-sustaining programs that support vulnerable people.

How can we scale procurement to support vulnerable communities?

Scaling procurement that supports vulnerable communities can have significant widespread impacts in our society. As discussed in previous sections, a 3 percent Indigenous procurement target can amount to almost \$154 million. If this same target were to be applied to implement programs that support all other vulnerable members of our society, an even greater scale of social impact could be achieved. Social return can be up to 10 times the investment value, and this would amount to up to \$1.5 billion of social impact achievable by the water sector alone.

A key takeaway from YVW's case studies is that partnerships can contribute significantly to enhancing social procurement. Leveraging existing networks, encouraging conversations to realise opportunities, and being open to learning is essential to scaling social procurement, where the aim should be to provide a "helping hand rather than a handout" as Managing Director Pat McCafferty describes.

Such initiatives require an enabling culture with support across the entire organisation. Embedding measures relating to vulnerability and social support into organisational strategies is essential to drive behavioural change. These positive changes at an organisational level can encourage employees to bring the voice of vulnerable customers and community members to discussions, thereby increasing their representation.

Methods in which behavioural change can be facilitated include:

- Pulse surveys to measure organisational attitudes
- Informal enquiries among employees in affected groups
- Selecting partners that reflect organisational values
- Celebrating success stories and visibly demonstrating commitments and results
- Consistently drawing on networks to identify relevant opportunities to support vulnerable communities

These organisational values can demonstrate openness and encourage members of the welfare sector to approach water authorities with ideas for collaboration. As such, visibility of suitable initiatives among the broader community is a key factor in scaling social procurement and gaining relevant support and partnerships. When applied across the broader water industry, these strategies have great potential to increase collaboration between sectors, lead to more holistic outcomes for vulnerable communities, and advance the implementation of the SDGs in local contexts.

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Call to action

- Understand lived experiences of individuals through listening and learning
- Individually identify customers who are experiencing vulnerability through understanding events that can cause vulnerability
- Establish a deep connection with the welfare sector and leverage this partnership to support vulnerable communities
- Leverage other existing networks and encourage conversations to identify opportunities to bring people together and support people experiencing vulnerability
- Embed measures relating to vulnerability and social support into organisational strategies to drive behavioural change



Small and Medium Enterprises and Regional Economies

Small and medium enterprises (SMEs) play a pivotal role in driving local economies however, they are also highly susceptible to environmental, social, and economic adversities. This is particularly relevant in the current day due to increased environmental issues such as bushfires and floods and more recently, the global pandemic of COVID-19. Large contracts and clients can be critical in stabilising SMEs and it is therefore essential for large corporations to spend well and support their local businesses and communities through their procurement patterns.

Case Study: Hunter Water

Summary

Hunter Water provides drinking water, wastewater, and recycled water services to close to 600,000 people in homes and business across the Lower Hunter region in New South Wales. Hunter Water has a diverse economic base with 1,582 active suppliers and an average of four new suppliers added each week. In 2019, Hunter Water's annual spend on procuring construction, goods and services across all divisions was approximately \$244 million, with 60% in capital expenditure and 40% in operating expenditure¹⁷.

Supporting regional economies is central to Hunter Water's purpose, where the diverse range of industries in the region facilitate opportunities to engage with the supply chain. A key aspect of this is working with stakeholders to understand their aspirations and deliver on them. Sustainable economic development is highly valued by the local community and as such, building partnerships with businesses that share the same values is critical in delivering on community aspirations. This focus on customer and community outcomes is a strong enabler to support local services and businesses.

Hunter Water's procurement strategy ensures that the market is approached in a way that allows SMEs to be competitive in bidding and winning work. This involves being clear about value for money, supporting local innovation, and building long-term relationships with suppliers. The key values that are central to enabling SME procurement in Hunter Water's procurement strategy are shown below (Figure 3).

Challenges

One of the key challenges when it comes to SME procurement relates to comparing different capacities of suppliers and ensuring the playing field is fair and inclusive. It is difficult to compare a large corporate contractor with a small business and as such, considering the objectives of a project carefully and approaching the market accordingly is essential.

To address this challenge, Hunter Water has established specific panels for major construction works for large contracts, and two separate panels that are fit for purpose and enable SMEs to deliver value for money. A key learning from this is to ensure that projects are bundled in a way that makes it competitive for SMEs to bid and drive the desired outcomes. To facilitate this process, Hunter Water has worked with SMEs to increase their capabilities, which has in turn achieved positive outcomes for local communities.

The global pandemic has also brought about significant challenges for SMEs and a key role that Hunter Water has played in sustaining operations has included working with SMEs on their COVID-19 response plans. This includes discussions around potential disruption and resilience, sharing lessons learned, proactively considering, and managing risks, as well as ensuring that hindrances to operation are minimised where possible.

Addressing these challenges in a strategic way and prioritizing collaboration has led to a high level of ownership and willingness to assist from the supply chain. This has ultimately strengthened partnerships and Hunter Water's connection to the community.

Examples of how to scale SME procurement

To achieve positive outcomes through this type of approach typically requires a behavioural and strategic shift in mindset¹⁸ that recognises "one size doesn't fit all". This includes evaluating procurement activities and identifying opportunities that have greatest potential for participation for SMEs.

“It's about shifting away from the one size fits all mindset”

– Darren Cleary
Managing Director, Hunter Water

Some of the key ingredients to foster effective partnerships with SMEs include responsiveness and listening to their needs, working towards a common goal of lasting, sustainable community benefits and making interactions as efficient as possible. Communicating the pipeline of projects effectively is an essential aspect of increasing efficiency and scaling SME procurement. This can occur through:

- Focusing on existing arrangements and identifying the local advantages and strengths that can be drawn upon
- Leveraging the capacity of the local region as well as outside the sector
- Communicating projects through panels that are fit for purpose for SMEs
- Defining the goals in terms of engagement with SMEs
- Establishing long-term sustainable business relationships that are based on a strong understanding of local community and economy

By following Hunter Water's lead, there is great potential for the water sector to achieve far greater impact. For example, two of the top ten suppliers for Hunter Water are medium enterprises. If 20% of suppliers across the broader water sector were SMEs, a significant proportion of spend could be directed towards supporting local economies, amounting to approximately \$1 billion¹⁹ in value. As such, structured methods for SME procurement at an organisation level, when scaled across the water industry, can be pivotal in fostering local economic prosperity.

Call to action

- Bundle projects in a way that make it competitive for SMEs to bid.
- Establish specific panels that are fit for purpose and enable SMEs to deliver value for money.
- Work with SMEs and discuss potential disruptions, risk management, as well as building capability through sharing lessons learned.
- Maintain ongoing relationships and communicate the pipeline of projects to SMEs effectively and efficiently.
- Drive a behavioural and strategic shift in organisational mindset through evaluating procurement activities and identifying opportunities that allow SME participation

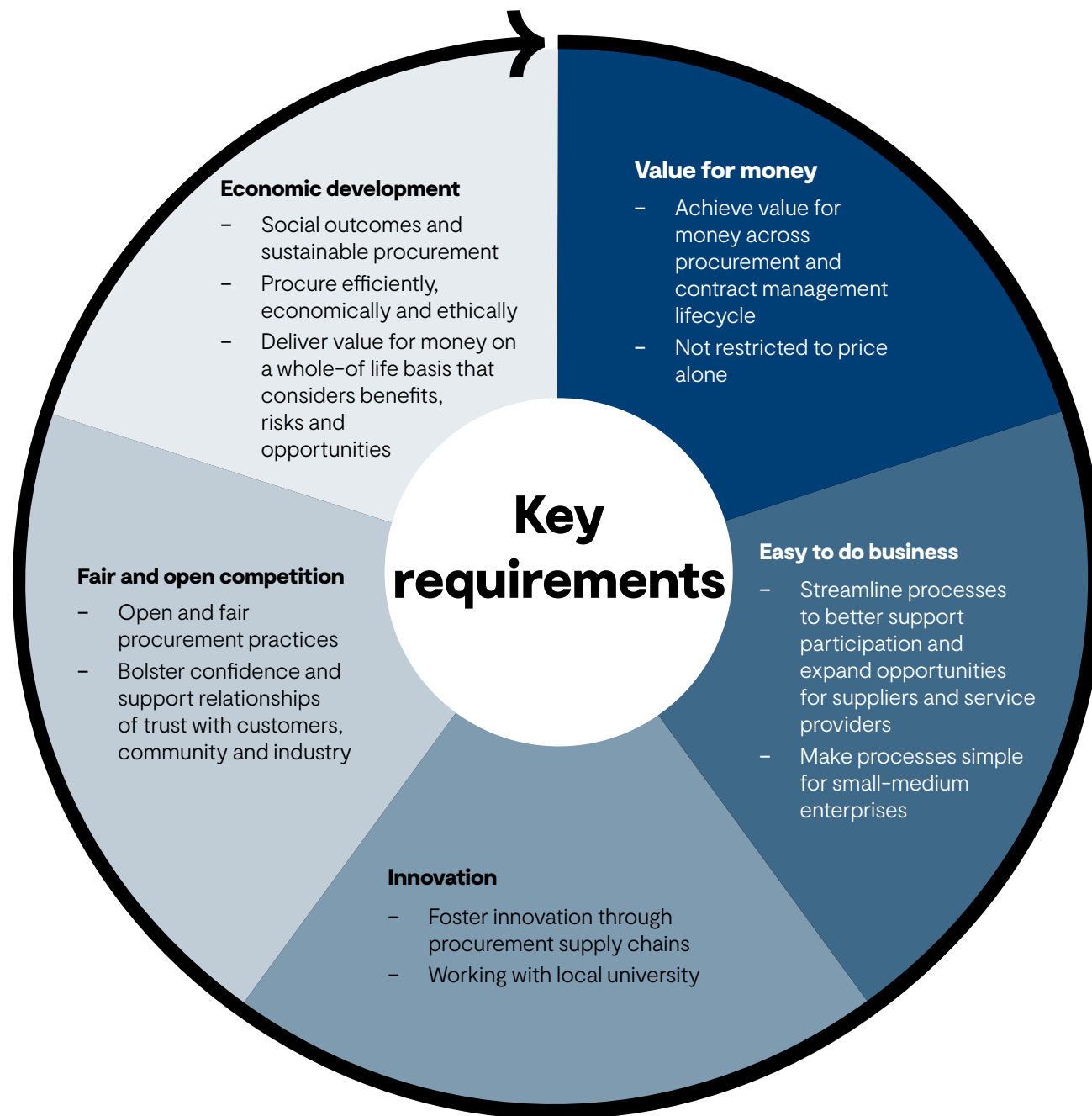


Figure 3. Key strategic requirements for SME procurement

Lessons learned



A combined effort across the water industry

It is evident that a combined effort across the water industry is important to achieve positive environmental, social, and economic outcomes. Water authorities of all kinds are increasingly realizing the important role they play as economic and social enablers. Procurement is a key activity that can drive sustainability and social welfare, and it is essential to facilitate knowledge sharing that can be applied across the industry for collective benefit. Tying it all together, the water sector can achieve a capital expenditure of up to \$1.3 billion on procurement that supports social welfare including Aboriginal communities, vulnerable members of society, as well as local economies through small and medium enterprises. This can significantly advance our progress as a society towards the SDGs. Across the three topics explored in this document, there are several commonalities regarding the essential ingredients required at an organisational level to scale sustainable procurement.

First, scaling sustainable procurement requires passionate individuals who are motivated to make a difference to livelihoods.

Second, a shift in mindset is typically required, one that is backed up by leadership commitment and aligned with corporate objectives. Sustainable procurement should be based on a foundation of behavioural change that is driven through organisational culture. As such, clearly defining visions, objectives and targets is key for developing standardised processes, performance requirements, and reporting progress^{20, 21}. This includes securing executive sponsorship, organizing implementation teams and internal capacity building, piloting new ideas, and promoting ongoing internal and external support that celebrates success through experience sharing.



A photograph of a rowing team in a white boat on a lake. The rowers are wearing white tank tops and blue shorts. The background shows a blue sky with clouds and mountains. The water is splashing around the boat.

1

passionate and motivated individuals

2

a shift in mindset backed by commitment

3

internal commitment and leadership support

4

strategy and alignment with corporate objectives

5

effective relationship building to bring together sectors of supply chain

Finally, effective relationship building is essential in bringing different sectors of the supply chain together and identifying opportunities to support communities²². This can include analysing the existing supply chain to leverage existing and emerging opportunities, partnering with peer utilities and suppliers, crowdsourcing, and partnering with educational institutions. Initiatives can be accelerated through innovatively utilising new technologies to adopt new methods, shift behaviours, capture data, monitor progress, and manage collaboration.

It is also worth noting that there is limited visibility and data availability of procurement patterns across the broader water sector. A more consolidated data set that increases transparency of procurement can allow for strategic procurement policy setup, accurate reporting and monitoring on progress, and effective communication of the contributions of the water sector in advancing the SDGs.

Sustainable procurement will not implement itself.

It requires people to change their understanding and beliefs that drive their outward behaviours and the decisions they make. There has never been a more important time for the water industry to play its part in society. As such, it is important to challenge the status quo, understand unconscious biases, and make efforts to remove these obstacles to enable successful procurement outcomes. These learnings and behavioural changes, when applied across the water sector can accelerate the SDGs through positive environmental outcomes, reducing inequalities and ensuring that no one in the community is left behind.

Contributors



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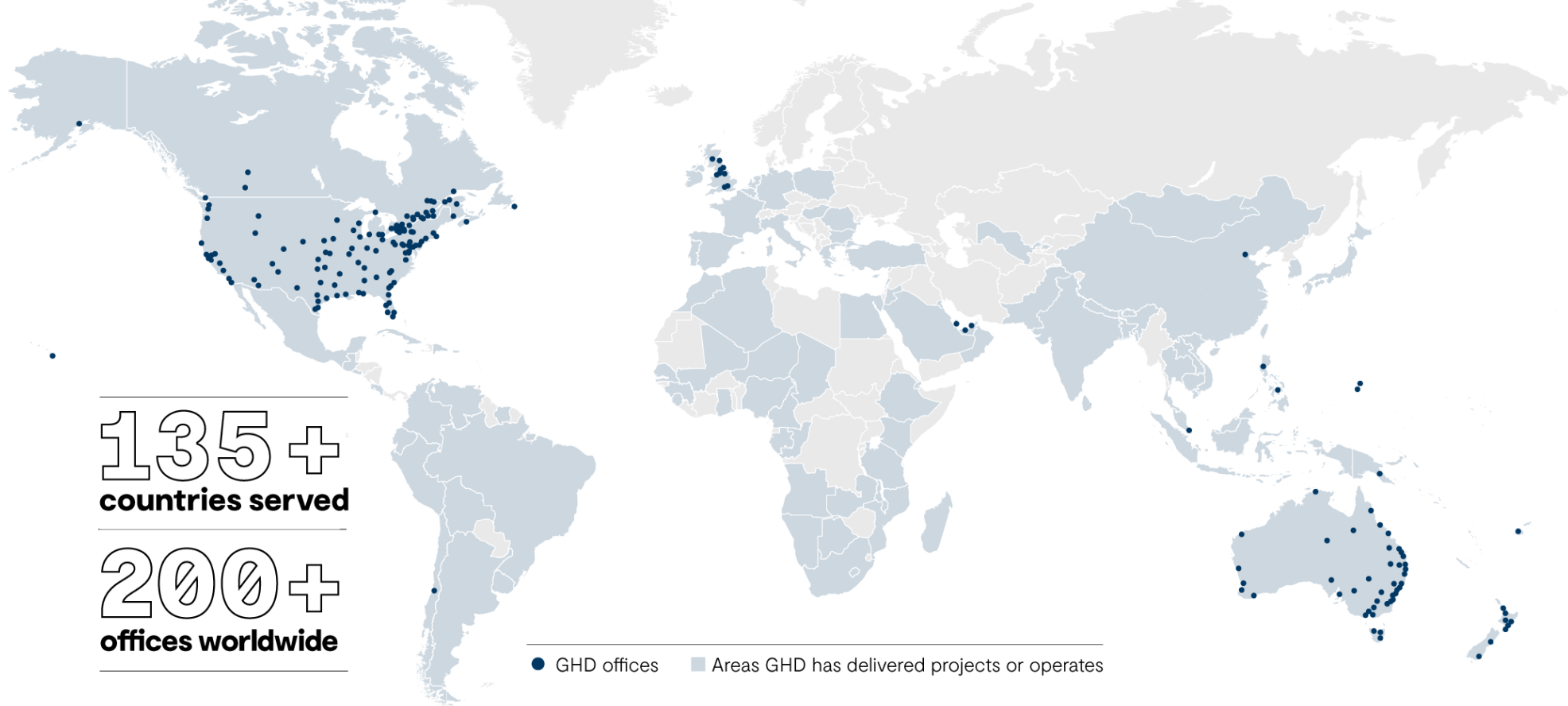


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