

## **PART 11 – PROCUREMENT – FRAMEWORK AND PRINCIPLES**

### **DIVISION 1 - FUNDAMENTAL PRINCIPLES**

1. The five fundamental principles in the GoPNG procurement system are:

- a. “Value for money”,
- b. Transparency,
- c. Effective competition,
- d. Fair and ethical dealing, and
- e. Efficiency and Effectiveness.

These principles are explained below.

2. **“Value for Money”**

“Value for money” involves obtaining goods and services that best meet the government’s need at the lowest total cost.

The main objective of GoPNG procurement is to obtain “value for money” in the acquisition of goods and services using ethical, transparent processes whilst promoting open and effective competition.

All decision makers in the procurement process must satisfy themselves that a proposed contract will make effective use of taxpayers or donor agency funds.

3. **Transparency:**

Transparency involves the clear and public documentation of procurement processes and decisions. All processes used and decisions made should be able to withstand independent review and scrutiny.

It is the responsibility of all GoPNG staff involved in procurements to act in a transparent manner.

4. **Effective Competition:**

Effective competition is a key operating principle that must be applied if “value for money” is to be achieved.

Competition that is effective will see a number of *independent* companies bidding to provide goods and services to the GoPNG, through the procurement process. Creating effective competition involves publicly requesting tenders and quotes from suppliers, providing timely and adequate information to suppliers, and ensuring that new entrants and small suppliers are able to participate.

## 5. Fair and Ethical Dealing:

The GoPNG in spending taxpayers and donor agency money has a special responsibility to avoid waste, act honestly and impartially, and be accountable for procurement actions.

The central principles underpinning fair and ethical dealing include:

- a. Treating potential and existing suppliers with equality and fairness
- b. Not seeking personal or family gain
- c. Treating suppliers and potential suppliers information with respect and confidentiality;
- d. Where conflict of interest occurs, it must be declared

It is important not only that all staff involved in major procurements follow these principles; but also that they be seen at all times to follow these principles. Failure to do so undermines the credibility of the whole GoPNG procurement process.

## 6. Efficient and Effective Operation:

The principle of efficient and effective procurement requires procurement staff to use procurement processes that are commensurate with the amount of monies being spent. For example, it would not be efficient or effective to run a public tender for expenditure of K5,000. The overhead cost of running a public tender is substantial, and such a small purchase would not be able to justify the expense of the procurement process. Appropriate processes for different levels of expenditure are laid down in Part 11, Division 2 of these instructions.

## DIVISION 2 – PROCUREMENT DEFINITION and PROCESSES

7. Procurement is defined as a process undertaken by the Government in order to obtain goods, works or services. As such, procurement includes all minor purchases, major purchases, hire purchases, rentals and leases.
8. The procurement processes to be used are determined by the value (in kina), of the procurement. The categories of expenditure by value are:
  - a. Minor Procurements – less than K100,000, and
  - b. Major Procurements – greater than or equal to K100,000.

This is summarised in the table below.

<b>Procurement Value</b>	<b>Classification</b>	<b>Process</b>	<b>Detailed Reference</b>
< K100,000	Minor	Quotes	Part 12
>= K100,000	Major	Public Tender	Part 13

9. When considering whether a procurement is “major” or “minor”, the total amount of monies to be paid to a supplier over the life of the contract must be established.
10. Major procurements generally occur through a public tender process – Part 13 provides specific details of processes available for major procurements.
11. Minor procurements occur by obtaining quotes – Part 12 provides specific detail of these procurement processes.
12. The fundamental principles of procurement are to be adhered to, irrespective of whether the procurement is major or minor.
13. Procurement processes result in the formation of a contract between the GoPNG and a Contractor. A contract is an exchange of a conditional agreement between GoPNG and a Contractor, which once executed is a legally enforceable agreement in law.
14. For clarity, contractors, suppliers and consultants are simply referred to in Parts 11, 12, 13, 14, 15 as ‘Contractors’.
15. No express or implied contract can be entered into or purchase order raised without following the prescribed financial procedures for purchase of goods and services, or capital works or for disposal of Government assets; as outlined in Parts 11, 12, 13, 14 and 15 of this Manual.
16. For the following expenditures, the additional special procedures (Part 13 of this Manual) will apply:
  - a. Official overseas travel
  - b. Air Charters (including helicopter charters)
  - c. Engaging of consultants
  - d. Official Entertainment Expenses

Approval by a special committee does not dispense with the need to use the appropriate procurement (major or minor) process, based upon the amount of the expenditure.

### **DIVISION 3 – LINKAGE BETWEEN FINANCIAL MANAGEMENT PROCESSES AND PROCUREMENT PROCESSES**

17. Procurement activities are governed by the Public Finance Management Act, Regulations, and Financial Instructions. Procurement processes necessarily interlace with financial management processes such as budgeting, commitment of funds, and management of expenditure.
18. The specific linkages between the Financial Management System, and Procurement processes are detailed for Major Procurements in Part 13, and for Minor Procurements in Part 12.

### **DIVISION 4 – OTHER REQUIREMENTS**

19. **Splitting Contracts:** No attempt must be made to circumvent or by-pass the limits on the powers given under the Public Finance Management Act or other limits laid down in this Manual by splitting contracts, requisitions or purchase orders.
20. **Existing Contracts:** Responsible Officers must satisfy themselves before purchasing, that no current contract exists for the particular item they require.
21. **Forward Planning:** Purchases of goods and services (including Works) must be planned well in advance especially where purchases require a long lead-time. Since Parliamentary appropriations are annual, contracts should be planned in a timely manner, and orders for purchases raised in time so that payments are made as far as possible before the close of the year.
22. **Contracts Spanning Fiscal Years:** Departments must ensure that, where contracts span more than 1 fiscal year, appropriations are made for each fiscal year. This requirement is fully outlined in Part 13, Attachment 1.
23. **Mandated Government Suppliers:** For printing or mapping needs, the appropriate specialist Government agency such as Government Printing Office, or National Mapping Bureau must be used.
24. **Purchase from other Government Agencies:** All purchases where the goods, services or works are to be provided by one government agency to another, are exempt from tender procedures under Section 40 (3) and (4) of the Act.
25. **Commitment Control:**
  - a. The procedure for obtaining the Section 32 officer's approval and maintaining control over funds allocated through Cash Fund Certificates is outlined in Part 7 of this Manual.

- b. All purchase orders must be pre-committed using the appropriate accounting system (PGAS) and raised under the authorised Financial Delegate's signature. The Departmental Head who appoints the Financial Delegate can sign the purchase orders or other Finance Forms in the place of Financial Delegates notwithstanding the issue of Cash Fund Certificates, after following the prescribed commitment procedure.
- c. All major procurements must be pre-committed using the process outlined in Part 13, Attachment 1.