



National Procurement Act Annual Procurement Planning Guidelines

About this Guideline

The Procurement Planning Guideline has been produced with the support of the European Union under the Technical Cooperation Facility funded by the 11th EDF.

Authority and Enforcement

The Guideline has been issued by the APC Committee under Section 25 (4) of the National Procurement Act (NPA). The APC Committee shall issue instructions on the format of the post National Budget Procurement Plan (herein Annual Procurement Plan). The guide must be read in conjunction with any issued Finance and/or Procurement Instructions on post National Budget Procurement Plans.

Disclaimer

This guidance document supports agencies, APCC Secretariat and NPC with the requirements for Procurement Plans. All officers of public and statutory bodies must ensure that procurement activities undertaken comply with the NPA, PFMA and associated instructions. This information can be found on the Government of PNG procurement website www.procurement.gov.pg.

This current guide is a **draft only**. Feedback on this guide can be emailed to apccsecretariat@finance.gov.pg by Friday, 31 January 2020.

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Key Points

1. If you are a public body or statutory authority (herein agency/agencies) at National or Sub-National level within the definition of the Public Finances Management Act and undertaking procurement then you will use this guide.

2. If the procurement by the agency is within the jurisdiction of the NPC which means:
 1. The purchase of the same goods, services or works worth more than K500,000 in aggregate from more than one supplier; and/or
 2. The purchase of goods, services or works worth more than K500,000 from one supplier or contractor,

then the agency is required to submit a procurement plan to the APC Committee listing the procurement.

3. This requirement applies to procurement from any source of funds such as (but not limited to) trust account balances, donor funding, National Budget appropriations and fees/charges.

4. Once an Authority to Pre-commit (APC) has been issued, the agency is required to ensure the expenditure against the APC can be tracked – either using IFMS or the agency’s own finance system.

Definitions

Agency	Refers to the in-scope public bodies and statutory authorities as defined by the PFMA (Section 2 or refer to Page 11 of this guide). It includes all public bodies and statutory authorities at National and Sub-National Government level and excludes State Owned Enterprises unless expressly required on receipt of National Budget appropriations.
Procurement	Procurement is defined by Section 2 of the NPA as the acquisition or disposal by purchase, rental, lease, hire, purchase, licence, tenancy, franchise, or any other contractual means of any type of goods works or services or any combination of them.
Procurement Management Strategy	A strategy and approach as defined by the National Procurement Commission guidelines to plan the approach of Value for Money purchasing.
Annual Procurement plans	Post National Budget Procurement Plans defined within Section 25 of the NPA.

An agency's approach to annual procurement planning will depend on the nature, size, scope and complexity of procurement needs.

It can be a simple aggregation of purchases to achieve better coordination or it can be part of the completion of a Procurement Management Strategy.

What is procurement planning?

Procurement planning is both a process and a governance enabler. It is the process of identifying and consolidating the requirements of an agency's purchasing as well as a set of good procurement practices embedded into an agency's planning and financial management cycles.

Procurement planning aims to achieve value for money, better project management and increasing control over contracted financial commitments. The Annual Procurement Plan is part of this process. Procurement planning is a coordinated list of goods, services and works needed by the agency (Annual Procurement Plan) as well as a planned strategy for effective procurement.



Agencies are legislatively required to develop procurement plans under Section 25 of the NPA.

Section 25(1) - After the passage of the National Budget by Parliament, or any supplementary National Budget, public and statutory bodies that have received appropriations in the National Budget, supplementary National Budget or which are otherwise financed by sources outside of the National Budget, shall, as soon as reasonably practicable, submit to the APC Committee their procurement plans for all procurements within the jurisdiction of the Commission.

Relationship of National Budget Procurement Plan within PNG's Public Financial Management Framework

Procurement planning is part of the existing budgetary and cash control processes for GoPNG. These include:

- The Government PNG's National Budget and public investment program including the Statutory Authorities performance and management planning.
- Public financial management framework based on the Public Finances Management Act
- The Public Service Code of Conduct
- Compliance to requirements in accordance with the National Procurement Act 2018

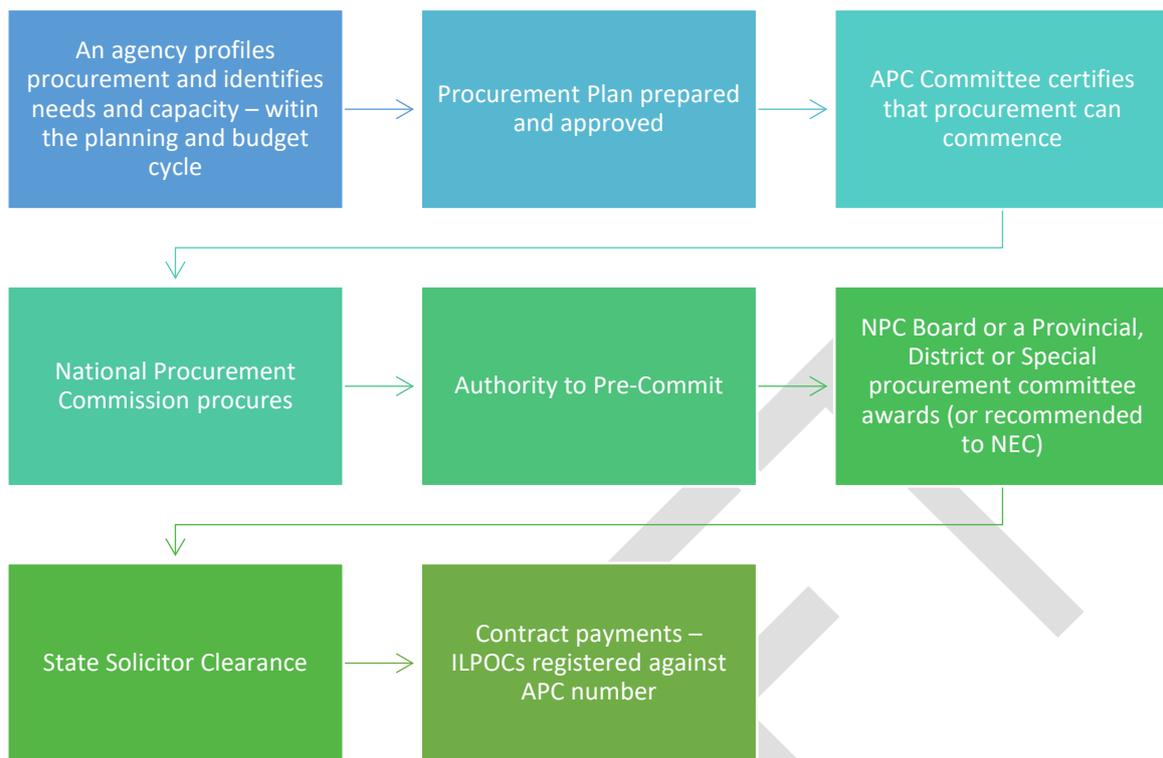
The process of an Annual Procurement Plan

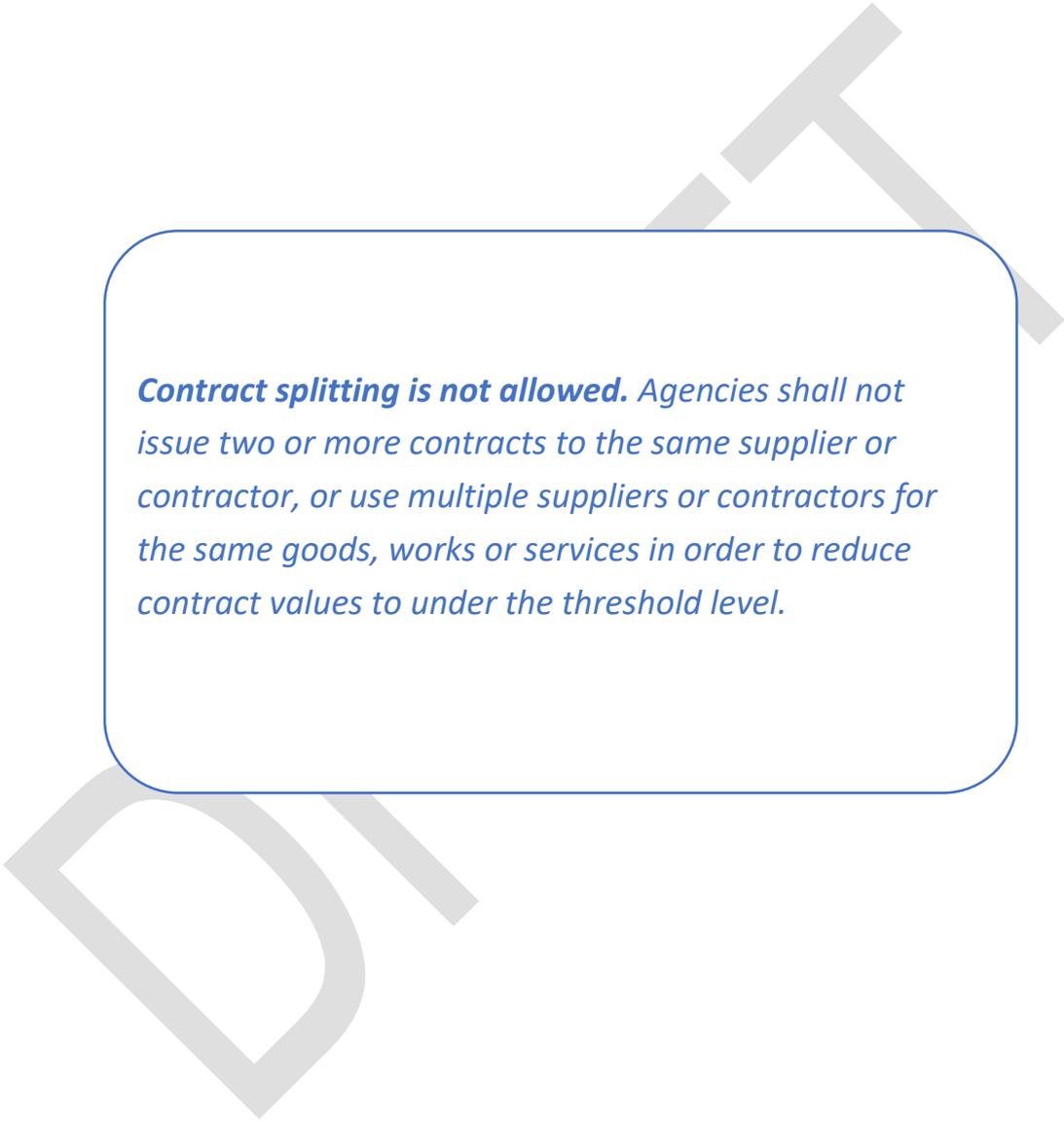
The Annual Procurement Plan is a distinct deliverable for agencies or may form part of a larger procurement strategy and planning activity.

Once the need for goods, services and works are identified and costs in the budget of the agency, the Annual Procurement Plan process follows these steps:

1. The agency identifies those procurements and disposals that are:
 - a. those for goods, works or services worth more than K500,000 including those:
 - to be procured in one transaction; and/ or
 - that have been previously procured from multiple suppliers under many transactions; and/or
 - that have previously been procured from one supplier under many transactions.
 - b. incomplete multi-year contracts with contract commitments from prior years.
2. The agency completes a procurement plan and submits to the APCC for its consideration and final approval.
3. The agency commences acquisition planning and/or bid documentation for each procurement listed on the plan in preparation for certification to proceed by the APCC.
4. Based on an acquisition plan and/or bid documentation, the agency may amend the procurement plan and advise the APCC accordingly. Such an amendment may be the result of:
 - Removal of the procurement from the plan because the requirement for the goods, services or works has materially changed;
 - It is determined that the estimated cost of the procurement is higher than the appropriation available and previously estimated;
 - The timing/priority of the procurement has changed.
5. After being notified by the National Procurement Commission that the procurement is ready to commence, the procurement is considered by the APCC to commence based on Government priorities and cash availability.
6. The APCC certifies the procurement and instructs the NPC to commence the procurement process.
7. The procurement process, evaluation undertaken and recommendations for contract award are made to the NPC Board to progress to issuing an APC.
8. The APCC issues the Authority to Pre-Commit Expenditure (APC) in the amount of the contract at the point of award on confirmation that fund sources still remain (eg. appropriation).
9. The State Solicitor provides legal clearance for contract execution.
10. The contract is managed by the agency and contract payments are made with ILPOC referencing the APC Number.

The following diagram outlines the Government of PNG procurement process.





Contract splitting is not allowed. Agencies shall not issue two or more contracts to the same supplier or contractor, or use multiple suppliers or contractors for the same goods, works or services in order to reduce contract values to under the threshold level.

When is an Annual Procurement Plan required and by who?

A procurement plan is required by all in-scope entities under the PFMA. It is required for procurement within the jurisdiction of the National Procurement Commission under the Section 26 of the NPA thresholds (ie. >K500,000) regardless of fund source.

In-scope entities

These bodies are defined in the PFMA (and collectively referred to in this guide as agency/ies) as:

“public body” means -

- a. an agency which is part of the State Services established under Part VII of the Constitution; and
- b. a Provincial Government or Local-level Government established under the Organic Law on Provincial Governments and Local-level Government;

“statutory body” means –

- a. a body, authority or instrumentality (corporate or unincorporated) established under an Act of the Parliament or howsoever otherwise for governmental or official purposes; or
- b. a body, authority or instrumentality (corporate or unincorporated) established by a Provincial Government or Local-level Government; or
- c. a subsidiary statutory body that is not a public body;

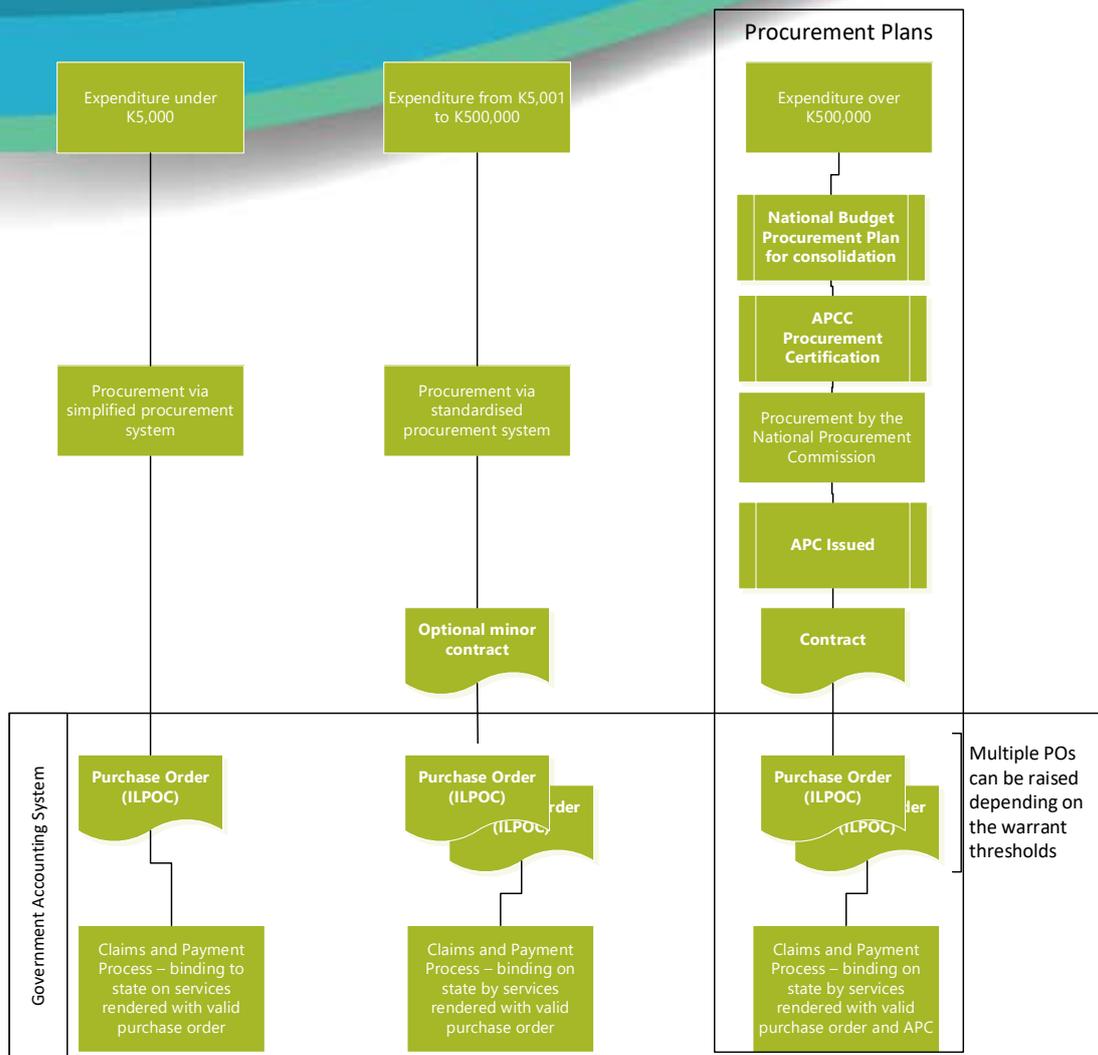
To assist in determining if a public or statutory body is in-scope for the NPA, a list is maintained of known agencies on the Government of PNG procurement website (www.procurement.gov.pg)

Procurement Thresholds

An agency is to submit a procurement plan for all procurements within the jurisdiction of the NPC. That is, all procurement above the K500,000 procurement threshold unless it has been excluded based on:

- National Executive Council decision due to exceptional circumstances of national security or a declared emergency (s37 and s69 NPA);
- Procurements of a loan; and
- Conditions contained in an international agreement of which the Government of PNG is a signatory that exclude an agency from documenting procurement on a procurement plan (s7 NPA).

Annual procurement plans will also capture major disposals, that is, disposal of government-controlled assets with a value >K500,000.



Why do we require procurement planning?

Procurement plans are prepared to enable the agency to identify and coordinate procurements across the year and look at its approach to procurement. It supports the Government's Value for Money objective.

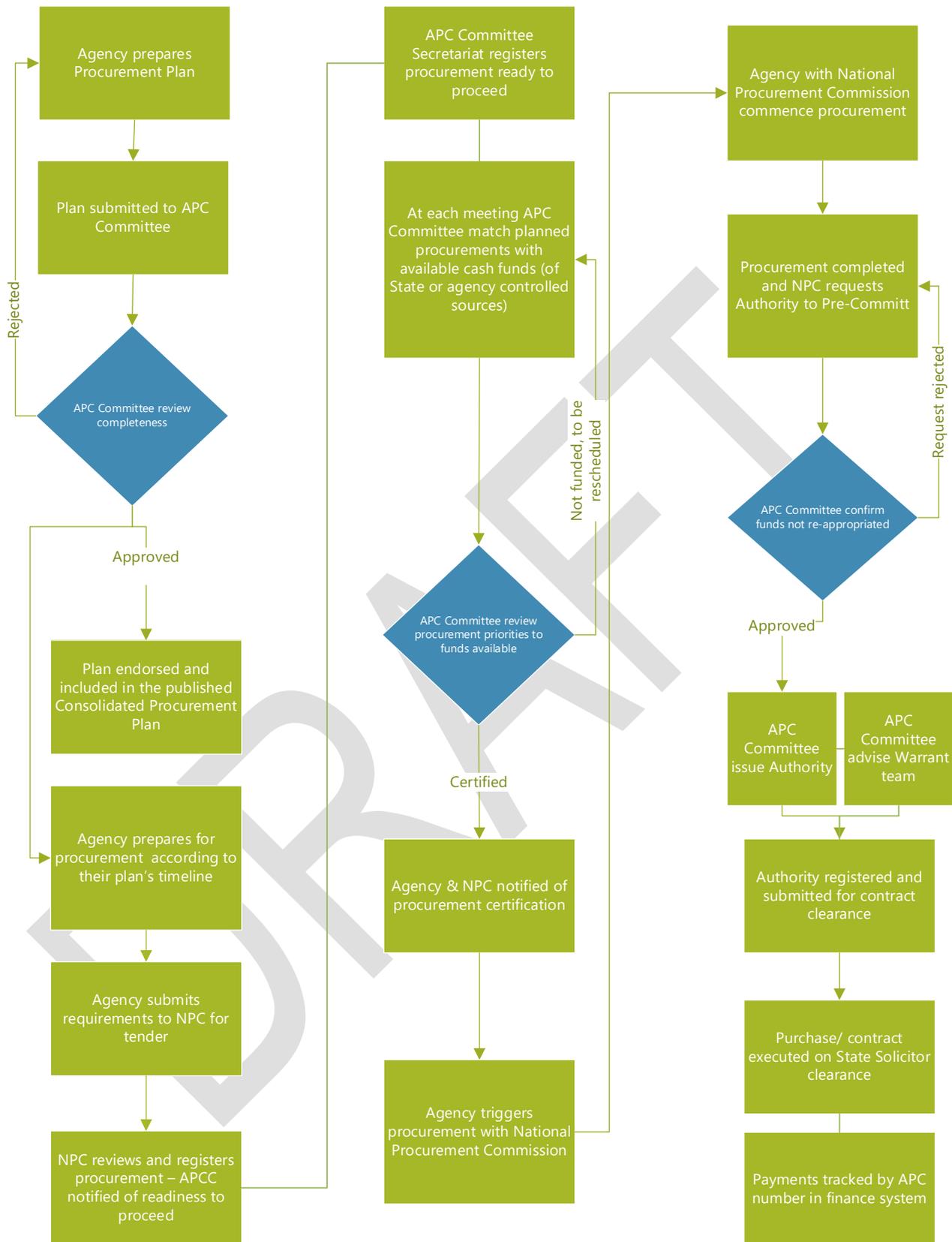
Procurement plans are consolidated together to enable the Government of PNG to have a better understanding of what is being procured and committed by the State and the cash needs of its agencies. It also improves the purchasing power of the agency and potentially all of Government of PNG by aggregating procurement and identifying whole-of-government procurement opportunities.

The publication of consolidated procurement plans provides potential suppliers with information on possible upcoming tenders supporting better investment management and market development. This can also support the Government's aims of SME and National supplier development and improve relationships with industry.

Regardless of the source of funds, a procurement of an agency estimated to be greater than K500,000 is a procurement within the jurisdiction of the National Procurement Commission.

Major disposals valued at >K500,000 are also listed on the Annual Procurement Plan.

If an agency has no procurement that will exceed the K500,000 threshold, they are still required to notify the APC Committee that a Annual Procurement Plan is not required



Agency Planning

Step One: Defining Procurement Activity



Agency business planning and budget preparation

An agency reviews their objectives and develops work plans as part of the planning and budget cycle. As an agency considers the scope of projects and services that it will provide, it should also consider how it will also be procured.

These guidelines are developed based on the cycle of the National Budget. For agencies not funded through the National Budget, the cycle will align with its own budget planning processes.

Integrating procurement planning within the budget process enables agencies to correctly identify method, approach and the capability to procure and manage the contract. The importance of including procurement planning within the management cycle includes:

- Ensuring that the time considered for procurement is commensurate to the scale and complexity of the project
- To facilitate transparency and accountability in procurement decision-making
- Ensures the agencies consider the resources and staff needed for procurement processes including any necessary skills to support contract management and monitoring
- Ensures that an agency is considering prior year commitments and multi-year contracts as part of the budgeting process
- Ensure that the agency is identifying recurrent or service contracts that are nearing the end of life and identifying how best to plan for future services

Assigning financial estimates to procurement

Agencies will be identifying and estimating the cost of projects/services as part of their budget process. It will be clear during this estimation process what projects/services contain elements of procurement greater than >K500,000 to include on a procurement plan. These should be flagged for inclusion on the Annual Procurement Plan at a later date.

Development Funds

Projects funded through Public Investment Program (PIP) and Service Improvement Program (SIP) funding are likely to be procurements or multiple procurements that exceed the K500,000 threshold. An agency should pay particular attention to these to ensure they are included on the agency's Annual Procurement Plan.

Project Formulation Document (as needed)

Where funds are sourced from a PIP or SIP processes, the agency would be required to complete a Project Identification Document followed by a Project Formulation Document. As part of this process, an agency will be required to undertake an assessment of procurement and document the research on suppliers, methods and approach.

Third party contract management services

Section 73 of the NPA enables the NPC to assign third party contract management services which shall independently manage the contract. These services are used when it has been identified that an agency does not have the capacity to manage a particular contract or classes of contract. That is, the agency does not have the necessary technical experience and capacity to execute the management of the contract at reasonable and sufficient standards.

The cost of third-party contract management services is paid from the funds allocated for that procurement. No other funds can be used and no other agency such as the NPC have set aside funds for that purpose.

An agency must consider if they require third party contract management services and factor this cost into their budget submission and costs of procurement.

There are differences in how procurement planning and business planning is viewed.

Defining business and services has an agency perspective focused on objectives, outcomes and a series of actions and projects that will be delivered. Purchasing goods, services and works is one method to achieve these aims.

Procurement planning is focussed on what is being purchased. It has an outward supply perspective. Agencies are to look across all defined business needs and group the purchasing based on supply categories and markets.

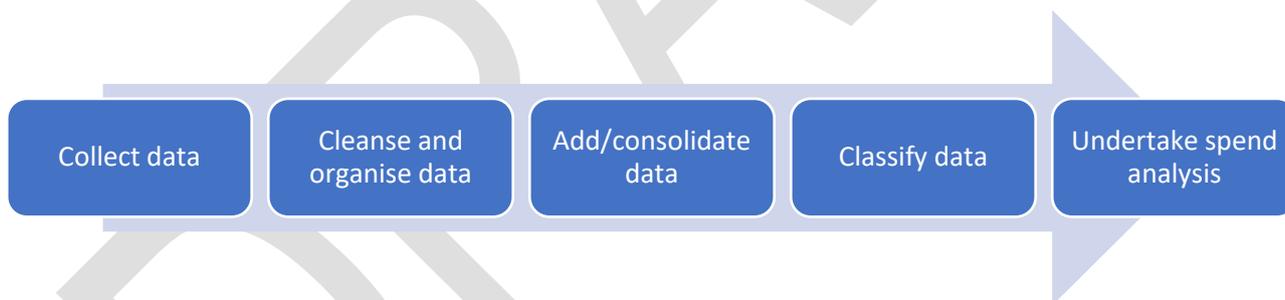
Spend Analysis

A spend analysis forms part of procurement profiling undertaken by an agency. It provides an overview of the purchasing habits and patterns within an agency. A spend analysis provides information on:

- what types of works, goods and services the agency purchases;
- how much the agency spends on various purchases; and
- who supplies the works, goods and services.

The analysis does not to be in-depth and can target specific types of purchasing or economic item. At minimum, agencies should extract transaction information exclusive of personnel costs, grant transfers and IRC payments. Some information may need to be reclassified based on underlying purchase, such as, payments to Bank of PNG for foreign payments.

The data to complete a spend analysis is drawn from an agency's finance system both through the accounts payable and general ledger transaction listings. It can come from other sources and will require the collection, cleansing and analysing of data. The data extracted should allow for the analysis of individual transactions by supplier, value, payment method, invoice number and date. For agencies using IFMS, the IFMS8205 report can be used to extract data on purchases by supplier.



Added to this would be information on purchase category (preferably using UNSPSC numbering used to complete the annual procurement plan), location or Division/team that undertook the purchase. This information may be derived by appropriation code and economic item.

Using categories is particularly important when the economic item doesn't provide the detail necessary to represent the variety of purchases. In these cases, it may be necessary to examine the transactions that have been posted to each of these codes and, using the transaction descriptions, reclassify them into more meaningful groups.

Analysing spending provides data that can be used to measure improvements, identify patterns over time and provide reliable data for saving strategies. A spend analysis would typically consider what is being purchased, by who and when. An agency should consider:

- What are we buying?
- Who are we buying it from?
- Want part of our agency is buying it?
- How often do we buy?
- How much did we pay?
- Are we getting what was agreed?
- How does the data compare from previous years?

The spend analysis provides a number of outcomes but for the purposes of the annual procurement plan it is used to identify procurement that can be aggregated to improve the efficiency of the procurement process and improving the way that suppliers are managed. Where the procurement is greater than K500,000 this procurement is to be included on the annual procurement plan.

National Restrictions

An agency should also use the supplier analysis as an opportunity to identify if Section 48 of the NPA is being complied with. Agencies should consider:

- The number of businesses and industry and their capacity and capability. If across many locations, consider reviewing the market at a region, province or district level.
- Previous experience by Government of PNG in procuring from the market.
- Ensure that a National company meets the definition of a National company under Section 2 of the National Procurement Act.



Preparing the Annual Procurement Plan

Step Two: Annual Procurement Plan



On the passing of the National Budget by Parliament (or approval of the agency’s budget by the Board or administration), an agency is required to complete the Annual Procurement Plan.

Template for Annual Procurement Plan

In accordance with NPA Section 25(4), a template will be provided to complete a procurement plan. This is available on the government’s procurement website and on request from the APCC Secretariat.

A new template will be issued annually, at least four months prior to the National Budget in Parliament. The template includes general and detailed instructions to complete.

Template Field	Required	Description
Fund Source	Mandatory Field	Select how the procurement is being funded - either from GoPNG funds or other funds sources. Where a procurement is funded from a mix of sources, choose the fund source that represents the largest portion.
National Budget Appropriation Level if relevant	Optional Field	If the fund source is GoPNG then this field MUST be completed. If it is aggregated procurement using many appropriations leave blank.
National Budget Economic Item if relevant	Optional Field	If the fund source is GoPNG then this field MUST be completed. If it is aggregated procurement using many appropriations leave blank.
PIP if relevant	Optional Field	If the fund source is GoPNG Development then this field MUST be completed. If it is aggregated procurement using many appropriations leave blank.
Description	Mandatory Field	A short working title or brief description of the goods or services to be purchased.
UNSPSC Category Level-2	Mandatory Field	Select the category that corresponds to the goods or services. A Lookup table has been provided to allow you to search using a key word criteria
Anticipated month of tender commencement with APCC Certification	Mandatory Field	Indicate the quarter or month in which the notice of tender is likely to be published. This needs to consider the time required to prepare bid documentation and review by National Procurement Commission.
Anticipated month of <u>contract</u> commencement (would need to allow at least two months from tender commencement)	Mandatory Field	Indicate the quarter or month in which the notice of tender is likely to be published.
Duration of Contract (number of months)	Mandatory Field	Identify the anticipated duration of this contract

Template Field	Required	Description
Multi Year or Single Year contract? (APC or multi-year APC required)	Mandatory Field	A single APC is the default and represents a commitment for the current budget year. Any contracts exceeding the current budget year will be multi-year.
Estimated Budget Value	Mandatory Field	Expected whole of life value of the procurement. Please note that this is an estimate only and will included on any published documentation.
Value for current year	Mandatory Field	If a multi-year, estimate the value of the contract expended this budget year. If a single APC it should be the full value of the budget estimate.
If Multiyear, value of contract beyond budget year	Calculated Field	Residual value beyond the current budget year.
Quarter 1 cashflows (the current year of procurement plan)	Optional Field	Estimate the value of the cashflows from contract commencement across the quarters
Quarter 2 cashflows (the current year of procurement plan)	Optional Field	Estimate the value of the cashflows from contract commencement across the quarters
Quarter 3 cashflows (the current year of procurement plan)	Optional Field	Estimate the value of the cashflows from contract commencement across the quarters
Quarter 4 cashflows (the current year of procurement plan)	Optional Field	Estimate the value of the cashflows from contract commencement across the quarters
Location of Tender (specify national if more than one province) - Location can be Province or District	Mandatory Field	Indicate the Province or District where works, goods or services are required to be delivered. If multiple areas or National - choose National
Procurement type	Mandatory Field	This field identifies how it is procured. If less than K30M and funded by GoPNG national restrictions may apply.
Contract Type	Mandatory Field	The type of contract that is used for the procurement - in most cases this will be standard contract documents
3rd Party Contract Management Required? Leave blank if Not Required	Optional Field	Leave this field blank if contract management services are not needed to manage the contract once executed.
Comments	Optional Field	You have the option to include additional information here.

Multi-year Authority to Pre-Commit from prior years

As part of the budget process, an agency will need to identify the status of all multi-year APCs from prior years and those that are to be rolled into the forward budget process. The APCC Secretariat can also provide an agency with the current multi-year APCs on request.

Timeframe of procurement activity

It is important that agencies consider the lead time required to complete all procurement requirements, that is, acquisition plans and/or bid documentation. An agency needs to consider such elements as environmental or geo-technical assessments, receiving clearance from international organisations, stakeholder consultation or land management issues that could impact on the timing of a procurement.

The month of expected procurement commencement on the template will determine the procurement certification. If it is not achieved, the procurement will be removed off the register until the agency submits an updated Procurement Plan as part of the quarterly review and update.

Multiple procurements for a National Budget appropriation vote

If the fund source is from the National Budget and there is likely to be multiple procurements for one project, these procurements can be listed in the procurement plan for a single appropriation vote as long as the total of the collated procurements does not exceed the appropriation vote value.

Procurements funded by other sources

If the fund source is from sources other than appropriations of the National Budget, the agency will be required to confirm the funds available as part of the APC or certification process. The details of the fund source will be tracked to ensure that the same of source of funds are not committed for other procurements. Evidence such as a project funding agreement or bank statement of bank balances will be used.

Timing of procurement plan submissions

Under the NPA, an agency is required to submit a procurement plan to the APC Committee as soon as reasonably practical after the National Budget has passed by Parliament (or as approved by an Agency's board if funded outside of the National Budget). An agency is able to submit a procurement in accordance to their cycle. However, to enable the APC Committee to have greater control over data, updates will be formally considered on a cycle of:

- 31 January or next working day
- 30 April or next working day
- 31 July or next working day
- 30 October or next working day

Capturing Disposals on the procurement plan

Agencies will be required to include disposals of value more than K500,000. This includes the transfer of property to other government agencies and includes the disposals of real property, goods, equipment or other items of value. A separate worksheet is used to capture this type of information.

Using UNSPSC Codes

The United Nations Standard Products and Services Code (UNSPSC) is a coding system for goods and services. The four primary levels of the code are: Segment, Family, Class and Commodity. The UNSPSC convention is being used for annual procurement planning because it provides a common coding scheme used universally. A universal coding convention can also be applied across government and support a common data set across eGovernment systems.

For Annual Procurement Plan 2020

The Annual Procurement Plan Template 2020 includes worksheets for:

- *procurement plan template for new procurements*
- *contract register template for:*
 - *outstanding commitments on multi-year contracts >K500,000 that are rolling over in 2020*
 - *contracts >K500,000 with outstanding payments in arrears*

Agencies are required to provide both NEW procurements as well as EXISTING contract commitments for the 2020 submission

Submission and Approval of the Procurement Plan

Step Three: Certification and Procurement



An agency will submit a procurement plan to the APCC Secretariat for consideration by the APC Committee. The annual procurement plan template is an excel workbook and needs to be submitted to the APCC as an electronic record for uploading into a database. It is emailed to the apccsecretariat@finance.gov.pg accompanied by a letter confirmed that the appropriate delegate has approved the procurement plan to be considered by the APC Committee.

Criteria used to review the procurement plan

The APCC Secretariat will review the plans and evaluate it based on the following considerations:

- Completion of mandatory fields as outlined on the template provided
- Source of funding, and for National Budget appropriations, the extent that it is within the limits of the specified National Budget appropriation
- The agency has aggregated its requirements where possible to obtain value for money and reduce procurement costs
- Integrated the disposal of assets

Once reviewed, it will be tabled with the APC Committee who shall -

1. Reject the procurement plan, if required details have not been provided; or
2. Incorporate the procurement plan into a consolidated procurement plan for the Government of PNG

Assessment of the Procurement Plan

The template used by agencies to prepare the procurement plan is a specific template that meets the import criteria for the APCC procurement plan database. On receipt of an agency's procurement plan, the APCC Secretariat will upload this into the database. If it the workbook cannot be imported into the database, the APCC Secretariat will return the file to the agency for correcting and resubmission.

Once all conditions have been met and the APC Committee has approved, the procurement plan will be uploaded into the APCC procurement plan database and form part of the Consolidated Procurement Plan.

Publication of the Consolidated Procurement Plan

Under Section 25 of the NPA, the APC Committee shall display the consolidated procurement plan including updates and revisions. The APC Committee will publish the consolidated procurement plan on the Government's procurement website. This will be a high-level summary and contain information on:

- Description
- Procuring Agency Name
- Location
- Anticipated quarter to commence procurement
- Procurement Type (Nationally restricted or open bidding to all)
- UNSPSC category code

Update of the APCC procurement plan database with the NPC notification

The APCC Secretariat will be forwarding the approved Consolidated Annual Procurement Plan to the NPC to enable the Commission to commence working with the agencies on preparing procurement documentation and requirements (acquisition planning and/or bid documentation).

The APCC will treat all proposed procurements as pending until such time as the National Procurement Commission, or in the second instance, the agency, has advised that the requirements to enable the immediate commencement of procurement are complete. The notification must be made in writing by either the NPC CEO (or delegate) or the officer accountable for submission of the agency procurement plan. The APCC Secretariat does not require the procurement documentation.

On notification, the APCC will change the status from 'procurement pending' to 'procurement pending to commence' in the APCC procurement plan database.

Under Section 40(3) of the Public Finances (Management) Act, the APC Committee cannot certify a procurement to proceed until all requirements have been met to facilitate immediate procurement and that funds are allocated.

APCC Certification for procurement to proceed

At each meeting, the APC Committee will receive an extract from the APCC procurement plan database of all procurements with 'procurement pending to commence'. The APCC will consider this procurement and identify if the current cash forecasts of the State enable the procurement to proceed. The APCC will make a decision on those procurement that are certified to proceed.

After each meeting, the APCC Secretariat will update the APCC procurement plan database with the APCC decisions. The Secretariat will issue a certificate listing all procurements certified to commence. The certificate can only be issued from the APCC Database. Only with this certification can the NPC and agency proceed to procure the goods and services.

Authority to Pre-Commit

Step Four: Authority to Pre-Commit



The Authority to Pre-Commit (APC) (or an integrated local purchase order) binds the State to a contract (Section 45 of PFMA) and an Authority to Pre-Commit is required for all proposed procurements exceeding K500,000. No claims are enforceable unless one of these documents are in place.

An APC is required for all procurement exceeding K500,000 regardless of fund source it is not limited to funds appropriated under the National Budget. No contract exceeding K500,000 is enforceable without an APC.

The APC Committee may issue to a Departmental Head, an APC under the PFMA. The authority resides under Section 42 of the PFMA. The committee also has the authority to issue an APC to enter into a contract over multiple financial years (Section 43).

A multi-year APC is issued on the condition that in all forward financial years there is sufficient appropriations in the National Budget (or agency funds) to meet the commitment outstanding. If a commitment outstanding is not covered by funds, the APC will be revoked and the agency will be required to cancel the contract.

Preparation of the APC application by the National Procurement Commission

Once a procurement process is complete and the National Procurement Commission Board (or delegated Procurement Committee) has awarded the contract, the NPC will seek an APC.

When obtaining an APC, the NPC will submit a Request for APC form (Finance Management Manual Form 5A). The form outlines:

1. If the APC request is for a single or multi-year contract
2. Value of the APC required to meet the contract award and the commitment in the Budget Year and forward years;
3. APCC procurement plan certification number;
4. Details of the Expenditure Vote Summary indicating availability of funds under the necessary vote, or, confirmation that a funds transfer has taken place;
5. If partially funded by donor funds, details of the split between the Government fund source and other funds sources.

APC for Sub-National Governments and Statutory Authorities

In the case of funds that have been appropriated to Sub-National Governments including Service Improvement Program funds, confirmation that funds transfer has taken place will be required to obtain an APC. This is also required for Statutory Authorities who will be required to show that funding has been set aside to meet the contract financial commitment. This can be provided (for example) by submitting a copy of a bank statement showing funds available.

Registration of the APC request

The APCC Secretariat will review the application to ensure that all details have been provided and check the IFMS system (for agencies on IFMS) or with the Budgets Division of Department of Treasury that the appropriation is still available.

For other fund sources, the availability of the funds is checked as well as the method that the agency is quarantining funds for the procurement. There may be instances where further contact is made to ensure that the funds cannot be re-committed for other purposes.

The APC application, once cleared, is registered in the APCC procurement plan database linked to the original certified procurement record.

Once the APC has been registered, the database is used to issue an APC under the authorisation of the APCC. A multi-year APC or a supplementary APC variation is also generated from the database and will have a unique registration identifier.

If the APC application has been denied due to the withdraw of the appropriation, the cancellation of the procurement is registered on the APCC procurement plan database and the NPC and agency immediately notified.

APC issued

The APCC Secretariat will provide the APC to the National Procurement Commission and agency. It is the agency's responsibility to provide a copy of the approved APC to the contractor. The NPC will include the APC with the procurement document prior to forwarding to the State Solicitor for contract clearance.

Tracking contract commitments

Step Five : Contract Management



Recording of the APC in the APCC contract database

Once the National Procurement Commission Board (or its delegated Procurement Committee) has executed the contract (following State Solicitor clearance), the NPC is to notify that APCC Secretariat.

On notification, the APCC Secretariat will record the APC contract commitment in the APC contract database. The database is used to track payments made against the APC issued. This is used to ensure that contracts are properly extinguished and multi-year APCs are correctly recorded and identified for National Budget appropriation submissions. This database will only track details of contract commitment and not the performance of the contract or milestones.

For agencies using IFMS, it is a mandatory requirement to record the APC number in the APC Number field when creating a purchase requisition on the system. For agencies not using IFMS, a list of APC transactions will need to be submitted to the APCC Secretariat on a monthly basis.

Contract variations resulting in a contract value increase

If there has been a variation request submitted by a contractor that may result in:

- an increase in the contract value and therefore the APC value; and/or
- an extension in time that requires a single APC to be reissued as a multi-year APC

a variation must be sought.

In these circumstances, the agency would review the variation request in accordance with the terms of the contract. If an agency believes that the variation should be supported and contingencies are not sufficient, the request is made to the National Procurement Commission Board.

Prior to the deliberations by the NPC Board, the NPC will seek a supplementary APC. This APC will only be issued if there are sufficient funds to support the contract variation.

If supported, the APCC Secretariat will record a supplementary APC up to the value of the revised contract in the APCC procurement plan database. The original APC number and value is not changed in this database. The supplementary APC will use a unique numbering identifier.

The APCC Secretariat will also update the new value for the commitment in the APCC Contract Database. This will enable the tracking of payments to continue under a revised APC value.

[Contracts executed over multiple years](#)

Under Section 43 of the PFMA the APCC can consider, based on reasonable evidence, that a contract for the procurement of goods, works or services is to be executed in or over multiple financial years and will issue a multi-year Authority to Pre-commit. However, this is conditional that appropriations are made available in the National Budget to meet contract commitments when they fall due, or in the case of procurement from other sources, there is sufficient funds available or will become available to cover multiple years.

It is the responsibility of the agency to ensure that future procurement plans, considers all current contract commitments and the source of available funds to meet contractual obligations.

Under Section 43 of the PFMA, the chairman of the APC Committee shall ensure that in the preparation of the National Budget for submission to Parliament that APCs issued for multiple financial years by the Committee are factored into the submissions for the National Budget.

The APCC Secretariat will also keep a register of multi-year Authority to Pre-commits to match against National Budget submissions by agencies.

For contracts funded from other sources, the APCC procurement plan database will continue to track where contract funds are being paid from and the balances of those funds.

[Monitoring Contract Commitments](#)

As part of the management planning and internal budget processes, agencies are expected to be tracking overall financial contract commitments and ensure that these commitments are extinguished within the contract period and in accordance to the specifications and scope of the contract delivery. It is important that the projects and contracts are managed to minimise unanticipated carryovers in financial commitments which can impact on the availability of free cashflows for the Government of PNG.

[Monitoring expiring service contracts](#)

In establishing their procurement functions, agencies need to consider how they will manage and monitor expiring period contracts, for example, life insurance. These contracts must be renewed or extended prior to their expiry in order to remain valid. This not only ensures continuity of service delivery, but also ensures that the services are governed by current and valid conditions of contract. More importantly, these types of contracts need to be reviewed to ensure that the

services purchased under the contract remain valid and there isn't an opportunity for the agency to re-negotiate service scope or provider.

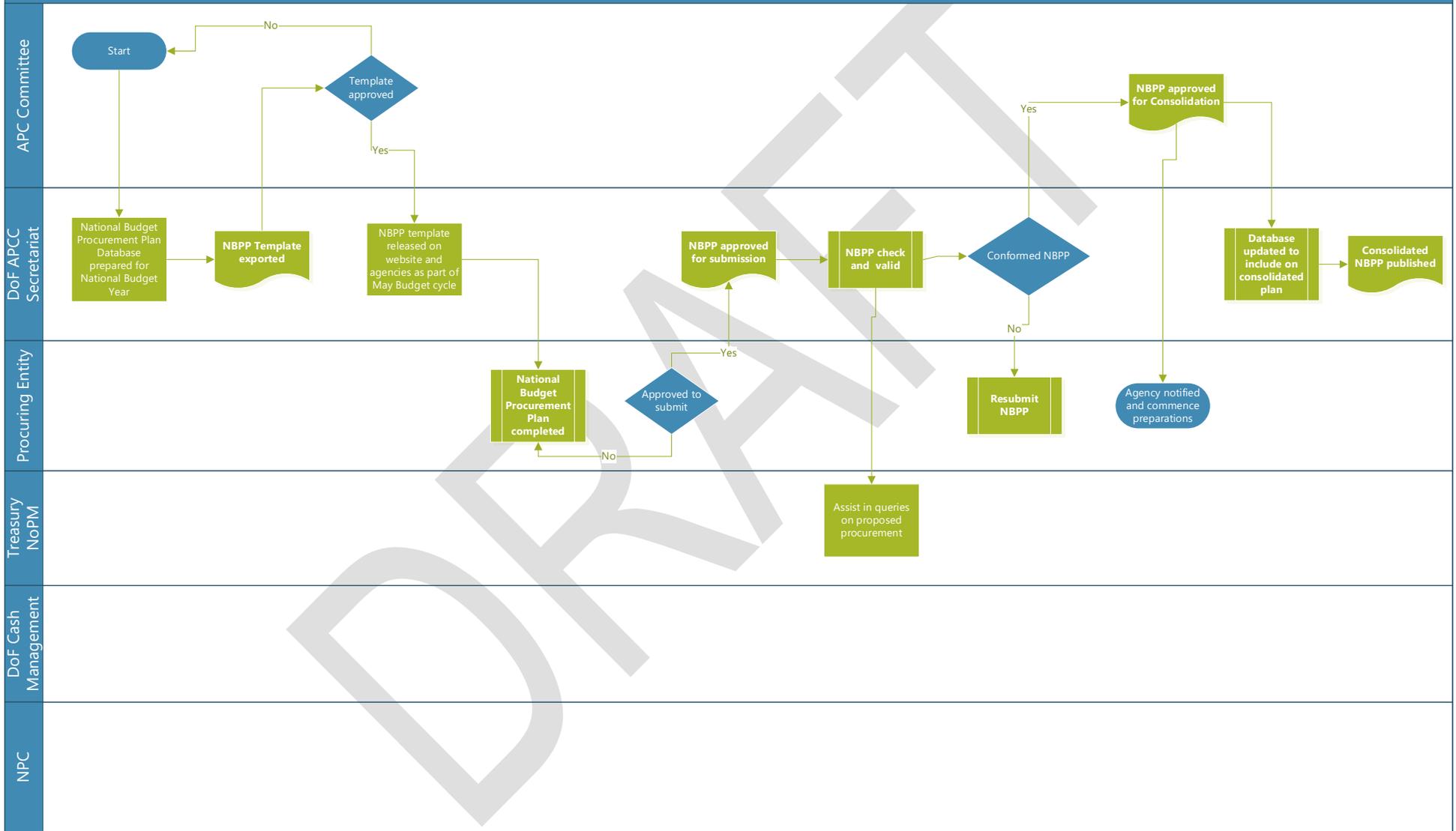
It is important that agencies consider the amount of time that will be required to renew or extend a contract to avoid a lapse in services. The time required will largely depend on the nature of the contract and whether it is being renewed or extended. For example, an extension of a pest control contract may only require a few weeks, whereas the renewal of a large multi-Province supply contract may take a minimum of six months.

The NPC has time period limits on when a multi-period contract can be extended or when a new procurement must be undertaken within the market. Generally, the maximum is three years, but is determined based on the services provided.

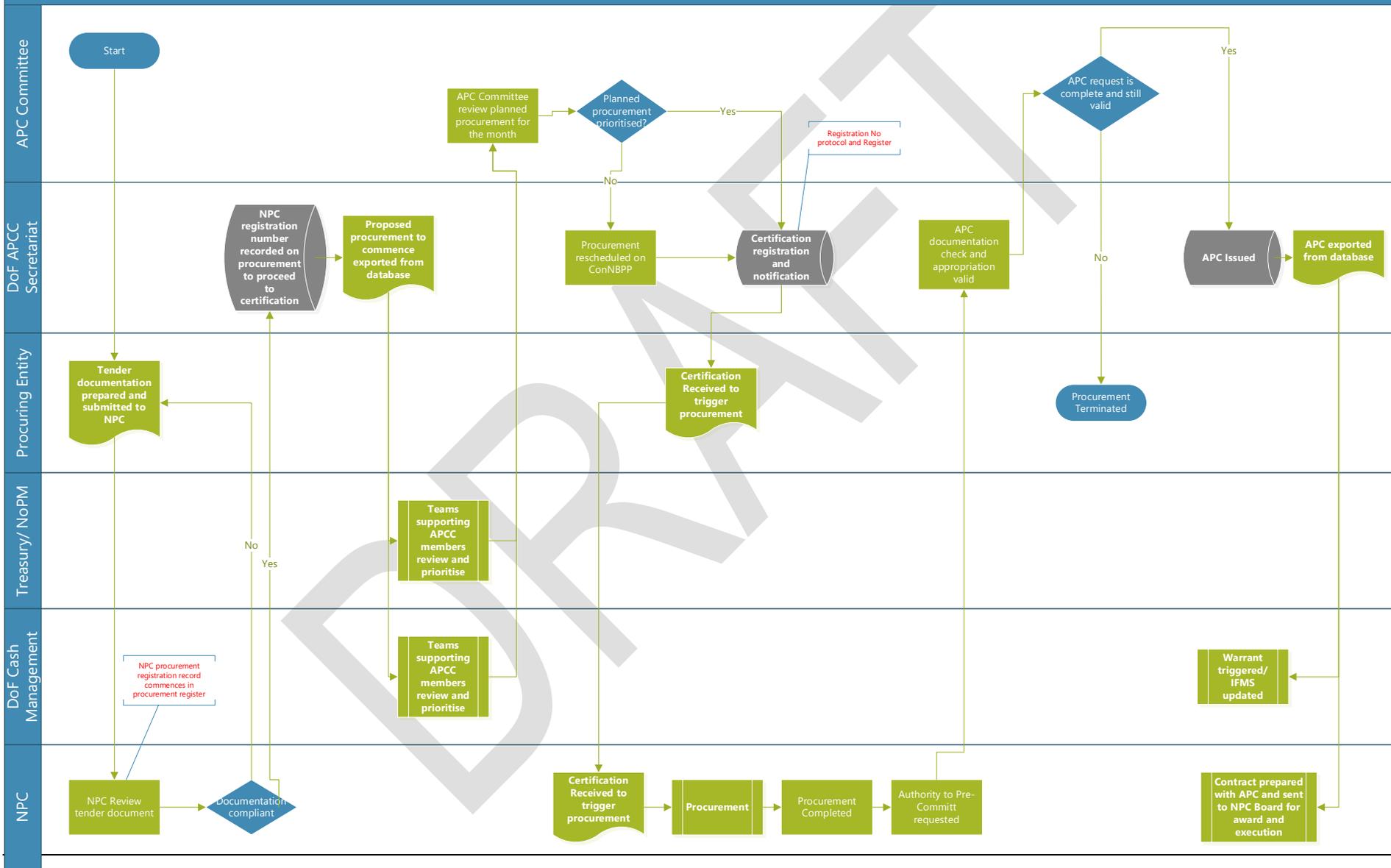
[Reporting and accountability for contract commitments](#)

The APCC Secretariat will maintain the APC contract database as a mechanism to report to the members of the APC Committee on outstanding contract commitments. By understanding the level of payments outstanding and the size and scope of outstanding commitments, the Committee can make more informed decisions about the capacity to fund new procurements. This information will also be used within existing cash management and budget frameworks for the better control and forecasting of cash.

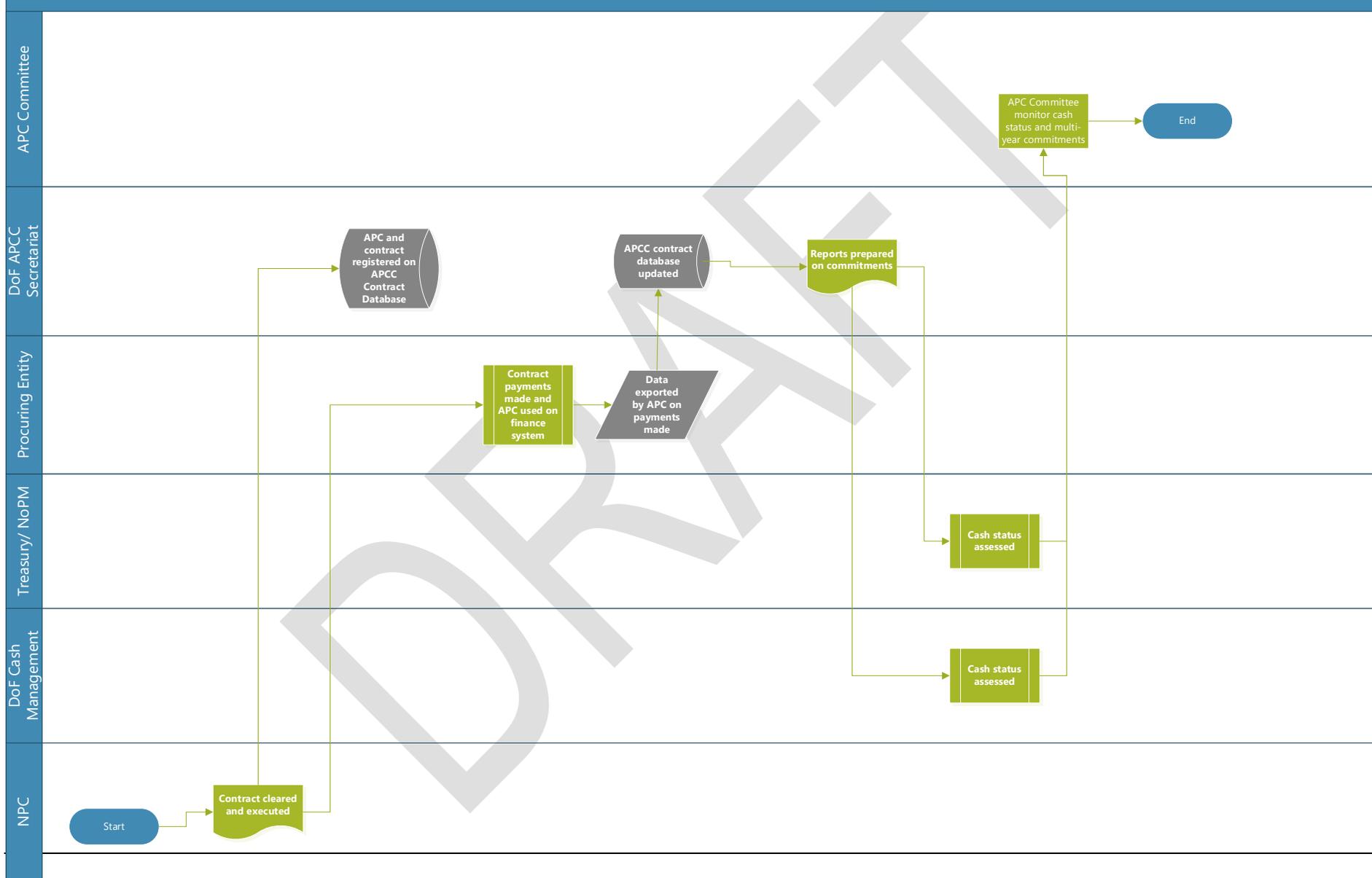
Procurement Plan Completion by Responsibility



Procurement Certification Cycle by Responsibility



APC Commitment Tracking by Responsibility



Roles and Responsibilities

<i>Entity</i>	<i>Roles</i>
<p><i>Authority to Pre-Commit Committee</i></p>	<p>Under Section 39 of the PFMA, the APC Committee was established with the members of Treasury, Finance and the National Planning Secretaries, or their respective delegates. The Chairperson is the Treasury Secretary. The functions of the APC Committee are (amongst other things) to (Section 40 of the PFMA):</p> <ul style="list-style-type: none"> • Approve of all procurement plans of all public and statutory bodies, including prioritisation, timing, oversight and expenditure allocation, based on available cash resources; • Alignment of available cash resources, Authorities to Pre-commit and warrants with the National Budget, to ensure that all warrants issued under the PFMA are fully backed by identified cash resources; • Issue APCs and multi-year APCs (Section 42 & 43 of PFMA) • Regulate the NPC, to ensure that procurements authorised to commence by the APC Committee are carried out in a timely and efficient manner, in line with the APC Committee certifications; and • Monitor, enforce and report on compliance of the NPC and public and statutory bodies with the standards set for public procurement, including the contract management of all procurements. <p>At each meeting of the APC Committee (Section 40 of the PFMA):</p> <ul style="list-style-type: none"> • the Finance Secretary shall identify the amount of available funds to meet procurements that have had appropriations made in respect of them in the National Budget the procurements for which are within the jurisdiction of the NPC; • the Treasury Secretary and the National Planning Secretary shall allocate the funds identified to meet the costs of procurements that have had appropriations made in respect of them in the National Budget the procurements for which are within the jurisdiction of the Commission; • the APC Committee shall certify the allocations made and notify the NPC and the relevant public or statutory body.
<p><i>APCC Secretariat</i></p>	<p>The APC Committee is the central governing authority for procurement plans and its Secretariat is required to support this function by:</p> <ol style="list-style-type: none"> 1. Prepare the reports and information necessary to support the decisions of the APCC 1. Preparing instructions on the format and process for preparing Procurement Plan (such as this guide)

	<ol style="list-style-type: none"> 2. Establishing a system to expeditiously review submitted Procurement Plan 3. Prepare the consolidated Procurement Plan and other APCC reporting and publish 4. Facilitate with the NPC on procurements that have been registered as ready for procure. 5. Work with colleagues in the Departments of Treasury and National Planning on the prioritisation of procurements for certification 6. Maintain a register of multi-year certified procurement to matching against future procurement plans
<p><i>Agency</i></p>	<p>The Head of Departments or chief executive (however described) is the designated accountable officer in relation to the <i>National Procurement Act</i> and the <i>Public Finances Management Act</i>. The accountable officer and all employees are bound by the provisions of the <i>National Procurement Act</i>, procurement instructions and procurement guidelines.</p> <p>Under Section 25 of the NPA, the agency is responsible for completing a procurement plan and submitting this to the APC Committee for approval.</p> <p><i>Internal audit</i></p> <p>Each agency requires an internal audit framework and capacity to manage the audit function of that agency. Procurement activities should be periodically reviewed by an independent function of the agency. In accordance with procurement practice and the PFMA, the accountable officer must establish an internal audit program for their agency that incorporates the completion of procurement planning.</p>
<p><i>National Procurement Commission</i></p>	<p>The National Procurement Commission will receive the approved Consolidated procurement plan and liaise with agencies to complete all the necessary procurement requirements. They are responsible for delivering the procurement service to agencies.</p> <p>Under Section 40 of the PFMA, the APC Committee is not able to certify procurement unless the agency has documented and completed prior to the meeting of the APC Committee all requirements necessary to facilitate immediate procurement. The NPC is the responsible entity to notify the APCC that procurement is ready to commence and requirements have been met. The NPC is also required to advise the APCC Secretariat of executed contracts for recording in the contract commitment database. The NPC is also required to advised the APCC of any variations to APCs.</p> <p>An agency, in preparing a Procurement Plan, can seek advice from the NPC on the minimum requirements to be met to facilitate procurement and the estimated timelines to schedule procurement based on these requirements.</p>

Document Details

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Change History

Version	Date	Author	Change details
0.1	19 May 2019	APCC Secretariat – EU Key Expert	Initial version for internal consultation and National Procurement Act Implementation Working Group members
0.2-0.5	06 August 2019	As above	Updated to reflect changes to process for certification and APC issuance and general feedback from working group
0.6	10 December 2019	As above	Updated to clarify Annual Procurement Planning to procurement strategy processes subject to separate guidelines
0.7	19 December 2019	As Above	Updated to clarify certification processes

Acronyms

Acronym	Full Text
Agency	Any public or statutory body within scope of the NPA
APC	Authority to Pre-commit
APCC	Authority to Pre-commit Committee
DoF	Department of Finance
DoNPM	Department of National Planning and Monitoring
DoT	Department of Treasury
GoPNG	Government of Papua New Guinea
GPM	Good Procurement Manual
IFMS	Integrated Financial Management System

ILPOC	Integrated Local Purchase Order (capturing IFMS PO)
NEC	National Executive Council
NPA	National Procurement Act 2018
NPC	National Procurement Commission
PFMA	Public Finances (Management) Act 1995 (as amended 2018)
PIP	Public Investment Program
PNG	Papua New Guinea
SIP	Service Improvement Program Funding

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