

FMM 03.15 Procurement

15.1 Authority and Prescribed Requirements

- Public Finances (Management) Act 1995 (PFMA):
 - Section 32 establishes the departmental head as the delegate authority to appoint officers to approve requisitions in that public entity in accordance with a warrant authority.
 - Part VII – Procurement regulation and coordination specifies the role and function of the Authority to Pre-Commit (APC), APC Committee and the minimum requirements for obtaining an APC as well as the control of the warrant within the major procurement process.
- National Procurement Act 2018 (NPA) is the act that governs all aspects of public procurement by public and statutory bodies including the establishment of the National Procurement Commission (NPC) and the delegations to conduct procurement within financial thresholds (Section 26 of the NPA).
- Public Services (Management) Act 1995 outlines the responsibilities of public officials in ensuring effective use of resources.

15.2 Relevant Standards and Supporting Documentation

- Good Procurement Guide and Procurement Instructions issued by the NPC for standardised practices.
- National Budget Procurement Planning Guidelines 2019 (issued by Department of Finance on behalf of the APC Committee)

15.3 Minimum Responsibilities

National Procurement Commission (NPC) oversees the standards for public procurement and administers and controls procurement over the thresholds established under Section 26 of the NPA.

The Authority to Pre-Commit Committee was established in Section 39 of the PFMA. Membership of the APC is made up of the Secretary of Treasury (chairperson), Secretary for Finance, and the Secretary for National Planning and Monitoring. Among the powers and responsibilities of the APC under Section 40 of the PFMA are:

- Approval of all procurement plans of public and statutory bodies
- Consideration of available cash balances, Authorities to Pre-Commit, and warrants are backed by identified cash balances

- Regulate the National Procurement Commission (NPC) to ensure that approved procurements are carried out in a timely manner
- Monitor, enforce, and report on compliance of the NPC and public and statutory bodies with public standards for procurement and contract management

The Finance departmental head is to establish standards for the payables process and the contract management administration for public entities.

Departmental heads ensure procurement activities comply with the PFMA, NPA, and relevant guidelines and approve procurement within delegated authority limits and oversee implementation in accordance with standards established by the NPC.

Heads of procurement/heads of finance of a public entity conduct procurement activities in compliance with legislation and policies including procurement planning towards budget and cashflow estimates.

15.4 Mandated Policy

- 1. All procurement activities must be conducted transparently, competitively, and in compliance with the PFMA, NPA and standards issued by the NPC to ensure value for money and safeguard public resources.**
- 2. All public entities are to apply the procurement principles embodied in the NPA which is:**
 1. Non-discrimination;
 2. Transparency, accountability and fairness;
 3. Maximisation of competition and ensuring value for money;
 4. Confidentiality;
 5. Economy and efficiency;
 6. Promotion of ethics.
- 3. Specific policies and guidelines for procurement are issued by the NPC Board and for any conflict between the FMM and the NPC Board instructions, the NPC Board instructions prevail on procurement matters.**

4. **The total estimated value and final value of procurement includes Goods and Services Tax (GST) or other withholding taxes when applying the procurement thresholds under Section 26 of the NPA.**
5. **All procurements, of a value of less than or equal to K1,000,000, shall not be executed without the prior written approval of the NPC Board if**
 - the recipient of the contract has a concurrent or back to back contract where the substance of this contract is for similar goods or services where the total of multiple contracts exceeds K1,000,000; or
 - this applies to consultancy agreements regardless of whether the work performed under the consultancy agreement is different.

15.4.1 Restricted Procurement

6. **Any other law that relates to the type of goods, services or works being procured should be identified during the planning phase of procurement. This includes donor or international agreements under Section 8 of the NPA.**

Some equipment, assets or goods can be restricted goods for procurement and will be required to comply with other laws, such as specialised and major ICT equipment and software with the Department of Information, Communication and Technology under the *Digital Government Services Act 2022*. Other examples are medical equipment or pharmaceutical equipment, defence grade and security equipment or goods considered dangerous goods or hazardous material.

15.5 Non-Mandatory Guidance

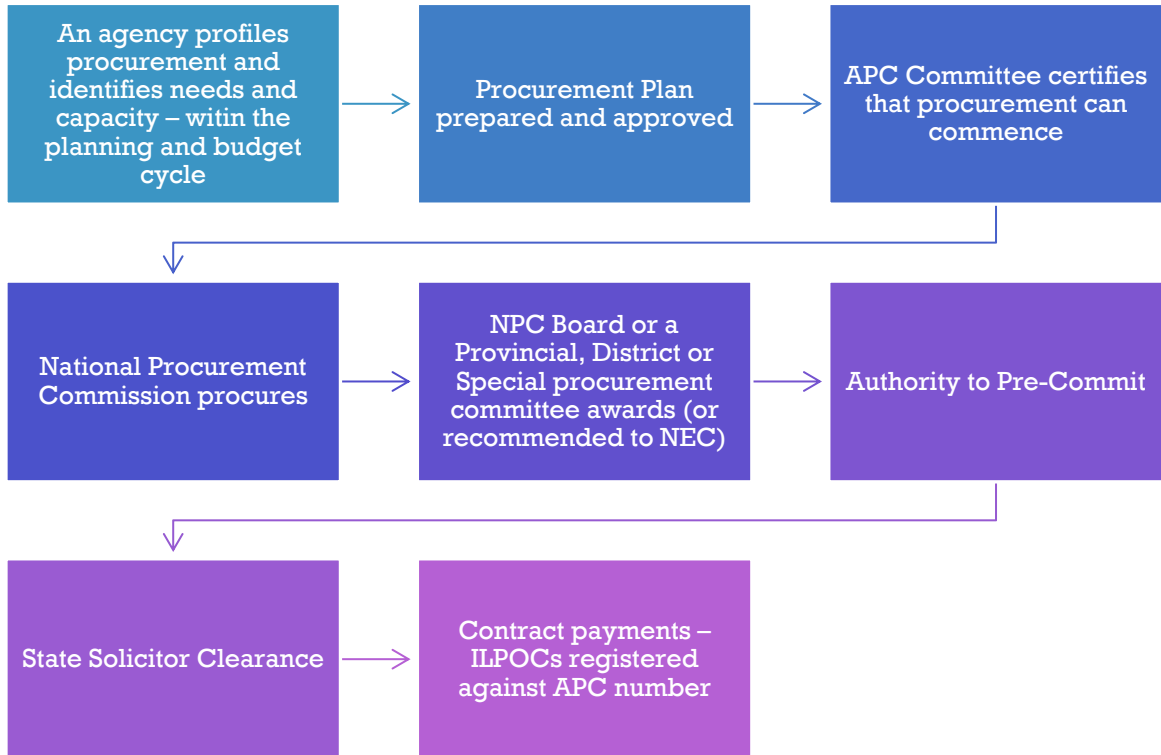
Procurement, buying and purchasing are terms used interchangeably and means the entire process from budget estimation, planning, design, supplier selection, contract administration, whole-of-life maintenance end-disposal.

For major procurement, an entity should be pre-planning the procurement, particularly for major projects and developments which may have multiple procurements across many disciplines or industry sectors.

All procurement above the department head threshold under Section 26 of the NPA (**major procurement**) including major disposals are to be pre-planned and specified on a procurement plan. There are guidelines issued by the APC

Committee on procurement planning and available on the Department of Finance and National Procurement Commission website.

The following diagram outlines the Government of PNG major procurement process.



Further Information	info@npc.gov.pg
Version	1.0
Date Issued	30 June 2025