



# Good Procurement Manual

## Procurement of Works, Goods and Services

PART A – Principles and Practices

PART B – Procurement Procedures

The Central Supply and Tenders Board and all other supply and tenders boards were replaced with a new entity the National Procurement Commission.

The Good Procurement Manual has been **reissued without amendment** for 2019 under Procurement Instruction 07/2019. Therefore this must be **used with caution** and is only to support procurement during the transition period. A new practice manual will be reissued during 2019 in line with the National Procurement Act 2018

There have been many changes since the publication of this manual and as a result there are a number of inconsistencies between this manual and the Act. For example, the abolishment of supply and tenders boards to be replaced by Committees of the National Procurement Commission. It is important that you refer to the Act in the first instance.

**Version 4 a**



**National  
Procurement  
Commission**  
Improving efficiency and transparency  
in Public Procurement

# Good Procurement Manual

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This Manual has been developed by the former Central Supply and Tenders Board to help National Departments, Provincial Administrations, Public Bodies and Specialised Supply and Tenders Boards achieve 'Value for Money' outcomes in the contracts that they establish.

## Acknowledgements:

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**Papua New Guinea, Central Supply and Tenders Board**

**Good Procurement Manual**

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**REVISION STATUS**

As necessary, authorised revisions will be issued to all holders of the document. Revisions shall take the form of replacement or additional pages. Upon receipt, revision pages are to be incorporated in this document and all superseded pages removed.

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## **NATIONAL PROCUREMENT ACT PROCUREMENT INSTRUCTION**

**07/2019**

**1<sup>ST</sup> April 2019**

**SUBJECT: METHOD OF PROCUREMENT – TRANSITION FROM 1<sup>ST</sup> APRIL 2019**

### **1.0 INTRODUCTION**

#### **1.1 Authority**

This Procurement Instruction (hereafter PI), is issued under Section 45(2) of the National Procurement Act (hereafter NPA) whereby the National Procurement Commission (hereafter NPC) or the APC Committee (APCC) may issue Procurement Instructions or Guidelines, not inconsistent with the Act, which are necessary or desirable for carrying out or giving effect to the Act and in general for the better control and management of procurement.

#### **1.2 Legality & Enforcement**

Pursuant to section 9 of the NPA, the NPC has control and direction of all matters relating to the management of the procurements of the State.

### **2.0 PURPOSE**

#### **2.1 Conduct of Procurements on and after 1<sup>st</sup> April 2019**

As at the commencement of the NPA on 1<sup>st</sup> April 2019, all public and statutory bodies, shall comply with this PI as to the conduct of all procurements, irrespective of whether those procurements are for goods, works or services. The purpose of this PI is to control the conduct of all procurements. This PI applies to all procurements by any public or statutory body, irrespective of the value of those procurements.

#### **2.2 Procurement Less than or Equal to K5,000 value**

2.2.1 Subject to this PI, any procurement of less than or equal to K5,000 shall be procured by –

- (a) the public or statutory body producing a short specification detailing what it is seeing to procure;
- (b) at least a single written quotation from a provider based on that specification, which attaches the providers IRC Certification of Compliance;
- (c) Where the public or statutory body is using IFMS, recording details of the procurement as part of the requisition. Where IFMS is not used, recording in a book specially kept for that purpose: the specification under

(a) and all written quotations under (b) and the decision of the relevant Section 32 officer under the Public Finances (Management) Act (hereafter the PFMA) in respect of which of the quotations has been accepted; and  
(d) an ILPOC, within the meaning of the PFMA, generated under the Integrated Financial Management System (hereafter IFMS) if the public or statutory body has its operating account on IFMS, otherwise generated under the Public Government Accounting System (PGAS).

## **2.3 Procurement Greater than K5000 but Less than or Equal to K500,000 value**

2.3.1 Subject to this PI, any procurement greater than K5,000 but less than or equal to K500,000 shall be procured by –

- (a) the public or statutory body producing a short specification detailing what it is seeing to procure;
- (b) at least three written quotations from providers based on that specification, which attaches the providers IRC Certificate of Compliance;
- (c) Where the public or statutory body is using IFMS, recording details of the procurement as part of the requisition. Where IFMS is not used, recording in a book specially kept for that purpose: the specification under (a) and all written quotations under (b) and the decision of the relevant Section 32 officer under the Public Finances (Management) Act (hereafter the PFMA) in respect of which of the quotations has been accepted; and
- (d) an ILPOC, within the meaning of the PFMA, generated under the Integrated Financial Management System (hereafter IFMS) if the public or statutory body has its operating account on IFMS, otherwise generated under the Public Government Accounting System (PGAS).

2.3.2 Subject to this PI, any procurement greater than K5,000 but less than or equal to K500,000 shall be supported by an executed Minor Contracts Agreement that complies with Financial Instruction No 2 of 2013.

## **2.4 Procurement Greater than K500,000 value**

2.3.1 Subject to this PI, any procurement greater than K500,000 shall be procured only by the National Procurement Commission (including its Committees) in accordance with the NPA.

2.3.2 No public or statutory body may undertake any procurement that is within the jurisdiction of the NPC or its delegated Provincial, District or Special Committees.

2.3.2 For clarity –

- (a) the District Committees of the NPC have jurisdiction over procurements greater than K500,000 but equal to or less than K2,500,000 arising from a District Development Authority;
- (b) the Provincial Committees of the NPC have jurisdiction over procurements greater than K500,000 but equal to or less than K5,000,000 arising from a Provincial Government or District if the jurisdiction of the District Committee of the NPC is exceeded; and
- (c) the Special Committees of the NPC have jurisdiction over procurements greater than K500,000 but equal to or less than

K1,000,000 arising from a specified scope of jurisdiction of the Special Committee of the NPC  
(d) in all other cases, jurisdiction lies with the NPC alone.

2.3.2 Subject to this PI, any procurement greater than K5,000 but less than or equal to K500,000 shall be supported by an executed Minor Contracts Agreement that complies with Financial Instruction No 2 of 2013.

### **3.0 Avoidance of Contract Splitting**

3.1 All procurements, of a value of less than or equal to K500,000, shall not be executed without the prior written approval of the NPC Board if –

- (a) 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 K500,000; or
- (b) this applies to all goods, works and services including consultancy agreement regardless of whether the work performed under the consultancy agreement is different.

### **5.0 FORMER GOOD PROCUREMENT MANUAL**

Until advised, the Good Procurement Manual for the conduct and approach for procurements will continue to apply

### **6.0 ENFORCEMENT**

6.1 Non-compliance with this and other PIs issued under the National Procurement Act, will invoke appropriate sanctions and/or penalties prescribed under the Act and/or under other relevant laws.

### **6.0 EFFECTIVE DATES OF PROCUREMENT INSTRUCTION**

This Procurement Instruction is effective as of the date of signing by the Chairman of the Board of the NPC.

### **7.0 HELP DESK**

Should you require further information the following should be contacted:

[helpdesk@procurement.gov.pg](mailto:helpdesk@procurement.gov.pg)



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# Glossary

## Abbreviations

<i>AGO</i>	Auditor General's Office
<i>APC</i>	Authority to Pre-commit
<i>BOT</i>	Build-Own-Transfer
<i>CACC</i>	Central Agency Consultative Committee
<i>Col</i>	Certificates of Inexpediency
<i>CSTB</i>	Central Supply and Tenders Board
<i>DoF</i>	Department of Finance
<i>DoNPRD</i>	Department of National Planning and Rural Development
<i>DoTI</i>	Department of Trade and Industry
<i>FID</i>	Finance Inspections Division
<i>FIs</i>	Financial Instructions
<i>FOB ,FCA, EXW, CIF, CIP</i>	International Commercial Terms, 2000 (INCOTERMS 2000)
<i>GoPNG</i>	Government of Papua New Guinea
<i>GST</i>	Goods and Services Tax (replaced Value Added Tax – VAT)
<i>LCE</i>	Lowest Cost Evaluation
<i>LTC</i>	Lowest Total Cost
<i>MTDS</i>	Medium Term Development Strategy
<i>NEC</i>	National Executive Council
<i>PFMA</i>	Public Finances (Management) Act
<i>PIP</i>	Public Investment Program
<i>PNG</i>	Papua New Guinea

<i>ProvSTB</i>	Provincial Supply and Tenders Board
<i>RAMS</i>	Road Asset Management System
<i>RPNGC</i>	Royal Papua New Guinea Constabulary
<i>SSTBs</i>	Specialised Supply and Tenders Boards
<i>STB</i>	Supply and Tenders Board
<i>TEC</i>	Tender Evaluation Committee (also known as Technical Evaluation Committee under PFMA)
<i>VFM</i>	Value for Money
<i>WoG</i>	Whole of Government (Contract)

## Important Terms

<i>Acquisition Plans</i>	Plans prepared for works, goods and services above K1 million to achieve Value for Money.
<i>Agency</i>	Government Department, Administration, Public Body and Office
<i>Aid/Donor Agency Procurement Arrangements</i>	Procurement arrangements which are undertaken in accordance with either Aid or Donor Agencies' agreements with GoPNG.
<i>Annual Procurement Plans</i>	Plans which encourages agencies to adopt a long term and strategic view of their procurement activities.
<i>Authority to Pre-commit (APC)</i>	Authority issued by Department of Finance for expenditure above K300,000. (Procurement cannot proceed unless an APC has been approved)
<i>Award</i>	Approval by either the NEC or Board of a STB to issue a contract to the preferred tenderer.
<i>Certificate of Inexpediency (Col)</i>	As defined in the Finance Management Manual Part 13, Division 4, a Col is an expedient and quick procurement process which may only be undertaken in the event of a: natural disaster, defence emergency and health emergency or a situation of civil unrest.
<i>Commercial Development Contracts</i>	Contracts for commercial developments such as Build-Own-Transfer (BOT) Arrangements.

<i>Competition</i>	Competition that is effective will see a number of independent companies tendering to provide works, goods and services to the GoPNG, through the public tendering process
<i>Complaint</i>	A complaint is when a party in the procurement process expresses dissatisfaction with an aspect of the procurement process as applied by a STB.
<i>Conflict of Interest</i>	A conflict of interest arises where the private interest of either a public officer or Board Member or consultant, involved in GoPNG procurement conflicts or has the potential to conflict with the duties of the person.
<i>Conforming Tender</i>	Tender that is valid and meets the qualification, financial and technical requirements of the bidding documents
<i>Consulting Services</i>	Professional services of an intellectual and advisory nature provided by consultants using their skills to study, design, and organize specific projects, advise clients, conduct training and transfer knowledge.
<i>Contracting Processes</i>	In accordance with the PFMA, there are only two available processes: Public Tender and Certificate of Inexpediency.
<i>Corruption</i>	Defined as offering, giving, receiving or soliciting (asking) either directly or indirectly, for any thing of value to influence the action of a public official involved in GoPNG procurement.
<i>Delegation</i>	Financial limits established by the Minister of Finance for all Agencies and STBs.
<i>Detailed Evaluation</i>	Evaluation of tenders for technical and financial conformance and capacity. (Occurs after preliminary evaluation)
<i>Domestic Preference</i>	A margin of preference to local contractors as defined in the Bidding Documents.
<i>Efficiency and Effectiveness</i>	Principle of procurement that ensure processes are appropriate to the amount of monies being spent.
<i>Eligibility</i>	Conditions (as stated in the Bidding Documents) considered essential that may otherwise disqualify the contractors from participating in the tender such as a conflict of interest, lacking legal and financial autonomy and blacklisting.
<i>Evaluation Criteria</i>	Criteria stated in the Bidding Documents to evaluate tenders based on capacity, experience, integrity, past

	performance and financial status.
<i>Execution</i>	Legal agreement between a Contractor and GoPNG Executing Authority (either the Governor General or Chairman STB)
<i>Fair and Ethical Dealing</i>	Principles of procurement which treat potential and existing contractors with equality and fairness, does not seek personal or family gain and treats tenderers and tender information with respect and confidentiality;
<i>Fraud</i>	Misrepresentation or omission of facts in order to influence a procurement process or execution of a contract.
<i>Integrity Panel</i>	The Integrity Panel is an independent review panel consisting of a representative from an enforcement agency, central agency and non-government organisation, which review complaints against CSTB and STBs and recommendations for blacklisting
<i>INCOTERMS (FOB ,FCA, EXW, CIF, CIP etc)</i>	Standard common trading terms produced by the International Chamber of Commerce. Refer to <a href="http://www.iccwbo.org/index_incoterms.asp">http://www.iccwbo.org/index_incoterms.asp</a> for full details.
<i>Lowest Cost Evaluation (LCE)</i>	Evaluation process which establishes the tenderer that meets the minimum qualifying requirements and conforms to the requirements of the bidding documents, at the Lowest Total Cost.
<i>Lowest Total Cost</i>	<u>Lowest cost for works goods and services, calculated in accordance with the Bidding Documents, and must include initial capital cost or cost of services and possibly other overheads such as whole of life costs (if provided for the Bidding Documents).</u>
<i>Major Contract</i>	A “major” contract is defined as one that exceeds the prescribed amount as defined in Section 40 of the Public Finances (Management) Act. As at 15 <sup>th</sup> January 2008, the prescribed amount is K300,000
<i>Market Analysis</i>	A market analysis is to determine the private sector’s capability to meet the needs of the government.
<i>Negotiations</i>	Negotiation is defined as discussions between Contractor and TEC to meet defined project needs and budget requirements. ( <u>Negotiation to ‘beat down the price’ is not permitted.</u> )
<i>Policies</i>	Directives issued by CSTB Board to control and regulate procurement, but not inconsistent with PFMA and FIs.

<i>Preferred Tenderer</i>	The tenderer which meets the requirements in the bidding documents (ie the Government's need) at the Lowest Total Cost.
<i>Procurement</i>	Defined as buying, purchasing, renting, leasing, or otherwise acquiring any works, goods and services. It also includes all functions that pertain to the obtaining of any works, goods and services, including description of requirements, selection, preparation and award of contracts and all phases of contract administration.
<i>Preliminary Evaluation</i>	Evaluation of tenders to meet the qualifying requirement detailed in the bidding documents.
<i>Public Tender</i>	Open and transparent process of seeking public participation in government procurement.
<i>Qualifying Requirements</i>	Minimum requirements, stated in the Bidding Documents to determine if the tender is responsive and acceptable for detailed evaluation.
<i>Responsive Tender</i>	A valid tender that meets the qualifying requirement and substantially meets the commercial and technical requirements, as stated in the bidding documents.
<i>Services (non-professional services)</i>	Services which are not professional and add value, such as cleaning, security, photocopying and travel.
<i>Stakeholder</i>	A person or group that benefits or has an involvement in the procurement process, implementation or ownership.
<i>Standard Bidding Documents</i>	Standard templates of bidding documents (including standard conditions of contracts) approved by the CSTB.
<i>Substantial Responsiveness</i>	Where the tender substantially responds to the commercial and technical requirements of the bidding documents.
<i>Tender Validity</i>	Validity period of each tender as specified in the Bidding Documents.
<i>Termination</i>	If there has been a significant breach of contract or one or both parties cannot fulfill their obligation, it may be necessary to terminate a contract before it reaches its natural conclusion.
<i>Transparency</i>	Transparency is a principle of procurement where clear and public documentation of procurement processes, tender requirements, evaluation criteria, and decisions which are be able to withstand independent review and scrutiny.

<i>Value for Money</i>	Defined as obtaining works, goods and services for the GoPNG that best meet the government's need at the lowest total cost.
<i>Variations</i>	Variations are deemed to be any change of price, scope and time within the original contract.
<i>Verification (of tenders)</i>	Verification is a check to ensure if there are deficiencies in a tender, which if accepted, would provide unfair advantages to the Tenderer, such as missing items in the Bill of Quantities or quoting an inferior product.
<i>Vendor Financing (Concessional Loans) Arrangement</i>	Procurement through tied (concessional) loans. (Value for Money is rarely achieved through these arrangements)
<i>Whole of Government (WoG) Contracts</i>	Contracts defined in the Financial Instructions which are to be implemented across all levels of Government.
<i>Whole of Life Costs</i>	Costs which incorporate economic, environmental and social costs and the capital or purchase cost.



## Foreword

*Purpose and Scope, Important!, Major Contracts, How to Use the Manual, Status in Law and Future Development*

### Purpose of the Good Procurement Manual

This Good Procurement Manual (GPM) has been developed to help National Departments and Provincial Administrations, Public Bodies (collectively known as Agencies) and Supply and Tenders Boards achieve 'Value for Money' outcomes in the contracts that they establish. As such, the Manual outlines policies, directives and simple step-by-step processes that will assist Agencies in establishing major contracts.

The Manual also provides Agencies with information that will assist them to successfully navigate the Government of Papua New Guinea (GoPNG) process for major procurements.

### Important!

Important to note that all government Agencies (Departments, Administrations and Offices) are required to use the principles, practices and procedures stated in this Manual.

Only those Public Bodies which comply with PFMA, Part VIII must comply with this Manual and refer procurement action to CSTB.

For Consulting Services this Manual must be read in conjunction with the World Bank's Consulting Service Manual (CSM) 'A Comprehensive Guide to the Selection of Consultants' for the engagement of consultants – available from CSTB or on its web site [www.cstb.gov.pg](http://www.cstb.gov.pg). As shown in Figure A1, Chapters 3-6 of the GPM should not be used for the development of invitation documents, advertisement, evaluation and award of consultants. But the remainder of the GPM is to apply. Chapters 9-21 of the CSM are applicable and should be used, instead of Chapter 3-6 in this Manual. But it is important to note that in accordance with the Public Finances (Management) Act, the selection must be through either a competitive public open tender process or Certificate of Inexpediency. In the event of any conflict between the World Bank's Consulting Service Manual and the Good Procurement Manual, the latter manual (ie GPM) is to prevail. For example, in accordance with the Act, Shortlisting is not to be used.

Achieving Value for Money (VFM) is critical! VFM is achieved by meeting the Government's need (defined in the Bidding Documents) at the Lowest Total Cost. This manual will assist the reader in defining the Government's need and determining the Lowest Total cost through an evaluation process. Everyone involved in Government procurement must strive to achieve VFM.

According to the PFMA, there are only two available processes that Departments and other government agencies can use to establish major contracts:

- Public Tender, or
- Certificate of Inexpediency.

The processes are set down in law and are not negotiable. Other contracting processes such as direct price negotiation, selective tendering etc are illegal and not acceptable.

## Scope of this Manual

This Manual describes procedures for the most common forms of procurement for works, goods and services conducted by government agencies.

### This Manual includes:

- Procedures for formulation, invitation, award and execution of contracts for works, goods and services of unlimited values. This Manual can be used for most items of procurement undertaken by GoPNG, however care should be taken for either large or complex contracts.
- Tenders and Contracts Denominated in Papua New Guinea (PNG) Kina and other currencies. The body of this Manual considers tenders and contracts that have a price in PNG Kina only. If the contract has a foreign component for labour, goods then multiple currency tenders and contract may be considered. In this case, refer to Annex G which provides a framework for the conduct and evaluation of these types of tenders.
- Evaluation without provision for additions, adjustments and deviations to the tender price. However, for more complex tenders, Annex G provides details for the inclusion of these conditions.

- Lowest Cost Evaluation only. The body of this Manual only provides for evaluation of contractors based on the tenderers meeting minimum qualifying requirements and comply with the requirements of the bidding documents and selected based on Lowest Total Cost only. This system is known as Lowest Cost Evaluation (LCE) and is relatively easy to apply.

This Manual does not include:

- Aid/Donor Agency Procurement Arrangements. If the Aid/Donor Agency agreement with GoPNG provides exemption from the PFMA, then procurement may be undertaken in accordance with the agreement. Consequently, procedures in this Manual may not apply. In this case, the procurement staff must familiarise themselves with Aid/Donor Agency procedures.
- Development of Invitation Documents, Advertisement, Evaluation and Award for Employment of Consultants. Refer to Figure A1.
- Whole of Life Costs. For complex civil and building works with a value greater than K10 million, or smaller amount as approved by the CSTB, 'Whole of Life' costs may also be considered to determine the Lowest Total Cost. In this case, detailed bidding documents and complex evaluation must be used. Also for procurement of goods, where the item is not standard and 'Value for Money' cannot be established easily, then 'Whole of Life' costs may be considered. Annex I provides guidance on the application of Whole of Life costs and evaluation. However, if Whole of Life costs are considered, then a specialist consultant should be employed to assist with documentation and evaluation.
- Commercial Development Contracts, such as Build-Own-Transfer (BOT) Arrangements. These tenders and contract must be carefully written by experienced and qualified procurement experts.
- Vendor Financing (Concessional Loans) Arrangement. These tenders have a loan arrangement linked to procurement. It must be stressed that the practice is very risky and should be avoided at all costs. If considered, this tender and contract must also be written by experienced and qualified procurement experts.

## **What is a “Major” Contract?**

A “major” contract is defined as one that exceeds the prescribed amount as defined in Section 40 of the Public Finances (Management) Act. As at 15<sup>th</sup> January 2008, the prescribed amount is K300,000.

The value of the prescribed amount may vary from time to time by Regulation under the Public Finances (Management) Act.

## How to Use this Manual

The Manual provides basic tools, processes, and checklists to assist you in developing “Value for Money” contracts for GoPNG. It does not intend to be a complete work on tendering and contract administration.

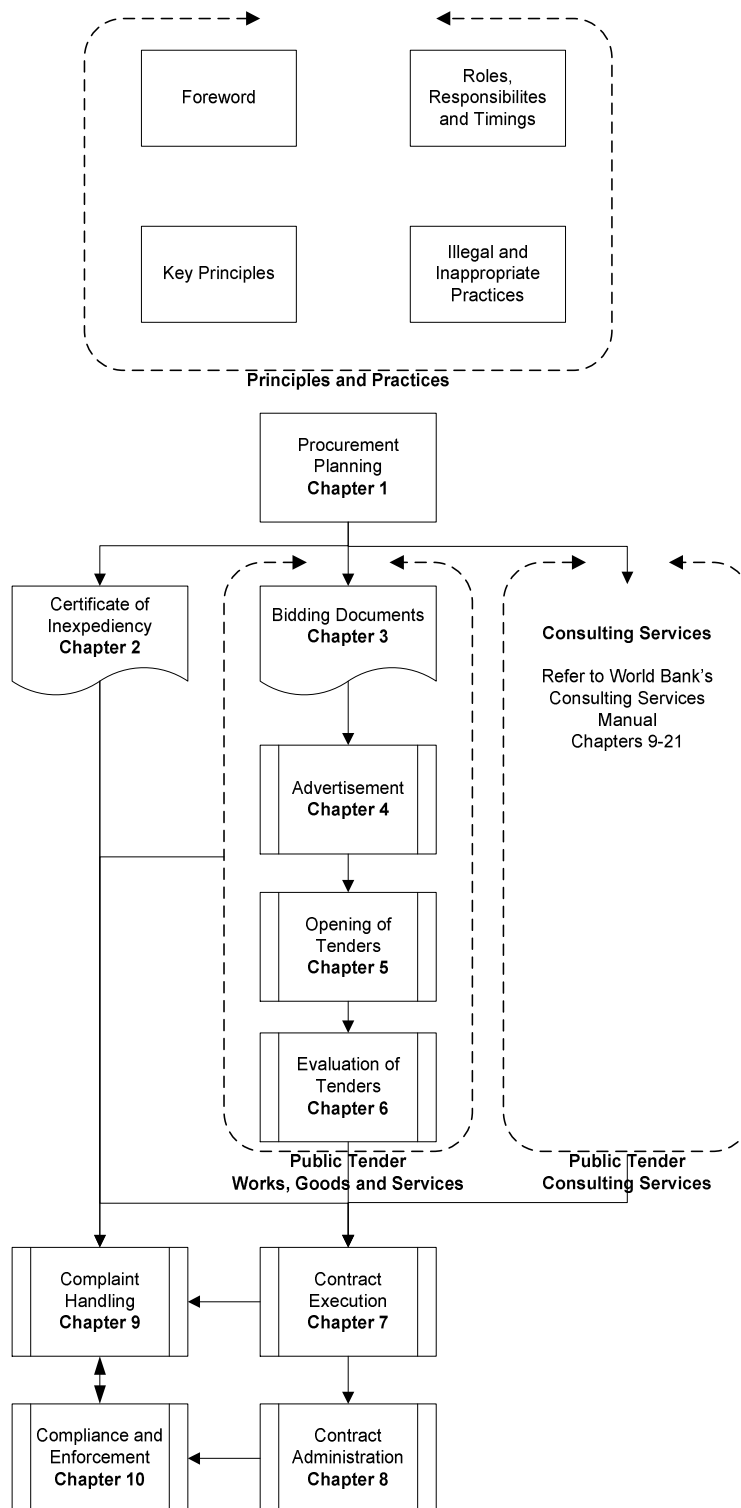
To understand more about a particular part of the contracting process you should:

- Find the relevant chapter by referring to the Table of Contents
- Clarify any doubtful areas with a Contract Co-ordinator from the CSTB
- Follow the Flow Chart (Figure A1) through the procurement process

## Read the Law

The Public Finances (Management) Act (PFMA), Regulations, and Financial Instructions (FIs) govern procurement within GoPNG. This Manual has at all times endeavoured to remain consistent with this legislation.

This Manual should be read in conjunction with the relevant sections of the PFMA. If the PFMA and its supporting FIs are either amended or conflict or both with this Manual, then the PFMA and FIs take precedence.



**Figure A1**  
**Overview of Procurement**  
**Process for Major Contracts**

## **CSTB Policies**

### **Policy Responsibilities**

The CSTB Board may issue from time to time policies to control and regulate procurement, not inconsistent with the PFMA and FIs. Policies will be issued in the form of amendments to this Manual. Updated versions of this Manual will be available on the CSTB Website [www.procurement.gov.pg](http://www.procurement.gov.pg) or a hardcopy can be mailed, upon request.

### **Key principles**

The process of developing and disseminating CSTB policies will be an ongoing and evolutionary one, responsive to the growing complexity of procurement activity and emerging challenges.

However, there are some fundamental principles of government procurement which will remain unchanged and which the CSTB, through its policies and in the discharge of its statutory responsibilities, will continue to apply.

As changes are introduced to achieve the objectives of the Government's procurement reform program, it is critical that Heads of Agencies continue to ensure that the five key principles (discussed below) are upheld across the range of agency procurement activity.

## **Levels of Delegation**

The Minister of Finance establishes delegated limited for all Agencies and STBs. These limits are promulgated in accordance with the PFMA. The Minister of Finance, with advice from the CSTB, may establish the levels of delegation for Agencies and STB and may impose restrictions on these entities to conduct procurement. These restrictions may be based on the following conditions:

- Agency and STB's conformance to the PFMA, FIs and Good Procurement Manual
- Capacity of the Agency and STB to undertake procurement, including; staffing, organisational arrangements and adoption of procedures.

Agencies and STBs should endeavour to meets these requirements, as non-conformance will reduce their level of delegation. Conversely, Agencies that conform to these requirements may request for their delegations to be increased.

## **Other References**

This Manual should be read in conjunction with the *Supply and Tenders Boards Operations Manual*. For the employment of Consultants do not use Chapters 3-6 of this Manual

instead refer to the World Bank's Consulting Services Manual 'A Comprehensive Guide to the Selection of Consultants' (Chapters 9-21). The *Standard Bidding Documents* (produced and issued by CSTB) and *DoW Standard Specifications* are also essential references.

## **Further Development of the Good Procurement Manual**

The CSTB is responsible for ensuring that this Manual is further developed as the need arises. This will likely involve amendments as GoPNG procurement evolves.

Suggestions for amendment of this Manual from Contract Managers and those involved in the process of contract establishment and management are encouraged. Should you wish to make a suggestion, contact:

The Secretary  
Central Supply and Tender Board  
PO Box 6457  
Boroko  
NCD  
Papua New Guinea  
Telephone: 311 3777  
Fax: 311 3778  
Email: [info@cstb.gov.pg](mailto:info@cstb.gov.pg)

## **Issuing of Amendments to the Good Procurement Manual**

It is the responsibility of the CSTB to promulgate directives as a result of Government policies affecting procurement. The CSTB is also responsible to amend this Manual as a result of these policies.

The Secretary of the CSTB is responsible for ensuring this Manual is kept up to date, by issuing amendments once the CSTB Board has approved them. The Secretary CSTB must maintain a register of organisations that have received copies of the Manual, including contact details so that amendments and additions can be issued in a timely manner.

## Roles, Responsibility and Timings

*Relationships, Roles and Timings*

### Relationships and Thresholds

The roles and responsibilities are described in Part 14, Division 1 in the Financial Instructions. Figure A2 below indicates the relationship and delegated thresholds for each procurement entity.

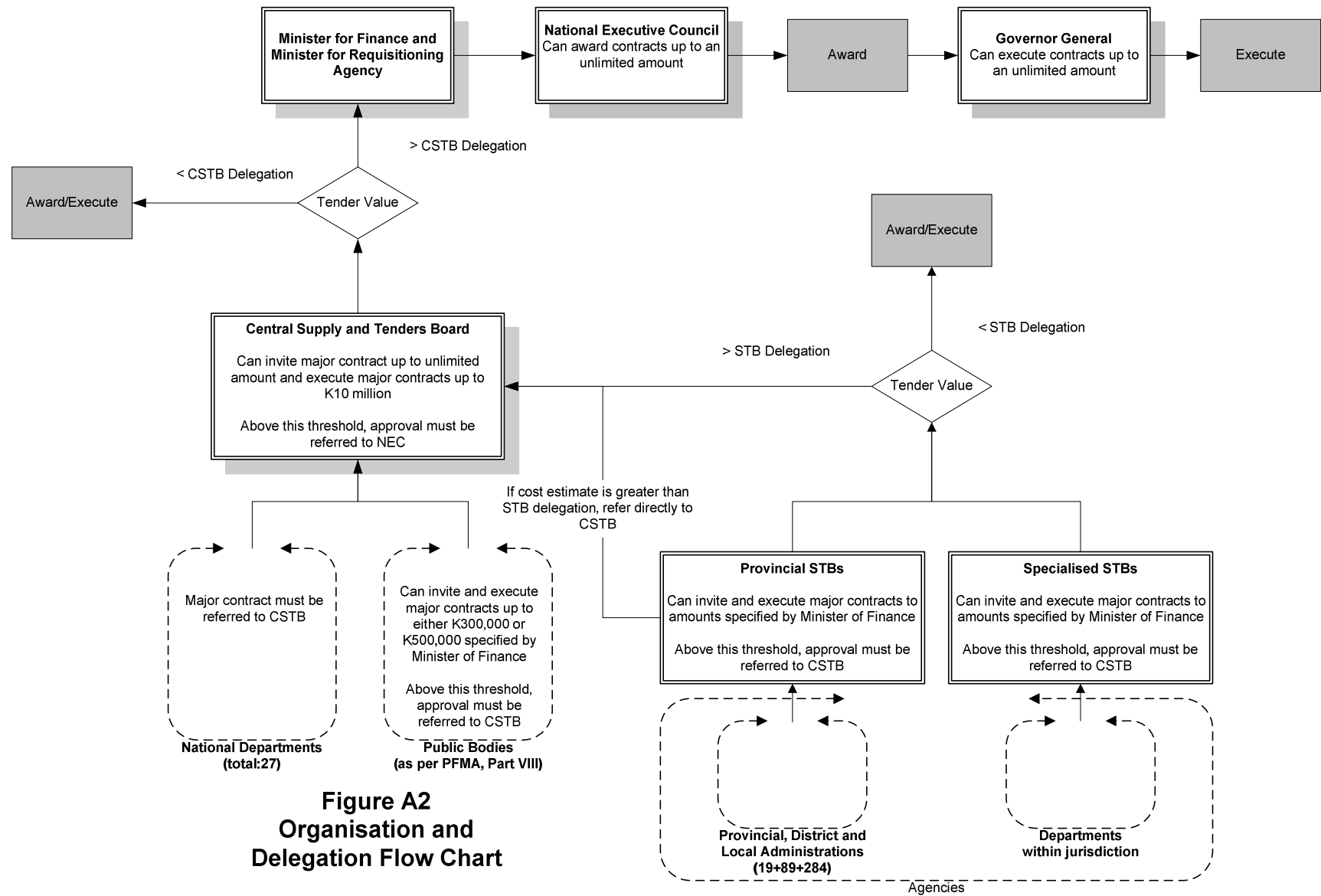
The interaction and responsibilities between these approving/executing authorities and National Departments, Provincial Administrations and relevant Public Bodies throughout the procurement process is described in the Table A1.

**Table A1 - Roles**

Role	G-G	NEC	STB	Provincial Administrations/National Department and Public Bodies
Establish need for Works, Goods and Services				✓
Develop Procurement Strategy				✓
Develop Bidding Documents and Specification			✓	✓
Develop Evaluation Criteria			✓	✓
Advertise			✓	
Issue Bidding Documents			✓	
Open Tenders			✓	
Evaluate Tenders				✓
Recommend Preferred Tenderer to Board				✓
Consider Recommendation and Award		✓	✓	
Legal Clearance			✓	
Execute Contract	✓		✓	
Implement Contract				✓
Post Implementation Review			✓	✓



**CENTRAL SUPPLY AND TENDERS BOARD**



**Figure A2  
Organisation and  
Delegation Flow Chart**

## **Roles of Entities Involved in Procurement**

(Refer to Figure A2 above)

### **Governor General**

In regards to procurement, the role of the Governor General is to execute contracts up to an unlimited amount with a Contractor, based on advice provided by the National Executive Council (NEC).

### **National Executive Council**

Contracts above delegated limit of the CSTB may be referred to the NEC for award. Upon award of the contract, the NEC will refer it to the Governor General for the contract to be executed.

### **Central Supply and Tenders Board**

According to the PFMA, the role of the Central Supply and Tenders Board (CSTB) is to control and regulate:

- the purchase and disposal of property and stores;
- the supply of works, goods and services; and
- recommend to Minister of Finance amendments to PFMA, Regulations and FIs.

The CSTB may recommend to the Minister of Finance, appropriate financial delegations for the Agencies and STBs to conduct procurement.

The CSTB is a “gatekeeper”; ensuring tenders that have been conducted in accordance with the PFMA and FIs and represent “Value for Money” (ie meeting the Government’s need at the Lowest Total Cost). These tenders are allowed to pass through the gate, to become contracts. Those that have not are returned to Agencies for further action.

The CSTB may award and execute contracts up to its delegated limit. Beyond its delegated limit the CSTB may recommend award to the Minister of Finance and Minister responsible for the requisitioning Agency for submission to the NEC.

The CSTB may conduct investigations and procurement compliance audits of subordinate Supply and Tenders Boards. In conjunction with the Auditor General’s Office and Department of Finance (DoF), the CSTB may conduct audits and investigations of National Departments and Provincial Administrations.

The CSTB may issue policies to control and regulate procurement through amendments to this Manual to detail procurement arrangements or establish procedures which result in greater Value for Money. CSTB is to produce an annual report by 30 June each year,

which is to include details of activities of Supply and Tenders Boards under its control. The Annual Report is to be audited by the Auditor General's Office, before being provided to the Minister of Finance for submission to Parliament.

### **Specialised Supply and Tenders Boards**

The role of the Specialised Supply and Tenders Boards (SSTBs) is also that of a "gatekeeper"; ensuring tenders within its delegated authority and jurisdiction have been conducted in accordance with the PFMA and represent "Value for Money".

For contracts above its delegated authority, the SSTB must ensure that the procurement action is referred to the CSTB, in accordance with this Manual.

SSTBs should provide periodic reports of their activities to the CSTB, including details for CSTB's Annual Report. Reporting requirements are provided in the Supply and Tenders Board Operations Manual.

### **Provincial Supply and Tenders Board**

The role of the Provincial Supply and Tenders Board (ProvSTB) is a "gatekeeper" function for procurement for Province, District and Local Level administrations. ProvSTBs are also to ensure tenders have been conducted in accordance with the PFMA and represent "Value for Money".

Above its delegated authority, ProvSTBs must refer procurement action to the CSTB.

ProvSTBs are to provide periodic reports of their activities to the CSTB, including CSTB's Annual Report. Reporting requirements are provided in the Supply and Tenders Board Operations Manual.

### **Provincial Administrations/National Departments and Public Bodies (Procurement Units)**

From Table A1 on Page A-9 it can be seen that these Agencies have an important role in major procurement. These Agencies and in particular their procurement unit need to; identify their need for works, goods and services, specify what is required, analyse the results of tenders received, write reports recommending a particular tenderer and manage established contracts.

In the case of National Departments and relevant Public Bodies, procurement action is referred directly to the CSTB. For Provincial, District and Local Level Administrations, procurement action must be directed to the ProvSTB. But if the contract estimate is above its delegation, the action must be referred directly to the CSTB.

Important to note that only those Public Bodies which must comply with PFMA, Part VIII must refer procurement action to CSTB.
---

Procurement Units are established within Provincial Administrations, National Department and Public Bodies to conduct and arrange minor and major procurement. Staff should be highly trained procurement specialists in relevant fields of expertise.

All agencies mentioned above are required to report to the CSTB on their procurement activities.

## **Roles of Individuals Involved in Procurement**

### **Minister of Finance**

The Minister for Finance has overall responsibility for the Government's procurement function. In regards to these activities, the Minister of Finance has the following powers and roles:

- Establish Specialised Supply and Tender Boards under Section 39 of the Public Finances (Management) Act.
- The Minister may remove or reduce the delegated authority of any Supply and Tender Board not complying with the requirements specified in the FIs, upon recommendation of CSTB.
- Present the Annual Report of the CSTB to Parliament by 30th June of the year subsequent to which the report refers.

### **Chairman, Supply and Tenders Board**

The role of the Chairman of the Supply and Tenders Board is to do the following:

- Preside as Chairman of the Board of the Supply and Tenders Board.
- Manage the day to day operations of the Secretariat (if relevant).
- Convene and Chair meetings in accordance with the *Supply and Tender Board Operations Manual*.
- Action all decisions of the Board.
- Execute contracts awarded by the Board.
- Terminate contracts if agreed by the Board, based on legal advice.
- Oversee the complaint handling procedures.

## Member, Supply and Tenders Board

The role of each member of the Board of a Supply and Tenders Board is to:

- Review tender evaluations and other information submitted to the Board and assess their conformance with the law and determine if Value for Money can be achieved.
- Where appropriate, provide comment on the tender evaluations, seek clarifications and review responses.
- Cast a vote on the acceptance, deferral or rejection of a tender evaluation submission.
- Review complaints and contribute to formal response to complainant.

## Tender Evaluation Committee

The Tender Evaluation Committee (TEC) is a team of specialists from the Agency(ies) to evaluate tenders under the direction of a Supply and Tender Board. The names and details of the TEC must be provided to the relevant Chairman STB for approval.

The role of the TEC is to carry out the tender evaluation in accordance with the PMFA, Regulations and FIs, using the processes outlined in this Manual. In a practical sense this requires the TEC to evaluate tenders according to the requirements of the bidding documents and previously defined evaluation criteria.

## Public Officers (including Procurement Specialists)

The role of Public Officers in government procurement processes should be to make taxpayers money go further, in providing works, goods and services to the community. All public officers involved in the procurement process should ensure that GoPNG achieves "Value for Money" through fair, competitive, transparent and efficient processes.

## Timings

The public tendering process is jointly carried out by Agencies and STBs as outlined in this Manual. Agencies and STBs are required to action procurement in an expedient manner. Delays in the approval process add significant cost to contracts and introduce opportunities for corruption. Contractors may add a surcharge to their tender if they consider that approvals will take a long time. In order to improve levels of service, increase efficiency and reduce corruption, STBs should meet service standards. These standards indicate the time within which the STB will respond to requests during the procurement process. The service levels are outlined in the Table A2

For example in 2004, GoPNG may have paid an additional 5-10% as a result of delays. This represents an additional cost to GoPNG up to K50 million, because of slow procurement.

Table A2 – Service Levels – Public Tender

STB Tasks	Agency Tasks	TEC Tasks	Timings	Conditions:
	Establish need for Works, Goods and Services		Agency to establish needs for submission with annual budget request.	
	Develop Procurement Strategy		Annual Procurement Plan to be provided to CSTB <u>by 28<sup>th</sup> February each year</u>  <u>Acquisition plans to be prepared for procurement items above K1 million to be provided to STB with Bidding Documents</u>	CSTB may require further revisions of the plan  STB may require revision of the plan
	Develop Bidding Documents		Provide Bidding Documents to STB in a <u>timely manner consistent with project and budgetary requirements.</u>	
Review Bidding Documents and Acquisition Plan and provide feedback to			Written feedback to be provided <u>within 3 working days</u> of receipt of	No feedback needs to be given to the Agency where the documents are

**CENTRAL SUPPLY AND TENDERS BOARD**

<b>STB Tasks</b>	<b>Agency Tasks</b>	<b>TEC Tasks</b>	<b>Timings</b>	<b>Conditions:</b>
Agency			documents	satisfactory.
	If required, finalise Bidding Documents and Acquisition Plan		If written feedback is provided to Agency, revisions are to be provided to the STB <u>within 14 working days</u> of receiving their comments.	
	Provide details for advertisement to the STB		To be supplied to the STB <u>within 5 working days of STB approving Bidding Documents</u>	
Tender Advertisements			To be placed in Newspapers <u>within 4 working days</u> of having received complete detail of the tender from the Agency	Where an Agency specifically requests that an advertisement appear on a particular day of the week, the service level may be extended <u>up to 8 working days</u> .
Issuance of Bidding Documents			Documents to be released within the bidding period, as stated in the advertisement.	Bidding period may be extended, upon approval of the STB and notified to bidders.
Opening Tenders			To be <u>opened on the same working day</u> that tenders close	

**CENTRAL SUPPLY AND TENDERS BOARD**

<b>STB Tasks</b>	<b>Agency Tasks</b>	<b>TEC Tasks</b>	<b>Timings</b>	<b>Conditions:</b>
Provision of opened to Agency/Procurement Unit			To be provided <u>within 2 working days</u> of the close of tenders	Date stamping and logging of tenders must be carried out to ensure propriety.
		TEC to conduct evaluation	Complete evaluation <u>within 20 working days</u> of the close of tenders	Period may be extended upon approval of the STB.
STB Reviews TEC's Recommendation reports for Completeness and Compliance with the PFMA and FIs			To be completed <u>within 3 working day</u> of having received a complete from the TEC.	STB may return the Recommendation Report if it is deficient.
Board Consideration of Procurement			To be considered <u>within 15 working days</u> of having received a completed TEC Recommendation Report.	STB may require clarification from TEC. If so, <u>TEC is to respond within 5 working days of receiving the request.</u>
Written Notification of Board Approval / Rejection/Deferral of an Evaluation Report.			To be provided to the Agency <u>within 3 working days</u> of the Board meeting	
Request State Solicitor's Legal Clearance			State Solicitor's Clearance required <u>within 10 working days</u> of	



CENTRAL SUPPLY AND TENDERS BOARD

STB Tasks	Agency Tasks	TEC Tasks	Timings	Conditions:
			written notification of Board approval	
<p>Contract Execution</p> <p>Within STB's Delegation</p>			<p>Contract agreements should be signed <u>within 5 working days</u> of the approval of the Board, where the Contactor is based in the home Province (in the case of CSTB - Port Moresby). Where documents need to be sent to out of the Province (CSTB – outside Port Moresby) for signing by approved Contractors, signing should be completed <u>within 20 working days</u>.</p> <p>Contract Agreement (once signed by successful tenderer) to be signed by Chairman and a copy to be returned to Agency and contractor <u>within 2 working days</u> of having been received.</p>	<p>The process of signing the contract is a 2-stage process, which may be carried out concurrently when the successful tenderer is able to sign the contract at the STB.</p>

CENTRAL SUPPLY AND TENDERS BOARD

STB Tasks	Agency Tasks	TEC Tasks	Timings	Conditions:
Notification			<p>Chairman of the Board is to provide a notice to all tenderers of the name and amount of the successful tenderer <u>within 2 working days</u>.</p> <p>Chairman of the Board is to provide a notice in the next available National Gazette of the name and amount of the successful tenderer.</p>	
<p>Contract Execution</p> <p>Head of State Delegation</p> <p>(Above CSTB's delegation)</p>			<p>Unsigned Contract Agreement to be sent to Successful Tenderer <u>within 3 working days</u> of NEC approval being given.</p> <p>Contract Agreement (once signed by successful tenderer) to be signed by Governor General and copies to be returned to Agency, CSTB and contractor <u>within 2 working days</u> of having been received.</p>	<p>NEC Secretariat to manage process</p>

### Service Levels – Certificate of Inexpediency

The service standards for issuing Certificates of Inexpediency are as follows:

- Agencies should prepare Request for Col, Draft Contract Documents and APC within 5 working days.
- STB should approve the Col (provided the Request for Col meets the requirements of Financial Instructions) within 5 working days.
- State Solicitor's Clearance and Execution by Chairman STB should occur within 5 working days.

# Key Principles

*Principles of VFM, Transparency, Competition and Fair and Ethical Dealing*

## Introduction

There are five key principles that are fundamental in GoPNG tendering and contracting. The key principles are:

- “Value for Money”
- Transparency
- Effective competition, and
- Fair and ethical dealing
- Efficiency and effectiveness

## “Value for Money”

“Value for Money” (or simply VFM) involves obtaining works, goods and services for the GoPNG that best meet the government’s need at the Lowest Total Cost (LTC). For complex civil and building works with a value greater than K10 million (or lesser amount as directed by CSTB), ‘Whole of Life’ costs may also be considered. Also for procurement of goods, where the item is not standard and ‘Value for Money’ cannot be established easily, then ‘Whole of Life’ costs may be considered. But consideration of Whole of Life cost is very complex and should only be undertaken by a specialist consultant.

The main objective of GoPNG procurement is to obtain “Value for Money” (meeting the Government’s need at the Lowest Total Cost) in the acquisition of works, goods and services using ethical, transparent processes and 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 aid and donor agency funds.

## Transparency

Transparency involves the clear and public documentation of procurement processes, tender requirements, evaluation criteria, 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 major procurements to act in a transparent manner.

Transparency is best pursued by using the Public Tendering process when establishing major contracts.

## 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 tendering to provide works, goods and services to the GoPNG, through the public tendering process. Creating effective competition involves publicly requesting tenders from contractors, providing timely and adequate information to contractors, and ensuring that new entrants and small contractors are able to participate.

The likelihood of achieving a “Value for Money” outcome is significantly improved where effective competition is present.

## Fair and Ethical Dealing

The central principles underpinning fair and ethical dealing include:

- treating potential and existing contractors with equality and fairness
- not seeking personal or family gain
- treating tenderers and tender information with respect and confidentiality;

It is important that all staff involved in major procurements follow these principles and that they be seen at all times to follow these principles. Failure to do so undermines the credibility of the whole GoPNG procurement process.

## **Efficiency and Effectiveness**

The principle of efficient and effective procurement requires procurement staff to use procurement processes that are appropriate to 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 the Financial Instructions.

# Illegal and Inappropriate Practices

*Corruption, Fraud, Conflicts of Interest and penalties involved*

## Introduction

There are three areas of concern within government procurement, which are either illegal or must be avoided:

- Corruption,
- Fraud, and
- Conflict of Interest.

## Corruption

Corruption is defined as offering, giving, receiving or soliciting (asking) either directly or indirectly, or any thing of value to influence the action of a public official involved in GoPNG procurement. It is generally motivated by greed for money or power.

Corruption within government procurement can occur in many ways, including:

- A politician placing pressure on public servants to award a contract to a wantok.
- Public servant receiving or demanding (extortion) money or gifts from a contractor in return for an award of a contract.
- Procurement staff writing tender documents which are biased to award a contract to a particular contractor.
- Avoiding a proper evaluation process to award a contract to a particular contractor.
- Invoices paid for work not completed or goods not supplied.
- External pressure from Agencies to influence the outcome of a tender.

Politicians, public officers and contractors dealing in corruption can receive harsh penalties. For example, any politician or public officer which corruptly asks, receives or obtains any property or benefit for himself or any other person, they can be imprisoned for up to seven years. Likewise, contractors dealing in corrupt activities can be imprisoned up to seven years. Refer to Sections 61, 62, 87, 97A and 97B, Criminal Code 1974.

The effects of corruption cannot be under-estimated. But the effects of corruption are simple; it robs grass roots society of needy services and infrastructure.

Public officers are legally bound (Criminal Code 1974) to advise either their superiors or other Authorities such as Ombudsman Commission, if they are encounter corrupt activities.

Refer to Chapter 10 for details on Compliance and Enforcement

## **Fraudulent Activities**

Fraud is defined as misrepresentation or omission of facts in order to influence a procurement process or execution of a contract. As defined in the Independent Consumer and Competition Act, 2004, collusive activities between contractors to 'rig' bid prices or the outcome of a bidding process are strictly illegal.

Collusive practices are inconsistent with the establishment and maintenance of the ethical business practices which must support good working relationships between the government and any contractors, subcontractors, consultants and suppliers seeking to do business with GoPNG. Government agencies need to ensure to the maximum extent possible that collusive practices do not occur.

Fraudulent activities (including collusion) attract harsh penalties. Refer to Chapter 10 for details on Compliance and Enforcement.

## **Conflict of Interest**

A conflict of interest arises where the private interest of a public officer, involved in procurement:

- Conflicts, or
- Might reasonably be thought to conflict, or
- Has the potential to conflict,

with the duties of the person involved in GoPNG Procurement. For example, a person might be involved in defining a specification, or as a member of an evaluation committee/team, or as a Head of Agency, or other relevant position, or signing off on a recommendation report in relation to procurement.



**CENTRAL SUPPLY AND TENDERS BOARD**

A conflict of interest may occur if a public officer involved with the tendering process or contract implementation, has some direct or indirect relationship with a tenderer or contractor awarded a contract.

Conflicts of interest may result in allegations of corruption, which as stated above, attract harsh penalties.

Therefore, a public officer in a "Conflict of Interest" situation in relation to a:

- Contract made by the Board, or
- Proposed contract under consideration by the Board

Must disclose the nature of their interest to the Board, and

Must not contribute to the writing of bidding and contract documents, and

Must not take part in any evaluation or deliberations with respect to the contract, and

Must not take part in any recommendation with respect to the contract, and

Must not be involved in the Administration with respect to the contract, and

Must not attempt to influence others involved in such tasks.



# 1. Procurement Planning & Design

*National Budget Appropriations, Needs, Stakeholders, Market Analysis, Project Design and Strategies*

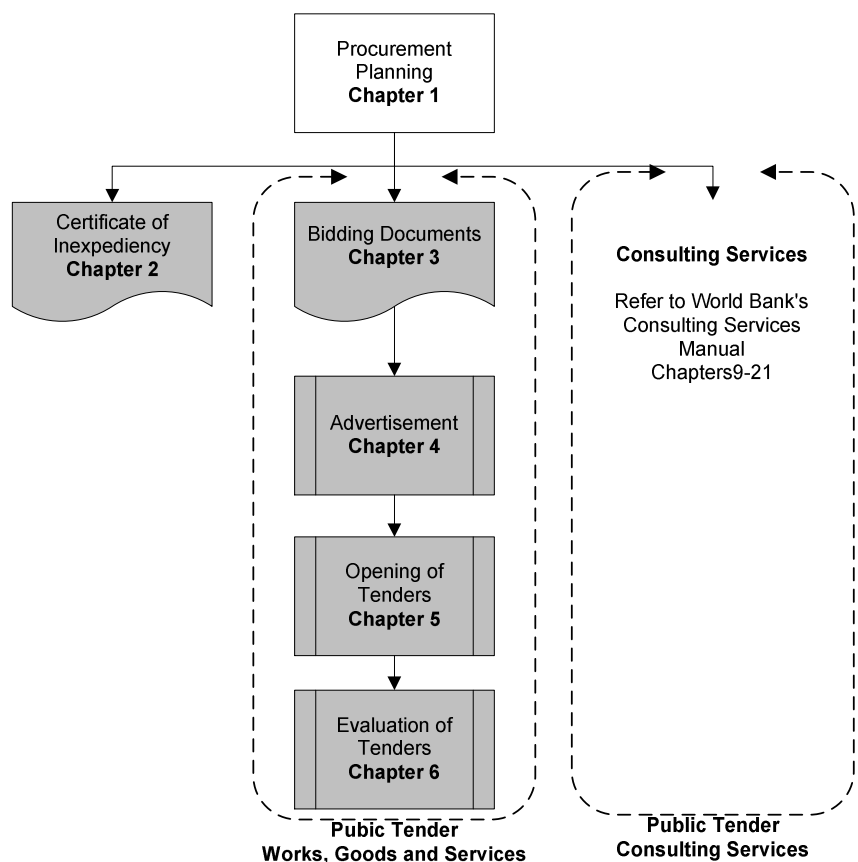
## Contracting Processes

There are two available processes that departments and other government agencies can use to establish major contracts:

- Public Tender, or
- Certificate of Inexpediency.

These processes are defined within the PFMA. The processes are set down in law and are not negotiable. Other contracting processes such as direct price negotiation, pre-qualification, selective tendering etc are illegal and not acceptable.

There are also good practical reasons to limit the available processes for major procurement in the GoPNG. More complex or staged procurement processes require knowledge and skills that generally do not (currently) exist within departments and agencies. In addition, such processes are often more open to abuse, and can be more easily affected by inappropriate influences.



Where there is any doubt as to the appropriateness of a proposed procurement process it is highly recommended that you discuss this with the Secretary, CSTB – before starting on such a process.

Of the two available processes, public tender is preferred, because its competitive nature improves the likelihood that a contract established in this manner will represent ‘Value for Money’ for the government.

## Procurement Planning Process

There are two forms of procurement plans:

- Annual Procurement Plan
- Acquisition Plans

Procurement Plans assist agencies to achieve:

- improved purchasing power
- better Value for Money
- better planning and risk management
- faster procurement, and
- more opportunities for implementing and achieving the Government’s economic objectives.

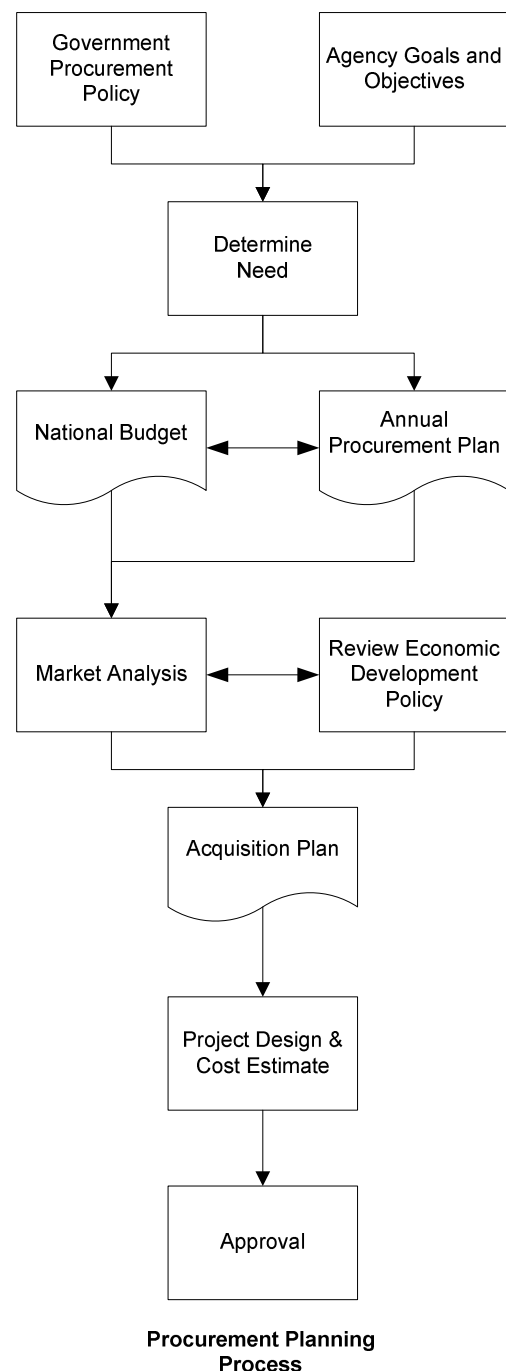
These two forms of procurement plans comprise of the overall Agency’s Procurement Strategy.

### Approval and Key Timings

Once the procurement plans has been developed, it must be approved by the Head of Agency. Annual Procurement Plans are to be sent to the CSTB by 28<sup>th</sup> February each year. Acquisition Plans are to accompany Bidding Documents when submitted to STB.

### Procurement Planning Program

Procurement Plans are to be prepared for two different purposes:



- For the agency, as a means to document and communicate its procurement direction, strategies, processes and procedures to personnel. It also serves as a benchmark against which progress on procurement targets can be measured.
- For the CSTB, to provide an overview of the strategic direction for Government procurement.

### **Government Procurement Policy**

GoPNG may issue policies from time to time affecting procurement, in accordance with their goals and objectives. These policies may also be as a result of policy submissions from either CSTB or Department of Finance. Agency staff should ignore hearsay and internal Agency correspondence which contravenes the PFMA, FIs and this Manual. However, Agency staff should contact the CSTB if clarification is required.

### **Agency Goals and Objectives**

Agencies may issue goals and objectives in relation to procurement. However, these directives cannot contradict the PFMA, Financial Instructions and this Manual. Agency staff should contract the CSTB to clarify any matters in regards to possible conflicts.

## **Determine the Need for Works, Goods and Services**

The need for works, goods and services are established through a number of processes, including:

- Stakeholder consultations or requests
- Programmed developments to meet economic and social objectives
- Ongoing (recurrent) commitments

If the works, goods and service is to be funded under the Development Budget public officers involved in procurement should ensure that the proposed procurement item is consistent with the Public Investment Program (PIP) objectives.

Similarly if the procurement item is to be funded under the Recurrent Budget, public officers should ensure that it is consistent with the Agency's recurrent needs. The need may be established using asset management tools such as; Department of Works Road Asset Management System (RAMS). There are many other tools that can be used to justify procurement. If the Agency utilises these tools, public officers must be familiar with them and the reports produced.

If the need has not been established by the processes shown above, it must be determined by either the procurement unit within the Agency or by the authorising officer. However, the procurement process cannot proceed further if funds are not available.

## Annual Procurement Plans

Annual procurement planning encourages agencies to adopt a long term and strategic view of their procurement direction. Agencies are required to:

- review their current procurement investment and purchasing processes, and
- identify improvement goals, targets and milestones that closely link with their corporate plans, outputs and Government goals and objectives.

Annual Procurement Plans should be undertaken in conjunction with the development of the Agency's Budget submission.

Annual procurement planning imposes a discipline on agencies to identify, plan and properly manage the purchase of works, goods and services and report on the outcomes achieved. *The format for an annual procurement plan is at Annex A.*

It is important to note that during preparation of both recurrent and development budgets, funds for projects and programs are commonly reduced without due consideration to the intended scope and nature of the procurement. In other words, the budget appropriation for the proposed procurement item may have been either reduced or cancelled and cannot be implemented as originally intended.

Public officers must review the scope and nature of the procurement item to ensure the goods, works or services can be undertaken within the budget allocation and if required re-scope the procurement item to ensure the budget is not exceeded. If it is apparent that the item cannot be procured as a result of insufficient funds, then the public officer must refer the matter to his/her superiors. In this case, the procurement process cannot proceed any further until either the budget allocation has been revised or the project is deferred or cancelled.

Annual Procurement Plans should be linked with the agency corporate plan and service planning cycle. The plan submitted must be an overview of the procurement information gathered as part of an agency's business planning process. It must also include summaries of major procurement plans and forward plans.

All Agencies are required to submit an Annual Procurement Plan to the CSTB by 28<sup>th</sup> February of each year. If the Agency fails to submit a plan, future acquisitions may be delayed or withheld by CSTB.

CSTB will review and monitor the targets set in the Annual Procurement Plan and provide advice to the Agency on potential improvements to the plan. CSTB will also use the outputs from the plan to advertise potential tenders on their website.

## National Budget

There are two forms of budget allocation;

- Development Budget
- Recurrent Budget

Most major procurement will occur under the development budget, although large recurrent items such as; pharmaceuticals, school materials, food rations for the Defence Force, property leases, plant and some vehicles will be categorised under the Recurrent Budget.

### Development Budget

The planning process for nationally-funded projects and programs occurs through a top-down and bottom-up approach. The national government policies and priorities provide an over-arching framework for the development budget and generally include both Aid and Donor Agency projects and programs. The interpretation of the national government objectives is conducted by the national public bodies and separately by the provincial and district governments.

At the provincial and district levels, the entire project design process is managed by the Department of National Planning and Rural Development (DoNPRD).

The national public bodies conduct their own project design and planning in consort with the national objectives. This process is coordinated by DoNPRD.

The Medium Term Development Strategy (MTDS) remains the overarching development strategy of the Government. The DoNPRD follows a process of consultation with the donor community, the private sector, NGOs, and other elements of civil society, making use of existing forums for consultation, such as the Consultative Implementation Monitoring Council process.

The development plans of all levels of government, from the national level through to the district level are integrated and coordinated under a uniform planning system. The completion of the uniform planning system will be developed by DoNPRD for incorporation in the MTDS.

Department of Treasury will review the proposed Development Budget from DoNPRD and provide a Budget Submission to the Central Agency Consultative Committee (CACC). The CACC will review the submission against government objectives before submitting a final submission to the National Executive Council (NEC). Once the NEC has approved the Budget, the Budget is promulgated to all departments by Department of Finance.

The development programs are funded through the Public Investment Program (PIP) consistent with the government's objectives. Once the development plans have been clarified DoNPRD rationalise the priorities against approved Development Budget. The PIP is a rolling five-year plan, stating the project objectives, status, components, justification,

capacity issues, benefits, sustainability together with program costs. The Development Budget will provide further financial detail including project names and approved project costs.

### **Recurrent Budget**

Each Agency will develop its own recurrent expenditure needs through a process of determining its annual needs across all aspects of its operations such as staff salaries, utilities and other operational costs.

Agencies will determine estimates of its recurrent expenditure and complete a budget submission to Department of Treasury. This submission is reviewed against available funds by the Economic Policy Division in Department of Treasury. Similar to the Development Budget, the CACC will review the submission against government objectives before submitting a final submission the National Executive Council (NEC). Once the NEC has approved the Budget, the Recurrent and Development Budget is promulgated to all Agencies by Department of Finance.

### **Market Analysis**

After the Budget approval, Market Analysis is required to determine the private sector's capability to meet the needs of the contract.

Market Analysis should address issues in the following order:

1. Understand requirements. Review the requirements of the contract in terms of scale and components. Ask yourself the questions 'can this contract be combined with other contracts to attract a high number of contractors? Or 'can the contract be broken into smaller components, to achieve a higher level of competition without compromising management of the contract?'
2. Determine likely tenderers, their capabilities and willingness to tender. Ask yourself the questions 'What are the range of likely contractors who may be interested in this contract' And 'What can I do to attract more appropriate contractors to tender for this contract?'
3. Determine appropriate levels of competition. Once you have determined items 1 and 2, determine the appropriate scale and nature of the contract which will attract an appropriate and manageable level of competition.

Once the market analysis is completed, the procurement officer can establish the *Qualifying Requirements* and *Evaluation Criteria*; discussed further in Chapter 3.

## Acquisition Plans

Acquisition plans are to be prepared for works, goods and services that are above K1 million.

The purpose of these plans is to assist the agency to analyse its need and select the best procurement option to maximise Value for Money. *This plan is outlined in Annex B.* These plans are to be provided to the relevant STB for approval at the same time as the Bidding Documents. The procurement process may be delayed or withheld, if the Acquisition Plans are not satisfactorily completed.

Acquisition Plans are not required to be produced by an Agency if procurement is to be conducted either as a Certificate of Inexpediency or a Whole of Government Contract.

### Whole of Government Contracts

GoPNG may from time to time issue whole of government contracts for common use works, goods and services. These WoG contracts may include items such as vehicles, stationery and security services. If GoPNG has established WoG Contracts, then agencies are required to procure items through this contractual arrangement. If procurement staff fails to use WoG contracts, disciplinary and/or legal action may occur.

## Project Design and Cost Estimate

### Project Design

It is important to note that all contracts have stakeholders and either the success or failure of a contract is based solely on how the contract meets the needs of Stakeholders. These people will be either the beneficiaries (people receiving benefit from the contract) or custodians (responsible for looking after the works, goods or services).

Public officers must not assume that they know what is best for the stakeholders. Stakeholders must be consulted by the public officer in charge of the procurement and design process within the agencies. It is preferable for stakeholders to approve the project design to indicate their acceptance of the scope of works or terms of reference.

All major procurements should be designed *or scoped*, regardless of the scale and nature of the contract. The procurement of items such as; stationery, vehicles, food rations, bridge construction, technical consultancies and security services require project design.

1. The first step is to carefully develop the *Need and Stakeholder Requirements* mentioned above into a project scope.
2. The scope can then be developed. This may require engineering design for items such as roads and buildings. Consulting services terms of reference must be created. In other cases such as purchase of stationery and fuel a detailed schedule of requirements (or bill of quantities) may need to be developed.



3. For large projects a design report may be required; stating the design methodology adopted, references, calculations, drawings (if required), detailed cost estimate and quantities.
4. The relevant Supply and Tenders Board may require the Agency to provide a copy of design report for its review, prior to approving the advertisement of the tender.

### **Cost Estimate**

An accurate cost estimate must be determined for all contracts. This estimate is required by Department of Finance to receive an Authority to Pre-commit (APC). The estimate is also required for internal expenditure control of the Agency.

Historically, costs have been underestimated, resulting in delays in procurement or cancellation of the project. It is therefore critically important to get an accurate cost estimate.

The steps involved in determining a cost estimate for the entire contract may include the following - they are not applicable to every contract:

1. Review the design or scope, layout, plan or functional description of the contract
2. On the basis of the design, take off quantities and select major components. If supply only, take off quantities and assess other needs.
3. Review historical information of rates for staff, equipment, components and materials or goods. Agencies generally have information from previous contracts which can be used to estimate rates. Catalogues, price lists and general enquiries with contractors may also be useful. However, Agencies must not ask contractors to provide quotations prior to formal tender submission as this will compromise the procurement process.
4. Estimate the amount of time required by consultants, contractor's staff and labourers to undertake the contract, at appropriate charge-out rates.
5. Estimate the commercial costs, contractor's profit, fixed and variable, overheads, contingencies, freight and delivery and determine a final cost estimate.

### **Approval by Head of Agency**

Once the Annual Procurement Plans and Acquisition Plans have been developed, it must be approved by the Head of Agency. Annual Procurement Plans are to be sent to the CSTB by 28<sup>th</sup> February each year. Acquisition Plans are to accompany Bidding Documents.

### **Authority to Pre-commit**

The Agency must apply for an Authority to Pre-commit (APC) to confirm availability of funds. The APC is based on the Cost Estimate (not the budget allocation). The APC must accompany the Bidding Documents and Acquisition Plan (or request for Certificate of Inexpediency) when submitted to Supply and Tenders Boards for review. STBs will not process Bidding Documents and Certificates of Inexpediency unless an APC is provided.

APCs can be sought from:

APC Secretariat  
Public Accounts Division  
Department of Finance  
PO Box 710, Waigani  
Ph: 328 8222  
Fax: 328 8357

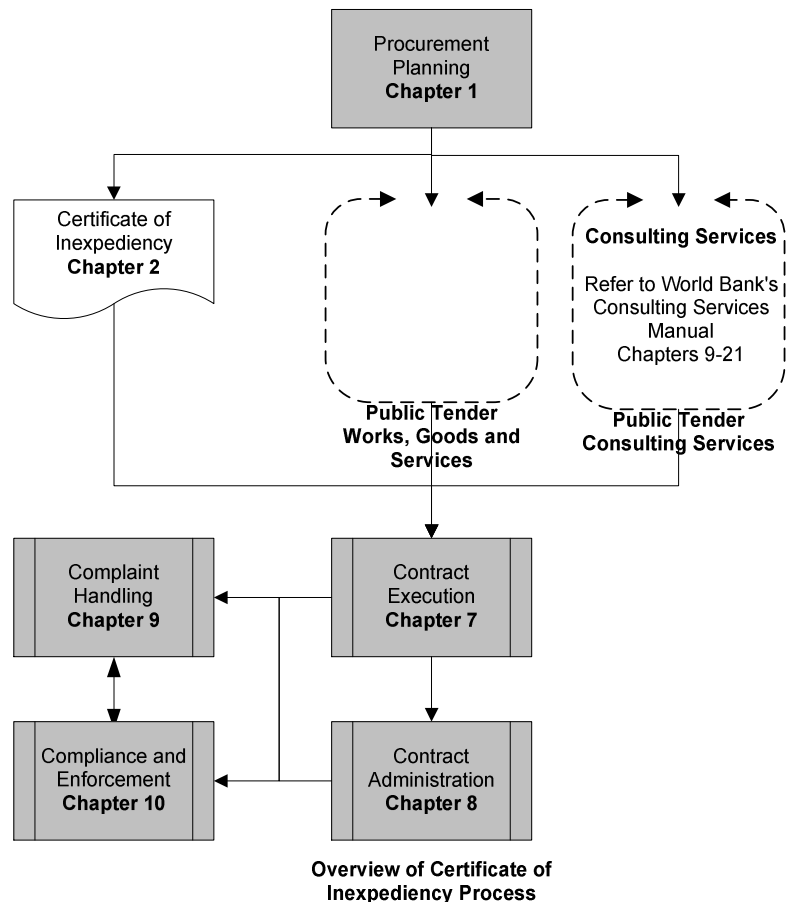
In the case of procurement within the delegated limit of Provincial Administrations, APCs can be raised internally.

## 2. Certificate of Inexpediency

*Process, Law, Effect on 'Value for Money', Contract and Implementation*

### Process

If a Col is raised for an item of procurement, then Chapters 3-6 of this Manual and Chapters 9-21 of the CSM do not apply. However, regardless if the procurement is raised under a Col, it is still a contract. Therefore a contract document is required, as stated in Chapter 7. Also as shown in the figure below, contract administration (Chapter 8), complaint handling (Chapter 9) and compliance and enforcement (Chapter 10) still apply to Col Contracts.



### Relevant Law

Section 40, (3), (b) of the Public Finances (Management) Act provides the Supply and Tenders Boards with the powers to 'certify that the inviting of tenders is impracticable or inexpedient'. Further explanation and instructions into the form and nature of 'Certificates of Inexpediency' (Col) is provided in the Financial Instructions, Part 13, Division 4. Under these instructions, Col's may be issued only for:

- Natural Disasters
- Defence Emergencies
- Health Emergencies
- Situations of Civil Unrest

AND where procurement must be undertaken urgently. Simply stating that the procurement is urgent is not acceptable for a Col.

The FIs state that a Certificate of Inexpediency must not be issued after a transaction is already concluded. If this occurs the STB may deem the contract to be void and the relevant public officers disciplined.

## **Effect on Attaining 'Value for Money'**

In the past a Col has been used to avoid the public tendering process. This process has over time been widely abused.

Col's have been generally issued on the basis that:

- There is only one suitable contractor, or
- The Agency has run out of time to conduct a proper tendering process

Under the PFMA and FI's, these practices are illegal. Closer examination of the former justification generally means that the specification for the works, goods or services is biased in some way. The second justification (lack of forward planning by Agencies), is no longer acceptable. Agencies must plan their procurements in a timely manner.

Cols for major procurements means that competitive forces cannot be applied. As a result the GoPNG is often paying too much for the works, goods and services provided.

## **Details of Certificates of Inexpediency**

According to the FI's, a STB must indicate clearly the details of the Certificate of Inexpediency, including:

- Contractor, and
- Agency requesting the certificate, and
- Name and signature of the Agency head requesting the certificate, and
- Works, goods or services being procured, and
- Value of the procurement, and
- Reason for the certificate to be issued, and
- Date on which the Certificate is awarded, and
- Name of those Board members issuing the Certificate, and

- Name and signature of the Chairman of the Supply and Tender Board issuing the certificate.

Refer to Annex C for the Request for Certificate of Inexpediency and Certificate of Inexpediency formats.

## Contract Document Preparation

Whilst the application of the Col is to respond to emergency situations, normal procurement practices cannot be ignored.

Accordingly, agencies that implement contracts under a Col must prepare contract documentation in accordance with Chapter 7.

It is strongly recommended that standard conditions of contract (as issued by CSTB) are used as these documents are pre-approved by the State Solicitor.

The contract must be complete, including:

- name and details of the contractor
- specification
- bill of quantities or schedule of rates.

STB's must only consider the following forms of contract:

- Lump Sum (fixed price)
- Schedule of Rates

A lump sum contract with costed bill of quantities is preferred. However, at a minimum the agency must provide a detailed schedule of rates for all anticipated work, goods and services.

Whilst there may be insufficient time to undertake any project design, agencies cannot provide an 'open cheque book'. In both cases the Col must state the monetary maximum limit of this approval.

Additionally, agencies must provide a specification. In the case of works contract, it is highly recommended that agencies use standard specifications such as:

- *DoW Road and Bridge Specification*
- *DoW Architectural Specification*

Copies of these specifications are available from the CSTB or their website: [www.cstb.gov.pg](http://www.cstb.gov.pg)

## Documentation Required for Approval

Agencies are to provide the following information to the STB;

- Request for Certificate of Inexpediency (Annex C) – completed.
- Complete Contract Documents (including specification and bill of quantities/schedule of rates),
- State Solicitor's Legal Clearance (if non-standard contract document is used), and
- Completed Authority for Pre-commitment (APC), or
- Aid/Donor No Objection Letter (if funded by Aid/Donor Agency)

If the contract estimate is above the STB delegated authority, approval of the documents must then be referred to the CSTB.

## Justification Required

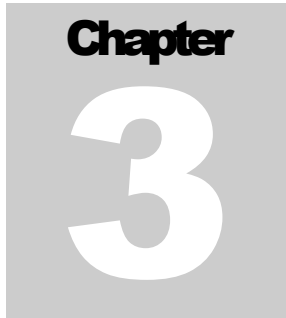
Agencies are required to provide a detailed justification in the Request for Col (refer to Annex C). This justification must be in accordance with the *Financial Instructions*, Part 13, Division 4

## Contract Execution

The STB will review the details of the Request for Col together with the Contract Documents, State Solicitor's clearance (if required) and APC or No-objection Letter. If the Board accepts that the Col is in accordance with the Financial Instructions (Part 13, Division 4), then the Board will award the Col (refer to Annex C). The Chairman of the Board will then execute the contract, awarded as a result of issuing a Col (but within the Board delegated authority.)

## Contract Implementation

Regardless of the emergency nature of the work, it is the responsibility of the Agency Head to ensure that management systems and controls are in place to ensure a high standard of contract management is applied. Such arrangements should be able to withstand independent scrutiny. A *Contract Administration Manual* (CAM) has been adopted by CSTB and will be available from them either electronically or hard copy form. Also refer to the CSTB's web site: [www.cstb.gov.pg](http://www.cstb.gov.pg) for a copy of the CAM.



### 3. Bidding Documents

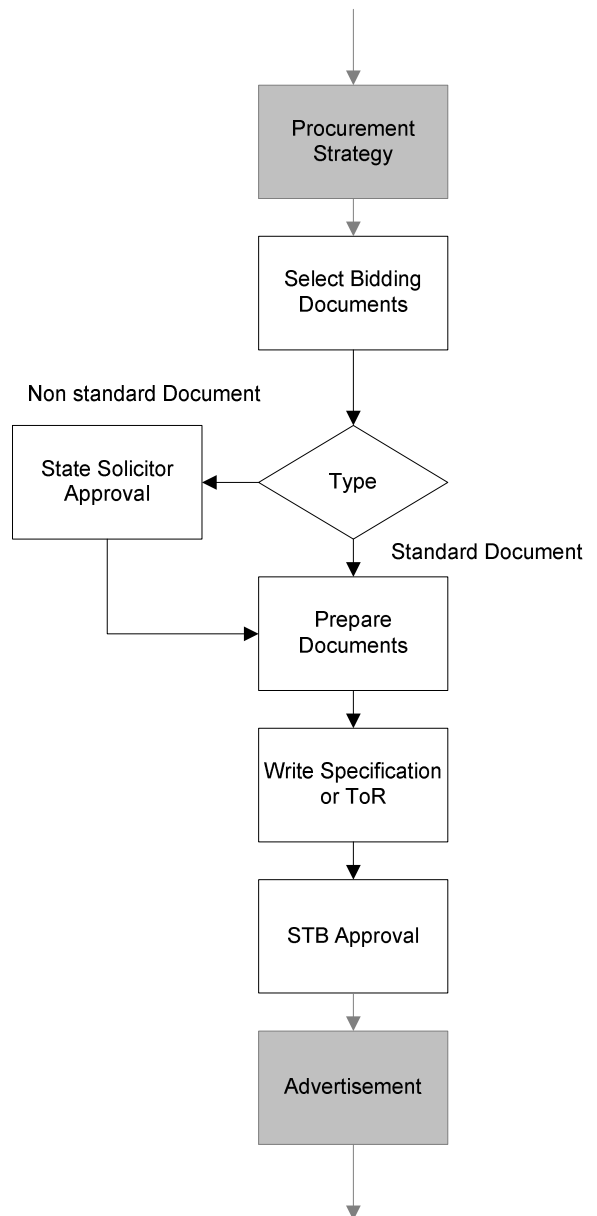
*Documentation required, preparation and approval*

For Consulting Services refer to Consulting Services Manual (Chapters 9-21)

#### Documents Required

This Chapter describes documents to be produced for invitation of tenders for works, goods and non-professional service contracts (such as cleaning, security and travel). The bidding documents provide the tenderer with all the information necessary to complete a tender offer. The bidding document normally consist of the following parts:

- Letter of Invitation
- Conditions of Tendering – the rules of tendering
- Evaluation criteria
- Standard Tenderer Response Sheets – standard forms that will enable the Agency to easily evaluate and compare each tenderer
- Draft Conditions of Contract – a draft contract that will form the basis of the final contract agreed between the GoPNG and the successful contractor



- Specification – a clear description of the works, goods or services that the Agency wishes to procure
- Bill of Quantities or Schedules (if required)
- Drawings (if required)

It is the responsibility of the Agency to produce high quality bidding documents. The CSTB can assist in the development of these documents, where possible.

## Standardised Bidding Documents

The CSTB is developing standard templates of bidding documents (including standard conditions of contracts) for:

- Major and minor works
- Major consultancies
- Provision of Goods
- Provision of Services

There are many advantages with using standardised documents, including; minimising time for approvals and public officers and contractors will become familiar with documents.

When standard 'Conditions of Contract' issued by CSTB are not used, the Agency should seek the State Solicitor's approval for the draft 'Conditions of Contract' proposed in the bidding documents. This will avoid delays in seeking this approval after the Supply and Tenders Board has awarded the contract.

## Prepare Documents

### Standard Documents

Drafting instructions are included with Standard Bidding Document, issued by CSTB. Public Officers must refer to the respective drafting instructions, before writing bidding documents.

### Non standard Documents

If standard bidding documents are not used, the Agency must ensure the following provisions are included:

Validity Period. Tenderers are required to submit their tenders within the time stated in the bidding documents. The period should be long enough for; evaluation of



Tenderers and award of contract. The length of the Bid Validity Period shall up to a maximum of 90 days, unless otherwise approved by the STB

Tender Security. Security is only normally required for works contracts. It is normally not more than 3% of the estimated value of the works and should be in the form of an unconditional bank guarantee. The security should be valid up to four weeks after the expiry of the Tender Validity and security should be released once the contract is awarded.

Pricing. Works contracts are normally priced based on either lump sum or schedule of rates. Tenders for goods should be invited on the basis of INCOTERMS (CIF, CIP, EXW and the like). Public Officers must be completely aware of the conditions and risks associated with each form of pricing. For installed plant and equipment contracts, Public Officers should take care to ensure that all installation works are clearly defined.

Price Adjustments. The contract should normally be a fixed price contract, unless the contract duration is greater than 18 months. In this case, a price adjustment clause should be included, where a prescribed formula is used. If price adjustments are considered, public officers should seek advice from a procurement expert.

Insurance. For works contracts, Contractor's All Risk insurance is normally required. For goods, transportation insurance should be provided.

Currency Provisions. Bidding documents should normally state that prices are provided in Papua New Guinea Kina. For larger contracts, where components of the contract are to be procured from overseas, bidding document shall state the currencies that the contractor must state in their price. In this case, public officers should seek advice from a procurement expert.

Terms and Method of Payment. For goods contracts, payment is made upon delivery, inspection and approval of the goods. For installed plant and equipment, an advance may be provided, and in long duration contracts, progress payments. For works contracts, an advance may be provided for mobilisation and payment made upon certification of completed work or services.

Performance Security. Bidding documents for works and some goods contracts require performance security, normally in the form of a Bank Guarantee to protect GoPNG from the contractor beaching the contract. The amount of security varies depending on the nature and scale of the work or volume of goods.

Liquidated Damages. Applied normally for works and goods contract, liquidated damages are set between 0.05 percent and 0.10 percent per day, and the total amount is not to exceed between 5 percent and 10 percent of the Contract Price.

Force Majeure. Conditions of force majeure must be defined in the conditions of contract.

Applicable Law. Contract must state that the applicable law is the 'Law of Papua New Guinea'.

Time for Preparation of Tenders. Documents should allow at least six weeks preparation time for tenders. However for large and complex works up to 12 weeks may be required.

Tender Opening Procedure. The documents must state the opening procedures.

Clarification of Tenders. There must be provision for the evaluation committee to clarify and make arithmetic corrections in the bidding documents.

Examination of Tenders. The documents must explain how the tenders will be examined to determine if they are responsive to the invitation.

Evaluation and Comparison of Tenders. For works contract, evaluation must be strictly based on monetary evaluation. Goods and equipment contracts may consider whole of life costs and other Value for Money conditions.

Extension of Validity Periods. There must be some provision for the extension of tender validities in the document.

Qualification of Tenderers. The documents must clearly stipulate the minimum requirements of capabilities and resources required to undertake the contract.

Award of Contract. The document must indicate how the contract will be awarded.

Rejection of Tenders. Bidding documents must have a provision for the rejection for some or all of the tenders.

### **Qualifying Requirements**

The Bidding Documents must clearly state the minimum qualifying requirements for tenderers to be eligible to submit a tender. The minimum requirements as stated in Section 42 of the PFMA requires that all tender evaluations consider the following;

- Capacity: Adequate and available resources to undertake the contract.
- Experience: Relevant experience to implement the contract.
- Integrity: Is the company correctly registered, was the Tender correctly signed and is there a conflict of interest?
- Past performance: Has the tenderer got a good history?
- Financial status of each tenderer: What is the financial standing of the company and does it have the funds to undertake such a contract?
- Plus other such matters considered relevant.

Standard documents and accompanying drafting instructions provide guidance for the qualifying requirements.

Establishment of minimum qualifying requirements requires great care. If these requirements are set too high then contractors that may have been able to undertake the contract are immediately disqualified. If the requirements are set too low, then GoPNG may get a poor contractor, poor quality product and not get Value for Money.

### Evaluation Criteria

Evaluation Criteria require special consideration because without written evaluation criteria the Agency will not be able to transparently establish which offer represents the best “Value for Money”. Specific evaluation criteria also ensure that the Agency is able to more readily justify its recommended contractor.

Evaluation criteria must be developed and provided in the Bidding Documents before the tender is advertised.

The purpose of tender evaluation is to determine the cost in a manner that permits a comparison on the basis of their evaluated total cost. The bid with the Lowest Total Cost, but not necessarily the lowest submitted price, shall be recommended for award.

The bid price read out at the bid opening shall be adjusted to correct any arithmetical errors. Also, for the purpose of evaluation, adjustments shall be made for any quantifiable nonmaterial deviations or reservations. Price adjustment provisions applying to the period of implementation of the contract shall not be taken into account in the evaluation.

Bidding documents shall also specify the relevant factors in addition to price to be considered in bid evaluation and the manner in which they will be applied for the purpose of determining the tender with the Lowest Total Cost. For goods and equipment, other factors which may be taken into consideration include, among others, costs of inland transport and insurance to the specified site, payment schedule, delivery time, operating costs, efficiency and compatibility of the equipment, availability of service and spare parts, and related training, safety, and environmental benefits. The factors other than price to be used for determining the lowest total cost tender shall be expressed in monetary terms.

Under works contracts, Contractors are responsible for all duties, taxes, and other levies, and bidders shall take these factors into account in preparing their bids. The evaluation criteria shall be on this basis. Tender evaluation for works shall be strictly in monetary terms. Any procedure under which bids above or below a predetermined Engineer’s Estimate are automatically disqualified is not acceptable.

## Creating Specifications

The Specifications are defined as that part of the bidding document that provides a description of the works, goods or services required (that is the Government's need as defined the VFM definition). The specification defines what is wanted, the materials used in manufacture or construction and the required performance.

A clear, succinct specification is necessary to convey requirements to potential tenderers. The specification is also the document that generally provides the foundation for establishing contract performance, acceptance, and payment.

Clarity in the specification is critically important. If the specification is incomplete or inadequate, the Agency may receive what was specified, but not what was wanted.

The three types of specifications are technical, functional and performance. Each type of specification has advantages and disadvantages. The specification writer must determine which style of specification is most appropriate for their purposes. Any one of the three may be used or they can be combined to suit the contract requirement.

- A Technical Specification defines in accurate detail, the characteristics, method of construction, skills of people, nature and grade of materials that must be used to produce the good or service.
- A Functional Specification is less detailed, and describes the type of works, goods or services required.
- A Performance Specification describes the overall outcome required.

To demonstrate the use of the three specification types, consider a simple set of eating utensils. If for example a hospital requires 100 sets of utensils for patients to use whilst eating meals at the hospital, and it has been decided to call tenders for eating utensils, then a:

- Technical Specification would detail the number of sets, dimensions, construction processes, and materials used to manufacture plates, knives, and forks.
- Functional Specification would indicate the number of sets, and type of knives and forks required, and
- Performance Specification would indicate the number of sets, required average life of the utensils, that they are easy to wash, and the length of time that the knives should remain sharp.

Technical specifications are often used in civil and building works contracts where:

- Clear construction standards are readily available and standardisation is important.

- The Agency has access to a design team, which can accurately define the completed product.

Performance and functional specifications have some general advantages in goods and equipment and service contracts, to:

- Encourage innovative and economic responses
- Place the responsibility for design and implementation with the contractor
- Reduce time and effort in preparing them

Performance specifications will often be supported by contract payments that are linked to certain outcomes being achieved.

A good quality specification will be one that is:

- Simple – do not include unnecessary detail
- Complete – do not leave out essential information
- Clear - Not vague or ambiguous
- Unbiased – do not favour a particular contractor

### **Review the Specification**

Once a draft specification has been developed another person should read the specification, and ask the question; “Is the specification sufficient for me to understand all the important aspects of what is required?” Take feedback provided by this person seriously and adjust the specification where appropriate.

## **Approval of Bidding Documents**

Approval of bidding documents must be referred to the appropriate STB. If the contract estimate is above the STB delegated authority, approval of the documents must then be referred to the CSTB.

Agencies are to provide the following information to Supply and Tenders Board;

- Acquisition Plan (if estimated to be above K1 million, approved by Head of Agency)
- Complete Bidding Documents,
- State Solicitor’s Legal Clearance (if non-standard contract document is used), and
- Completed Authority for Pre-commitment (APC)

The Supply and Tenders Board (STB) are required to inspect all bidding documents in accordance with their *Operations Manual* to ensure:

- The Bidding Documents are complete.
- Documents are in accordance with the PFMA and FI's.
- Evaluation criteria are clear and appropriate
- Specifications are clear and unbiased.
- Value for Money can be attained (ie meet the Government's need at the Lowest Total Cost).
- Financial clearance is received

Once the documents have been reviewed and endorsed by the STB, the bidding may proceed to the Advertisement stage.

## 4. Advertisement

### *Advertisement and Issuance of Documents*

For Consulting Services refer to Consulting Services Manual (Chapters 9-21)

### Providing Information for an Advertisement

Advertising serves a number of purposes including:

- Attracting the interest of a large number of potential contractors, and therefore promoting competition for supply of works, goods and services
- Promoting transparency and equal opportunity, by publicly informing contractors in relation to opportunities to provide works, goods and services to the GoPNG.
- Informing contractors in a simple and clear manner of the GoPNG requirements

However to be effective, the advertisement must be properly established.

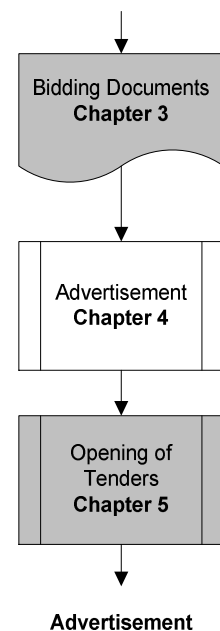
### Responsibility

The Agency is responsible for:

- Providing the STB with the relevant technical and other information to place in the advertisement
- Paying for the advertisement

The STB is responsible for:

- Placing the Advertisement
- Producing the draft advertisement



- Advising the Agency on the best media to use for their requirements
- Advising the Agency on the appropriate length of time that the tender would remain open
- Ensuring the advertisement achieves the purposes outlined above

### **Information to be Provided by the Agency**

The Agency should provide the following minimum information to the STB for the drafting of an advertisement:

- Brief description of the works, goods and services to be provided
- Agency contact persons name and contact details
- Closing date and time for the tender

### **Advertisement**

The STB is to advertise the procurement opportunities, as detailed below:

- Greater than K300,000 and less than K10.0m it must be advertised in a national newspaper with large circulation (eg “The National” or the “Post-Courier”)
- Greater than K10.0million it must be advertised in at least two national newspapers and relevant international media.
- If required, advertise on Aid/Donor Agency bulletins
- If required, advertise in specialist publications.
- If possible, directly invite contractors to submit tenders.
- In all cases; advertise in the government gazette and CSTB website.

A sample format for the advertisement is at Annex D.

### **Key Timings**

You should normally allow 4 working days for the STB to complete the process of drafting an advertisement, and confirming with the publishers that the draft advertisement has been successfully communicated.

Bidding documents should allow at least six weeks preparation time for tenders. However for large and complex works up to 12 weeks may be required.



## Issuing Bidding Documents

The Agency must provide the STB with sufficient copies of the bidding documents for issuing to potential tenderers. These must be provided prior to the tender is advertised. The STB will issue bidding documents to prospective tenderers. The STB must also maintain a register of all those companies that have been provided with bidding documents.

## Issuing Amendments to Bidding Documents

Great care must be taken to ensure that the bidding documents are complete before an advertisement for a tender is placed. However, on rare occasions it may be necessary to issue an amendment to bidding documents.

The following steps should be taken in issuing amendments to bidding documents:

- Contact the STB outlining the reason for the amendment
- Determine in conjunction with the STB whether it is necessary to extend the tender closing date – this will be dependent upon both the nature of the amendment, and ease with which registered tenderers can be contacted
- Provide the STB with the amendment

The STB will then issue the amendment to all registered tenderers and advise registered tenderers to confirm the receipt of the amendment. There must be at least a week interval between the publication of the last amendment and the date of submission.

## Purchase of Bidding Documents

It is normal for STBs to recover the cost of production of bidding documents through the sale of bidding documents. However, this cost must be small and only cover the cost of reproduction. In no way should the document fee restrict competition.

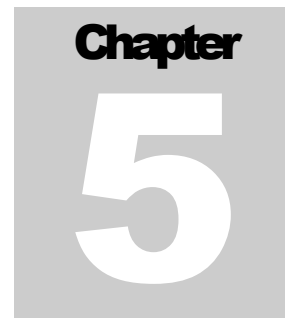
If a contractor chooses not to purchase a set of bidding documents and (say) borrows a set of documents from another contractor, then the neither contractor can be disqualified for not purchasing the document. However, if there are any subsequent amendments to the bidding documents or other information provided from the agency, then the second contractor may not receive this information and be subsequently disqualified for non-conformance.

## Pre-tender Conference

A pre-tender conference should be convened for contracts which are large or complex. Details of the conference (and possible site visit) should be included in the Advertisement.

**CENTRAL SUPPLY AND TENDERS BOARD**

Attendance to the conference is not mandatory, but will provide an opportunity for common understanding for those participants. The conference will also provide a venue for contractors to ask questions. However, it is essential that responses to these questions are provided in writing to all prospective tenderers (including those not attending the conference).



## 5. Receipt and Opening of Tenders

*Receipt and Opening Procedures*

For Consulting Services refer to Consulting Services Manual (Chapters 9-21)

### Receipt of Tenders

All tenders must be received in accordance with the Bidding Documents and the STB's *Operations Manual*.

Tenders should be sealed, correctly addressed and must be received by the date and time stated in the Bidding Documents.

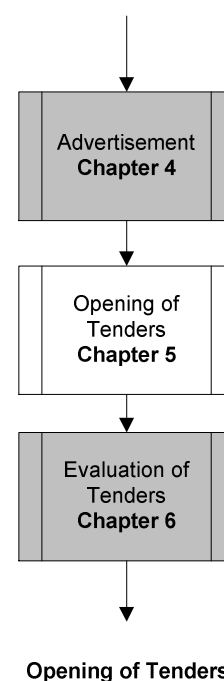
The STB must have a locked tender box, where the tenders are submitted. Once the tenders are closed, the tender box must be secured to stop any late tenders being submitted. However, late tenders must be noted and held separately.

### Opening Procedure

In accordance with the STB's *Operations Manual* and the Tender Opening Check list at Annex E, the STB will arrange for tenders to be opened and recorded on the day that the tender closes. All tenders will be opened 'publicly'. Agency representatives are encouraged to attend the public opening, along with representatives of the companies that have submitted tenders and other interested parties. Details of all persons attending the tender opening must be indicated in the Tender Opening Register (Annex E)

The STB officer at the opening will read out the following information in relation to each tender:

- Company Name, and
- Submitted Tender Securities (if applicable)



- Tender Amount
- Discounts, Modifications and Withdrawals (as applicable)

The STB then formally registers all copies of offers in the Tender Opening Record Sheet (Annex E). The checklist in Annex E must be filled out for each Tender during the actual reading out at the meeting. The reading should be from the original version of each Tender, and the actual amounts and other key details read out should be circled for later verification. If tenders are expressed in a multiple currencies, all amounts are to be recorded. It may also be desirable to read out exchange rates used by Tenderers.

Original copy of each tender will be held by the STB, whilst all subsequent copies will be given to the Agency for evaluation.

Any envelopes containing substitutions, modifications, or withdrawals must be subject to the same level of scrutiny, including the reading out of critical details, such as price changes. Failure to read out such information and include it in the written record may result in denial of its inclusion in Tender evaluation. If a Tender has been withdrawn by email or fax, it should nonetheless be read out and should not be returned to the Tenderer until the authenticity of the withdrawal notice has been confirmed.

Details of Tender Opening including all recorded information are to be available to the general public.

### **Key Timings**

Agencies should receive their registered copies of the tender offers within two working days of the close of tenders.

**Chapter**  
**6**

## 6. Evaluation of Tenders and Award

*Procedures to Determine Substantive Tenders, Evaluation and Award*

For Consulting Services refer to Consulting Services Manual (Chapters 9-21)

### Evaluation Forms and Processes

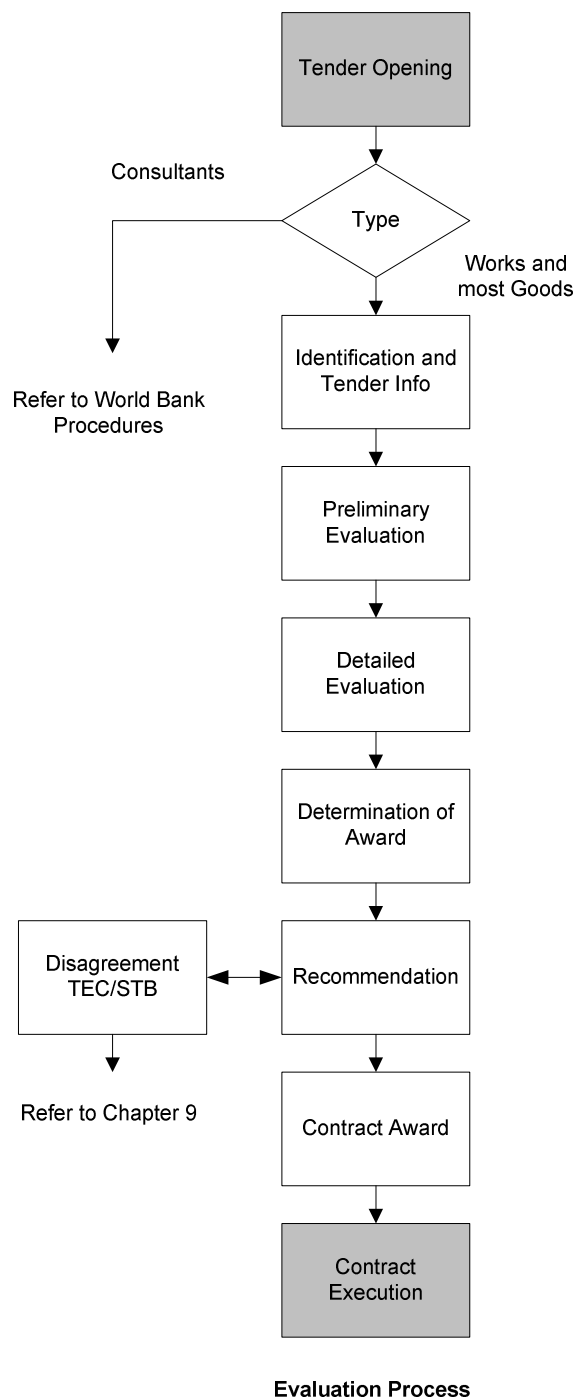
The procedures shown Annex E are applicable for the following procurement items:

- Procurement of Goods
- Procurement of Works

For procurement items such as Supply and Installation of Plant and Equipment, agencies should amend the forms and report, as required. Advice may be sought from the CSTB.

Evaluation forms are contained in Annex E. An example in Annex F provides a step-by-step procedure for the evaluation of tenders. Important to note that in all instances, the bidding and evaluation procedures described in the Bidding Documents must be followed.

The procurement of services (such as cleaning, telecommunications and courier services) should also following the same method as described in the Annex E, but forms should be amended, consistent with individual requirements with possibly the assistance from the CSTB.



It is important to note that if the evaluation involves consideration of whole of life costs (refer to Annex I for details), then a specialist consultant should be employed to work with government procurement staff.

Agencies should note that evaluation and the resulting report do not need to be lengthy. Procurement of off-the-shelf goods without domestic preference can usually be quickly and easily evaluated. In general, the complexity of evaluation lies with larger works and with the supply and installation of industrial plant and equipment. The forms in Annex E must accompany the evaluation report, but they may be adapted to suit specific requirements of the bidding documents. The report should include a number of attachments to explain details of tender evaluation or to show specific controversial wording or numbers in a tender. Cross-referencing should be used extensively, as well as references to pertinent clauses in the bidding documents.

Special mention should be made of contracts that group together (“package”) smaller contracts (“lots”—also called “slices” or “items”), which may be awarded as a package to one Tenderer, or as sub-packages of one or more lots to several Tenderers. In such instances the tender evaluation is to be done separately, including any allowances for domestic preference, for each lot, subject to any cross-discounting. In this case, only Tables 1, 2, and 3 will be common to all.

CSTB staff are available to explain the procedures, including any modifications necessary for evaluation using bidding documents other than those standard documents presently available. It is encouraged to employ experienced consultants to help in evaluations for complex contracts.

## Selection of TEC

The names and experience details of the TEC members must be provided to the Chairman of the STB for approval, before starting the receipt of tenders. The Chairman may request the Agency to replace any proposed member of the TEC if the Chairman believes their skills and expertise are inadequate. In this case, the Agency must provide a substitute, for the Chairman’s approval. The TEC should consist of a minimum of three qualified members who should work in a secure office where all Tenders can be kept. There may be a considerable advantage if the same members participated in the preparation of the bidding documents.

## Types of Evaluation

Works, goods and (non-professional) services are to be evaluated using the Lowest Cost Evaluation (LCE). This is where the minimum qualifying requirements are carefully and clearly stated. Only those tenderers which meet the requirements will be evaluated. The remainder are non responsive tenders. Tenderers are required to comply with ALL of the requirements indicated in the documents. Tenderers which exceed these minimum requirements are not given any advantage or score over other tenderers. The preferred tenderer must have the Lowest Total Cost (LTC). Refer to Table 1 below.

Sometimes economic, environmental and social costs are also added to the capital or purchase cost to establish the Lowest Total Cost and which tender offers best Value for Money. This process is difficult and great care is needed to compare different completed products. Refer to Annex I for more detail on this form of evaluation. If whole of life costs are to be considered, a specialist consultant should be employed to work with government procurement staff to develop documentation and assist with evaluation of tenders.

**Table 1 – Type of Evaluation**

Type	Type of Evaluation	Comments
Works  Conventional civil and building contract with Technical Specification	Lowest Cost Evaluation	Specify carefully and clearly the minimum qualifying requirements, tender conforms to contract requirements and base evaluation on cost only.
Works  Complex civil and building works such as Wastewater Treatment Plant and Power Stations	Lowest Cost Evaluation including Whole of Life Costs	Evaluation based on economic, environmental and social cost together with capital cost.
Goods  Standard products which do not vary in quality are clearly specified	Lowest Cost Evaluation	Specify carefully and clearly the minimum qualifying requirements, tender conforms to contract requirements and base evaluation on cost only.
Goods  Products which are specialised and vary in quality or operating cost	Lowest Cost Evaluation including Whole of Life Costs	Evaluation based on whole of life costs and initial purchase costs.
Services (such as cleaning and security services)  Which are standard and clearly specified	Lowest Cost Evaluation	Specify carefully and clearly the minimum qualifying requirements, tender conforms to contract requirements and base evaluation on cost only.

## Principles of Evaluation

After the public opening of Tenders, information relating to the examination, clarification, and evaluation of Tenders shall not be disclosed to Tenderers or other persons not officially concerned with this process until the successful Tenderer is notified of the award of contract.

Tender evaluation should be impartial. The TEC must use a method which rigorously ensures the requirements of the bidding documents have been met and quantifies a result in monetary terms, to determine the tenderer with the Lowest Total Cost. A points system, similar to that used for Consulting Services, to evaluate the technical parts of the tender which is added to a financial score must not be used.

*Definition: Lowest Total Cost*

Lowest cost for works goods and services, calculated in accordance with the Bidding Documents, and must include initial capital cost or cost of services and possibly other overheads such as whole of life costs (if provided for the Bidding Documents)

Where necessary, the TEC may request clarifications of Tenderers concerning ambiguities or inconsistencies in the Tender. As required in the Bidding Documents, such requests shall be in writing, and no change in the price or scope shall be sought or accepted, except for the correction of arithmetic error. The responses from Tenderers shall also be in writing. Additional information provided may be useful in improving the accuracy, speed, or fairness of the evaluation. Nonetheless, no changes in the tender price or substance are allowed.

Tenderers frequently attempt to contact the Agency and TEC during tender evaluation, directly or indirectly, to query progress of evaluation, to offer unsolicited clarifications, or to provide criticisms of their competition. This must be avoided by the TEC and if the Tenderer is persistent it may justify the rejection of the Tenderer's bid by the STB.

## Identification and Tender Information

Tables 1, 2, and 3 (Annex E) are to be completed for the filing of basic information on the procurement process.

A summary of the read-out tender prices should also be completed in Table 4 (Annex E).

## Tender Validity

The duration of the validity of each tender should be the one specified in the Bidding Documents and should be confirmed in the signed (form of) tender. If exceptional circumstances occur in which award cannot be made within the validity period, such extension requests shall be made to the STB explaining reasons two weeks prior to the expiration date. STB must request such extensions in writing to Tenderers, in accordance



with the Bidding Documents. Extensions to the validity of tender security should also be requested of all Tenderers. However, where the initial validity period is less than 180 days, the extension can only be up to 180 days. Where initial validity periods are 180 days or more any further extensions shall be for a period of 60 days only. Beyond these timings, the contracts will need to be re-tendered. Particular care must be taken in cases where the deadline for submission (or for opening) of tenders can be extended, as the duration of tender security is frequently provided in terms of an expiration date. In contrast, tender validity is specified in terms of an interval after the deadline for receipt or the date of tender opening. Note any extensions in Table 3.

## Preliminary Evaluation

The preliminary evaluation of tenders for substantial responsiveness to the provisions of the bidding documents is one of the most important aspects of the evaluation of tenders. A tender is considered substantially responsive if it does not contain any "Major Deviations" from the bidding documents or conditions which cannot be determined reasonably in terms of monetary value for financial adjustment. A major deviation is one which:

- has an effect on the validity of the tender; (For example, not providing tender security or the Contractor is not a company, which contravenes the Bidding Documents) or
- has been specified in the bidding documents as grounds for rejection of the tender; or
- is a deviation from the commercial terms or the technical specifications in the bidding documents whose effect on the tender price is substantial but cannot be given a monetary value. (For example, a tenderer demands different payment terms or offers a alternative product, which is different to the Bidding Documents)

The purpose of the exercise is to reject tenders which are not substantially responsive to major commercial and technical requirements.

A sample Preliminary Evaluation sheet is at Annex F.

## Preliminary Evaluation of Tenders

The evaluation process must begin immediately after tender opening. The purpose of preliminary examination is to identify and reject tenders that are incomplete, invalid, or substantially non-responsive to the bidding documents and therefore are not to be considered further.

Tender Validity: The following checks should be applied to assess the validity of the tender:

- Verification: Attention should be directed toward deficiencies that, if accepted, would provide unfair advantages to the Tenderer, such as missing items in the Bill of Quantities or quoting an inferior product. Sound judgment must be used: for example, simple omissions or mistakes which have occurred by simple human error

should not be grounds for rejection of the Tender. Rarely is a Tender perfect in all respects. However, the validity of the Tender itself, for example, its signatures, must not be in question. If the Tenderer is a joint venture, the joint venture agreement must be submitted; in addition to any documentation required of the contractor or manufacturer itself. All copies of the Tender should be compared with the original and corrected accordingly, if necessary. Thereafter, the original tender should be kept in a safe location in the STB's offices, and only copies should be used in evaluation.

- **Eligibility:** This confirms the conditions considered essential for the contractor's to fulfill the contract. The tenderer (including all members of a joint venture and subcontractors) may be disqualified if affiliated with a firm that has provided related consulting services on the project, or lacking legal and financial autonomy. Also contractors may be excluded if they have been sanctioned. (Refer to the Bidding Documents for specific details.)
- **Tender Security:** The bidding document may require submission of a tender security. If so, the tender security must conform to the requirements of the Bidding Documents, and it must accompany the tender. If the tender security is issued as a bank guarantee, it must be consistent with the wording of the tender security form provided in the bidding document. Furthermore, securities for an amount smaller or for a period shorter than the one specified in the Bidding Documents are not acceptable. The security for a tender submitted by a joint venture should be in the name of all of the partners of the joint venture.
- **Completeness of Tender:** Unless the bidding documents have specifically allowed partial tenders—permitting Tenderers to quote for only select items or for only partial quantities of a particular item—tenders not offering all of the required items should ordinarily be considered non-responsive. However, under works contracts, missing prices for occasional work items are considered to be included in prices for closely related items elsewhere. If any erasures, interlineations, additions, or other changes have been made, they should be initialled by the Tenderer. They may be acceptable if they are corrective, editorial, or explanatory. If they are not, they should be treated as deviations and should be analysed as described in Annex G. Missing pages in the original copy of the tender may be cause for rejection of the tender

Qualification Requirements: Section 42 of the PFMA which requires that all tender evaluations consider the following;

- **Capacity:** Adequate and available resources to undertake the contract.
- **Experience:** Relevant experience to implement the contract.
- **Integrity:** Is the company correctly registered, was the Tender correctly signed and is there a conflict of interest?
- **Past performance:** Has the tenderer got a good history?

- Financial status of each tenderer: What is the financial standing of the company and does it have the funds to undertake such a contract?
- Plus other such matters considered relevant.

Substantial Responsiveness: Major deviations to the commercial requirements and technical specifications are a basis for the rejection of Tenders. As a general rule, major deviations are those that, if accepted, would not fulfill the purposes for which the tender is requested, or would prevent a fair comparison with tenders that are properly compliant with the bidding documents. Examples of major deviations include:

- Stipulating price adjustment when fixed price tenders were required
- Failing to respond to specifications by offering instead a different design or product that does not offer substantial equivalence in critical performance parameters or in other requirements
- Phasing of contract start-up, delivery, installation, or construction not conforming to required critical dates or progress markers
- Subcontracting in a substantially different amount or manner than that permitted
- Refusing to bear important responsibilities and liabilities allocated in the bidding documents, such as performance guarantees and insurance coverage
- Taking exception to critical provisions such as applicable law, taxes and duties, and dispute resolution procedures
- Those deviations that are specified in the Bidding Documents as requiring rejection of the tender (such as, in the case of works, participating in the submission of another's tender other than as a subcontractor).

Tenders that offer deviations may be considered substantially responsive—at least as to the issue of fairness—if the deviations can be assigned a monetary value that would be added as a penalty during the detailed evaluation process and if such deviations would be acceptable in the eventual contract.

The results of preliminary examination should be summarized in Table 5 and shown in detail in Table 5a. If the tender fails preliminary acceptance, the reasons must be clearly explained Section 3.0 of the Recommendation Report. An example is shown in Annex F. TECs will need to review and amend Tables 5 and 5a to ensure the unique qualifying requirements of the tender are properly addressed.

## Detailed Evaluation

Only those tenders surviving preliminary examination need to be examined in this phase. Evaluation will now include the following process, with the possible exception of item 4.

1. Corrections for Errors: The methodology for correction of computational errors should be described in the Bidding Documents. The read-out tender prices and their corrections should be noted in Table 6, column d. The corrections may be considered binding on the tenderer. Unusual or large corrections that could affect the comparative ranking of Tenders should be explained in footnotes. If necessary, the Tenderer may be asked to clarify these corrections.
2. Corrections for Provisional Sums: Tenders may contain provisional sums set by the Agency for contingencies or for nominated subcontractors, etc. As these sums are the same for all Tenders, they should be subtracted from the read-out prices in Table 6, column e to allow for a proper comparison of tenders in subsequent steps. However, those provisional sums such as Daywork (for works contracts), where priced competitively, should not be included in the deductions.
3. Modifications and Discounts: In accordance with the Bidding Documents, tenderers should be allowed to submit, prior to tender opening, modifications to their original Tender. The impact of modifications should be fully reflected in the examination and evaluation of the tenders. These modifications may include either increases or discounts to the tender amounts that reflect last-minute business decisions. Accordingly, the original tender prices should be modified at this point in the evaluation. Discounts offered in accordance with the Bidding Document that are conditional on the simultaneous award of other contracts or lots of the contract package (cross-discounts) shall not be incorporated until the completion of all other evaluation steps. The effect of unconditional discounts (or alternatively, increases) should be shown as in Table 6 (columns g and h). Any discount expressed in percent must be applied to the appropriate base specified in the tender (i.e., check to see if it applies to any provisional sums).
4. Multiple Currencies, Adjustments and Priced Deviations: Consideration of multiple currencies, adjustments and priced deviations require more complex evaluation and should be undertaken by a skilled procurement specialist. If the bidding documents have provision for these conditions, Tables 7, 8 and 9 should be completed and included in the evaluation report. Details for the completion of these tables are shown in Annex G.
5. Additions: Omissions to the tender should be compensated for by adding the estimated costs for remedying the deficiency. Where items missing in some tenders are present in others, an average of quoted prices could be used to compare competitors' Tenders. Alternatively, external sources, such as published price lists, freight tariff schedules, etc., may be appropriate. For example, if goods are quoted as FOB rather than FIS (these are INCOTERMS, 2000), then the cost of transport, and insurance needs to be added to the FOB price. The cost determined should be expressed in the evaluation currency and shown in Table 10, column c.

## Determination of Award

In the comparison of tenders for works and for most goods, the corrected tender prices, together with adjustments for omissions, deviations, and specified evaluation factors, have been noted in Table 11. The Tenderer with the lowest cost at this stage is subject to:

- Application of domestic preference, if any is allowed;
- Application of any discounts, contingent on the simultaneous award of multiple contracts or lots; and
- Confirmation of qualification requirements.

### Domestic Preference

Domestic preference is allowed in tender evaluation, the bidding document must state and provide detailed procedures to be used in determining the eligibility for preference and the amounts.

Eligibility allowed for domestic preference is dependent on ownership criteria. Joint venture partners must also state the proportion of work to be undertaken by each partner to calculate the amount of domestic preference. The preference is provided by adding the percentage to the corrected and discounted tender prices of Tenderers not eligible for domestic preference. The Bidding Documents should exclude domestic preference application to any provisional sums. The lowest complying Tenderer is the Tenderer with the lowest total in column f of Table 11.

### Cross-discounts

These are conditional discounts offered in the event that more than one contract or lot will be awarded to the same tenderer. The sizes of cross-discounts offered by each tenderer may vary with the potential number of contracts awarded. The Bidding Documents may also limit the number or total value of awards to a tenderer on the basis of its financial and technical capacity. Thus, a tenderer offering the lowest complying Tender on a particular contract may be denied award because of such a restriction. The TEC shall select the optimum combination of awards on the basis of least overall cost of the total contract package, consistent with the qualification criteria. Presentations of the calculations should be made on an attachment to the report, which should include the tender evaluation(s) for the other contracts, if they have been evaluated separately.

### Qualifications

Before the detailed evaluation is complete, the qualifications of the prospective awardee must be reviewed, as described in the Bidding Documents. This is to ensure that qualifications of the prospective awardee have not changed during the bidding process period.

If the lowest priced Tenderer fails this qualification check, its tender should be rejected, and the next ranked Tenderer should then be subject to qualification examination. If successful, this Tenderer should receive the award. If not, the process continues.

The rejection of a tender for reasons of qualification requires substantial justification, which should be clearly documented in attachments to the report. A history of poor performance may be considered a substantial justification.

### **Proposed Award**

The amount of the proposed award shall be the tender price as submitted by the winning Tenderer and adjusted as described in the Bidding Documents for corrections, any discounts (including cross-discounts) from the lowest evaluated Tenderer. The Tenderer which meets the requirements of the bidding documents and has the Lowest Total Cost, should be recommended as the preferred tenderer.

If none of the tenders are found to be responsive, or tenders are unreasonably high in price compared with earlier estimates, or none of the tenderers are qualified, the TEC may consider rejection of all tenders.

Before finalising the evaluation, the TEC should refer to the checklist stated in Annex H, to establish that they have considered all aspects.

### **Disagreement Amongst TEC Members**

If one or more of the TEC members has provided an evaluation which is significantly different to the other members, then the TEC Chairman must convene all TEC members to address the issue. The dissenting TEC member must justify the evaluation. If the dissenting TEC member subsequently changes the evaluation, the change must be noted in the Report. However, if the dissenting member does not wish to change the evaluation, then this must also be noted in the report. In this case the majority decision of the evaluation team must be adopted and recommended to the STB.

### **Negotiations**

Neither the TEC nor the Executing Authority may negotiate with a Tenderer to change unit rates or lumps sums in the tender price. However, the scope of the contract may be reduced to conform to the budget requirements. Alternatively, if justified and funds are available the scope may be increased. In both cases, prior approval must be obtained from the STB for changes to the scope.

## **Recommendation**

In accordance with the FIs, the TEC must submit the completed tender recommendation report containing the required summary to the STB as soon as possible after tender opening, preferably no later than three (3) weeks prior to the expiration of the tender validity period. This must be in the format as shown in Annex F.

In accordance with the STB Operations Manual, the STB is responsible for ensuring that procurement processes used, and contracts established on behalf of GoPNG:

- Comply with the PFMA, Regulations and FI's, and
- Represent "Value for Money" (meets the Government's need at the Lowest Total Cost).

The Agency is responsible for:

- Recommending a tenderer which represents the best 'Value for Money' to the GoPNG (specifically meets the Government's need at the Lowest Total Cost),
- Producing a Recommendation Report with the information that is required by the STB in a timely manner, and
- Providing evidence that funding is available.

Recommendation reports should reach the STB no less than 8 working days before the Scheduled Board meeting. This will allow time for the:

- STB to scrutinise the Agency's report, and provide feedback in relation to reports which do not provide sufficient information for the Board
- Distribution of the report to Board members before the meeting
- Board members to review the report before attending the Board meeting.

Board meetings for SSTB's and ProvSTB's should be held on an as required basis. The CSTB holds its meeting on a fortnightly basis. For a list of programmed CSTB meetings contact or refer to their website [www.cstb.gov.pg](http://www.cstb.gov.pg) or contact:

The Secretary  
Central Supply and Tender Board  
Telephone: 311 3777  
Fax: 311 3778

Where an Agency urgently requires the CSTB to consider a recommendation report, special arrangements can usually be made for the CSTB Board to schedule an additional meeting. Agency requiring such an arrangement must organise this through the Secretary, CSTB. However, the Agency may be requested to provide a sitting fee for the Board.

As the STB needs to be assured that the people evaluating the tender are in support of the recommendation submitted, all members of the evaluation team must sign the report.

The STB needs to be assured that the Agency Head is in support of the recommendation submitted. The Agency Head must provide the covering letter to the report, indicating support for the recommendation.

## Disagreement of TEC's Recommendation

In carrying out its role the STB should ask inquiring questions of Agencies and TECs where information presented appears to be deficient. Recommendations must not be approved until the STB is confident that the compliance with PFMA and FI's and Value for Money conditions have been met.

The STB is not obliged to accept the recommendation of the TEC. However, when the Board disagrees with the TEC's recommendation, in the first instance the Board is to discuss the matter with the TEC. The TEC may be required to consider additional information provided by the STB. If deemed appropriate the TEC is to prepare a revised recommendation report. In preparing a revised recommendation submission the TEC must make an impartial report within 5 working days to confirm the TEC's position in the disagreement or otherwise of the Bidder in question for STB's deliberation.

In the event that the Board disagrees with the initial and subsequent evaluations, the Board may disregard the TEC's recommendation and award the contract, based on the Board's sole recommendation. In this event the Board must prepare its own recommendation report (consistent with this Manual) with clear and comprehensive justifications in accordance with the law, for the recommended award. The Board must also attach to their recommendation report the TEC's recommendation report(s) and all relevant correspondence in regards to the disagreement of the recommendation.

Where an Agency continues to disagree with a STB's decision, a formal complaint may be pursued as per Chapter 9.

In the case of awards referred to the NEC, if the NEC disagrees with the CSTB's recommendation, the NEC must also prepare its own recommendation report (same as the STB) as mentioned above. Additionally, the agency may lodge a formal complaint (as per Chapter 9) with the CSTB and request that the award be suspended until the disagreement is resolved.

## Contract Award

When the STB is satisfied that the:

- Tender has been conducted in accordance with the Public Finances (Management) Act, Financial Instructions and Good Procurement Manual, and
- Recommended offer represents "Value for Money" (meets the requirements of the Bidding Documents at the Lowest Total Cost) after considering the relevant technical, commercial, financial, and contractual matter,
- Confirming that funding is available, then

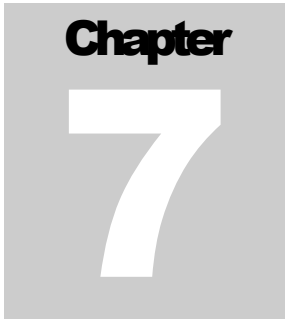
the STB Board will award the contract.



**CENTRAL SUPPLY AND TENDERS BOARD**

Where the amount of the contract is above the delegated authority of the SSTB or the ProvSTB, the procurement action should be referred to the CSTB.

If the amount of the contract is above the CSTB delegated limit, the recommendation report will be submitted to the National Executive Council (NEC), through the Minister of Finance and requisitioning Agency's Minister.



# 7. Contract Execution

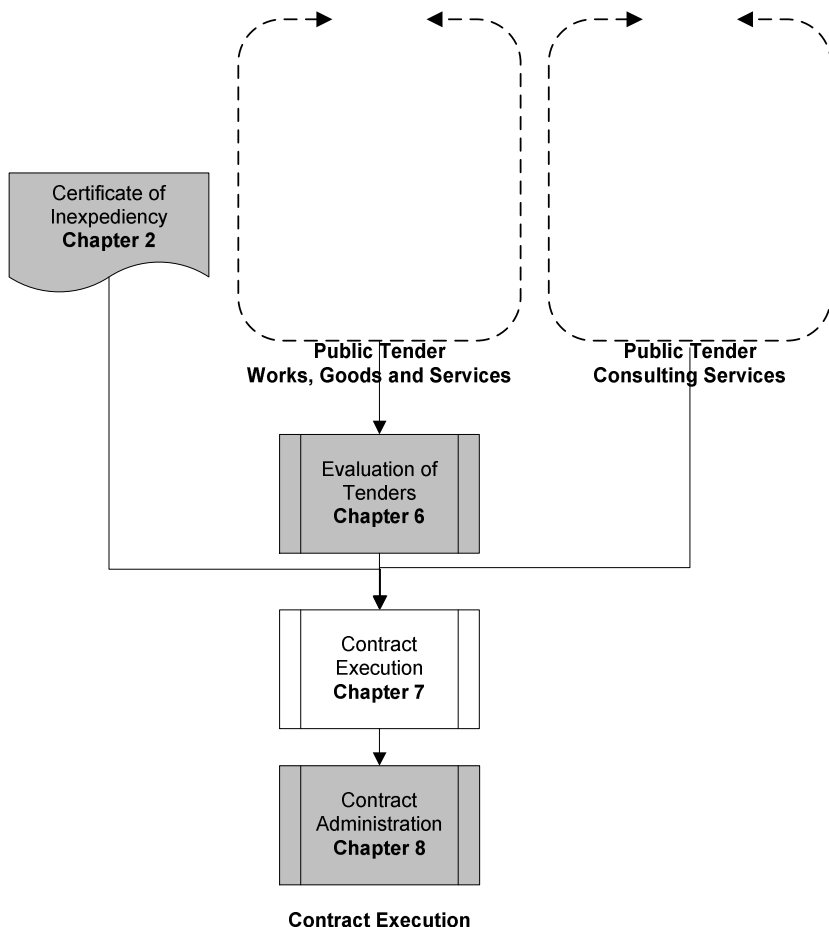
*Contract Documents and Execution*

This Chapter and the remainder of this Manual applies to Consulting Services

## Contract Documents

The draft Contract Documents must be provided in the Bidding Documents. However, as a general rule and in the case of contracts raised through a Col, the Contract Documents will consist of the following:

- Agreement,
- General Conditions of Contract,
- Special Conditions of Contract (if required),
- Contract Data,
- Schedules (which should come from the submitted Tender Document)
- Specifications or Terms of Reference,
- Bill of Quantities (if applicable),
- Drawings (if applicable), and
- any other document listed in the Contract Data as forming part of the Contract.



## Execution Process

The process of “contract execution” provides (in a legal sense) the GoPNG’s acceptance of the tenderer’s offer, and forms a contract, enabling the work, goods or services to begin.

The process of “contract execution” can only be undertaken once the STB has awarded a specific tender. Following the award, either the Chairman of the STB or Governor General may execute the contract, as follows:

- Chairman, Supply and Tenders Board. Within the respective delegations, the Chairman may execute a contract with a contractor.
- Head of State (Governor General). If the contract amount is above the CSTB’s delegated limits (currently K10 million), the contract can only be executed by the Head of State.

The Executing Authority (Chairman, STB or Governor General) and the Contractor must sign the contract agreement for a valid and binding contract to exist.

### No Objection Letter from Aid and Donor Agency

If the project is funded by Aid and Donor Agencies, then these Agencies generally require that they review the Recommendation Report together with the notification of award from the STB and provide their ‘no objection’ or agreement. The No Objection Letter must be forwarded to the STB, after Award but before Execution of the contract.

### Certificate of Legal Clearance

It is a requirement of the NEC that contracts to be executed by the Head of State must first be cleared by the State Solicitor. The Central Supply and Tenders Board is to seek the State Solicitor’s clearance for the contract and provide the Certificate of Legal Clearance to the NEC Secretariat.

### Certificate of Technical Compliance

It is also a requirement of the NEC that contracts to be executed by the Head of State must have a Certificate of Technical Compliance from an Appropriate Agency. If the contract involves works, then Department of Works must provide the Certificate. Similarly, if the project involves medical facilities, then Department of Health must provide the Certificate. The Central Supply and Tenders Board is to seek the Certificate of Technical Compliance from the appropriate agency.

### Letters

In the past, contracts have been formed through an exchange of a series of letters between the Government of PNG and the Contractor, without a conformed contract document ever established. This process has led to lack of clarity as to the content and form of the final contractual agreement between the parties and is to be discontinued.

### **Execution by Chairman, STB**

The Chairman, STB is responsible for ensuring that contracts which are:

- Approved by the Board of the STB, and
- Within the delegated authority of the Board
- Documented in a suitable agreement,

are signed on behalf of GoPNG.

Contract agreements should be signed within five working days of the approval of the STB, where the Contractor's representative is based in Port Moresby. Where documents need to be sent to provincial areas for signing by approved contractors, signing should be completed within 20 working days.

These timings assume that the State Solicitor has previously examined the contract, either:

- Preferably as a standard contract (as developed by CSTB and available from their office or on their website [www.cstb.gov.pg](http://www.cstb.gov.pg)), or
- Non-standard contracts.

Once the contract has been executed, the Agency (and relevant aid/donor agencies) will be given a copy of the signed contract document. The Contractor must be given a copy.

Contract execution must occur through the signing of a single contract agreement. This document outlines all of the aspects of the agreement between the GoPNG and the Contractor, and is used as the basic document for managing the relationship between each party.

### **Execution by Head of State**

Where the contract under consideration exceeds the CSTB's delegated limit, the Chairman of the Board will refer the Board's recommendation with supporting documents to the Minister of the requisitioning agency who will arrange to submit them to the National Executive Council (NEC) for the award of contract.

The information to be provided to the NEC for consideration is;

- Recommendation Report
- Copy of Tender Document
- Certificate of Legal Clearance
- Certificate of Technical Compliance from Appropriate Agency

- Authority to Pre-commit (if partially or wholly funded by GoPNG)

Once award has been received from the NEC, the NEC Secretariat will request the Governor General executes the contract with the contractor. The NEC Secretariat will arrange the signing ceremony and distribution of contract documents to the Contractor and Central Supply and Tenders Board.

### **Notification of Successful Tenderer**

After the contract has been signed with the successful tenderer, the Chairman of the Board must provide a notice of acceptance of the tender to be:

- sent to all other tenderers for the matter or thing to which the tender relates; and
- published in the National Gazette.:

Chairman of the Board is to provide a notice to all tenderers of the name and amount of the successful tenderer within 2 working days of signing the contract. Chairman of the Board is to also provide a notice in the next available National Gazette of the name and amount of the successful tenderer.

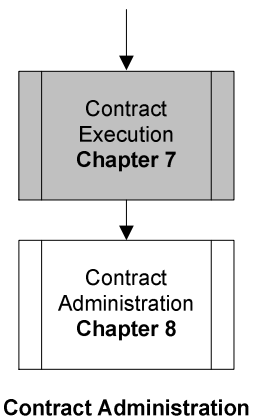
## 8. Contract Administration

### *Implementation of Contracts*

### Contract Implementation

Contracts are to be implemented by the Agency in accordance with the contract agreement.

It is the responsibility of the Agency Head to ensure that management systems and controls are in place to ensure a high standard of contract management is applied. Such arrangements should be able to withstand independent scrutiny. To assist in these arrangements for works contracts a *Contract Administration Manual* has been adopted by CSTB and is available from their office or on their website [www.cstb.gov.pg](http://www.cstb.gov.pg).



The STB will only become involved in administration of contracts in situations where:

- Complaints have been made to the STB in relation to contract administration, or
- The Agency requests a variation to the original contract, or
- The Agency has requested that the contract be terminated, or
- Procurement Compliance Audits are to be undertaken, or
- Contract Completion Certificate and/or Completion Report differs from the approved scope and price.

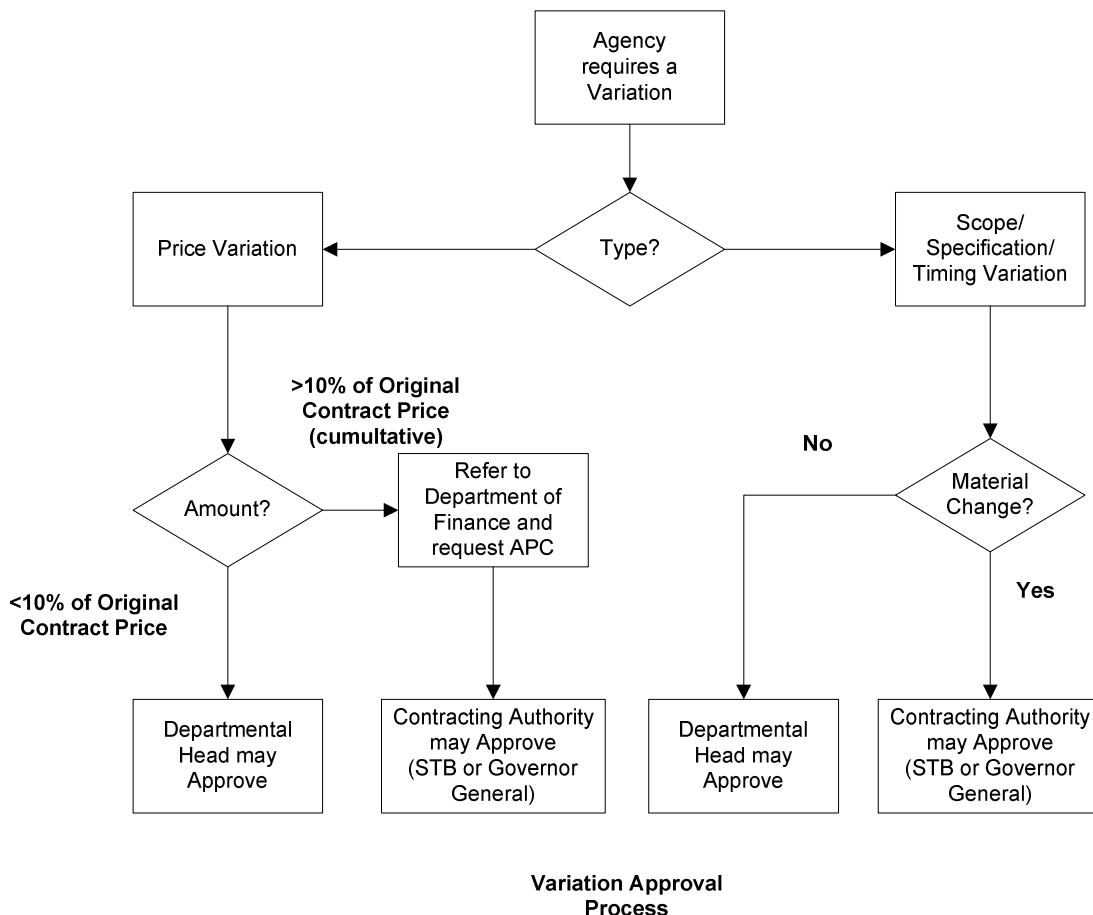
### Variations to Price, Scope and Time

For the purpose of this Manual, variations are deemed to be any change of price, scope and time within the original contract.

It is important to note that all Variations must be handled in accordance with the contract documents. Some contracts will be strictly Lump Sum Contracts with no provision for variation, whilst other conditions of contracts will provide for Variations.

Section 32 (2) of the PFMA enables designated officers to approve Variations to contract in regards to time, price, or other conditions within such limits as are specified in the FIs (currently 10%).

The flowchart below indicates the limits of delegation and process to be used.



Where more than one price variation occurs in relation to a contract the cumulative (total) of all the price changes must be less than a 10 % increase from the previous approved price, for the Agency Head to be able to approve the variation. Where the price variation is greater than 10%, the Agency must get a new APC and request approval for the variation from the appropriate Executing Authority (either STB Chairman or Governor General).

A material change is defined as one which substantially affects the scope, quality and performance of the contract which is inconsistent with the original intent. All material changes must be referred back to the Executing Authority (ie STB or Governor General)

In all instances the Section 32 Officer must also confirm that finances are available to vary the contract. This is in addition to the above requirements.

## Termination

If there has been a significant breach of contract or one or both parties cannot fulfil their obligation, it may be necessary to terminate a contract before it reaches its natural conclusion. The following rules apply in relation to contract terminations:

- In accordance with the FIs, contracts can only be terminated by the authority that executed the contract. (For major contracts this will normally be the relevant Chairman of the Supply and Tender Board or the Head of State.)
- Written legal opinion from the State Solicitor must be sought prior to terminating a contract.
- Prior to the Chairman of a Supply and Tender Board terminating a contract, the Supply and Tender Board must meet and decide to terminate the contract.
- Where the Head of State is required to terminate the contract, he or she may only do so on written advice from the National Executive Council, supported by written advice from the Central Supply and Tender Board and State Solicitor.

The executing authority terminating the contract must immediately write to the Department of Finance, Public Accounts Division, APC Secretariat to inform them of the termination.

## Contract Completion

Upon completion of the contract the Agency is to provide the following information to the relevant STB for their review:

- Certificate of Completion and Contractor Performance Report
- Completion Report for works, goods and services with a final contract value above K1 million.

The STB will review these documents and if required request the Agency to provide additional information or substantiation.

### Completion Certificate and Contractor Performance Report

Agencies are to complete the Certificate and Contractor Performance Report for all contracts. Refer to Annex J for sample formats. Agencies may need to amend the sample certificate and report, depending on the specific contract requirements.

Agencies are to forward the completed certificate and report to the STB which awarded and executed the contract. In the case of the CSTB information from these documents are to be included in their Contract Reporting System (CRS), particularly finalized price and Contractor performance.



## **Completion Report**

Completion Reports are to be completed for all works, goods and service contracts above K1 million. For works contracts, use the sample format of the Completion Report in Annex K (same as Procedure CA-30 in the Contract Administration Manual). For goods and service contracts, the following minimum information is to be included in the completed report:

- Executive Summary
- Introduction
- Contract Description, Plan and Costs
- Contract Conditions
- Program and Progress
- Quality Control and Assurance
- Establishment
- Assessment of Contractor Performance
- Problems, Solutions And Recommendations



# 9. Complaint Handling

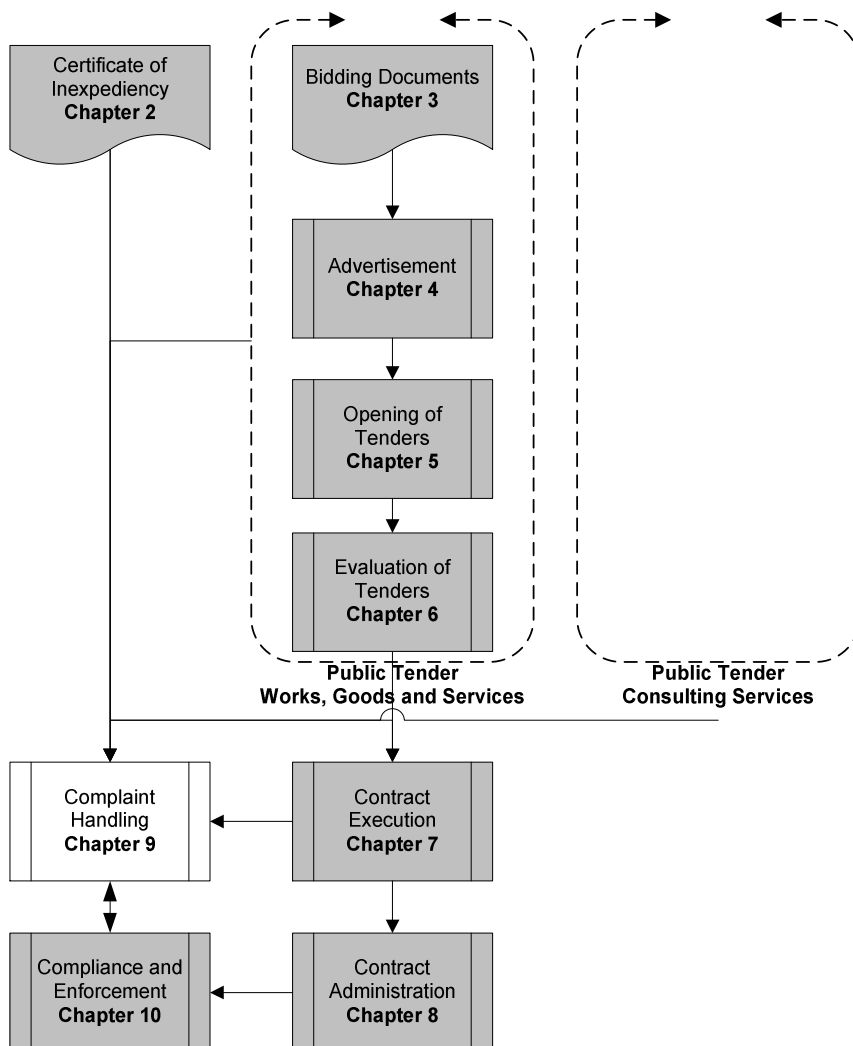
*Purpose, Definition of a Complaint, General Principles, Responsibility, Detailed Procedure and Flowchart and Timings*

## Purpose of Complaint Handling Process

The community is well aware that it pays for government services and has high expectations of the services that government will provide. The CSTB and subordinate STBs play an important role in ensuring that government services are delivered to the community in accordance with the law through the public procurement process.

This Complaint Handling Procedure has been put in place to:

- Ensure that all stakeholders (NEC, STB's, Staff, Agencies, and Contractors) in the procurement process understand the proper process for making a complaint or requesting a review of a Board decision.
- Outline the time within which complaints or decision reviews will be conducted.
- Provide an understanding of possible outcomes



from the Complaint Handling process.

## **What is a “Complaint”**

A complaint arises when a Client in the procurement process expresses written dissatisfaction with an aspect of the procurement process as applied by a STB.

Clients include Tenderers, Contractors and Government Agencies. Aid and Donor Agencies may also utilise these complaint handling procedures in the event of a disagreement or complaint with the STB management of a tender funded by these agencies. In this regard Aid and Donor Agencies are considered Clients.

It is important to distinguish a complaint from a request for information. A request for information occurs when a Client seeks further information in relation to an aspect of the procurement process as applied by a STB. A request for information may ultimately result in a complaint being lodged.

The STB may be required to deal with complaints that:

- relate to administrative, illegal or inappropriate practices, or
- matters of customer service standards, or
- relate to Board decisions to award contracts

## **General Principles to be Applied**

The principles to be applied in resolving complaints are outlined below:

- The Client’s right to complain at any stage during the procurement process is acknowledged.
- Complaints against Provincial and Specialised STBs, must be copied to the CSTB.
- Complaints against the CSTB, must be referred to the Integrity Panel, if unresolved.
- Complaints received before tenders are submitted should be addressed before tender opening. All other complaints should be taken into account during evaluation. But the response should be announced only after award is recommended.
- All Clients are to be treated courteously.
- Complaints will be treated fairly and subject to impartial review.
- Complaints will be resolved at the lowest possible level.
- A tiered process of complaint handling applies.

- All efforts will be made to resolve the complaint within timings outlined in this procedure.
- The Client will be kept informed of the progress and outcome of the complaint.
- Copies of this procedure are to be provided to Client.
- The STB will use complaints positively in order to improve procurement processes.

## **Applicable Law**

The law applicable to this procedure is the:

- Public Finances (Management) Act, and the
- Organic Law on the Ombudsman Commission
- Independent Consumer and Competition Commission Act

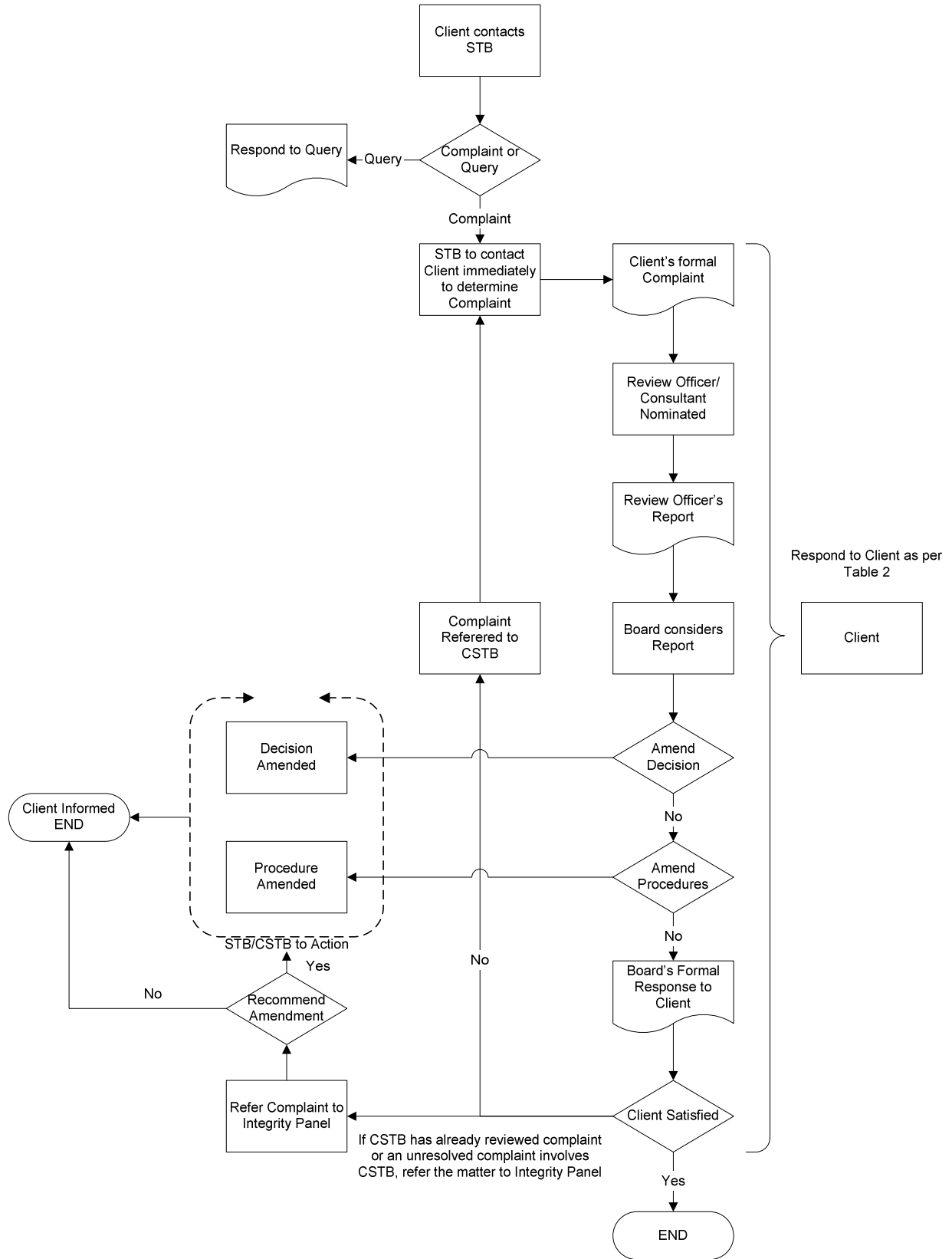
## **Complaint of NEC Decision**

If the complaint involves a decision made by the NEC to award a contract, then the CSTB is to receive and action this complaint as described above.

## **Responsibility**

The CSTB oversees all complaints and handling procedures, as indicated in the flowchart and table below. However, responsibility for handling complaints initially rests with the relevant STB. The STB should take all legal and appropriate measures to resolve the complaint. If a satisfactory conclusion cannot be reached between the Client and STB, the matter is referred to the CSTB. If the matter cannot be resolved by the CSTB, the issue must be referred to the Integrity Panel (refer to Chapter 10 for role of Integrity Panel).

Figure 1 – Complaint Handling Process



## Process to be Applied

The 8-step process to be applied in addressing complaints in relation to Board decisions is outlined in the table below.

Step	Actions	Responsibility	Timings	Comment
1.	Determine whether the Client is making a Complaint or merely asking for more information.	Officer responding to the Client	Immediate	<ul style="list-style-type: none"> <li>If in doubt, ask the Board Secretary or Chairman</li> <li>All complaints must be made in writing addressed to the Board Secretary.</li> </ul>
2.	<ul style="list-style-type: none"> <li>STB is to contact the Client immediately and ascertains the nature of the complaint and attempt to resolve the matter.</li> <li>If required, the matter may be immediately referred to the Chairman STB for advice and direction.</li> <li>If the matter cannot be immediately resolved, the Client must be advised to issue a formal complaint.</li> </ul>	Chairman, STB	Immediate	If in doubt, seek advice from Board
3.	<ul style="list-style-type: none"> <li>Nominate Review Officer or Consultant</li> <li>Ensure no further action is taken on the contracts in question.</li> <li>Inform Client of the process to resolve the complaint</li> <li>Record the complaint in the Complaints Register</li> </ul>	Chairman, STB	Within 24 hours of the complaint being received	The Review Officer must be an experienced officer who is someone different from the Officer who initially managed the tender.
4.	Review the complaint by: <ul style="list-style-type: none"> <li>Acknowledging receipt of the Client's complaint in a letter</li> <li>Clarifying the details of the Client's</li> </ul>	Review Officer/Consultant	Report to be produced within 14 days of the complaint being received	Where complex legal issues are raised, the Review Officer/Consultant should

**CENTRAL SUPPLY AND TENDERS BOARD**

Step	Actions	Responsibility	Timings	Comment
	<p>complaint, by (if necessary) speaking to the Client</p> <ul style="list-style-type: none"> <li>• Review the complaint in relation to the processes used by the STB, the PFMA, Regulation to PFMA, FI's, this Manual and STB Operations Manual.</li> <li>• Write a report to the Board identifying the conclusions, recommendations, and reasons for such.</li> <li>• Submit the report to the next Board meeting through the Chairman</li> <li>• File the Client's letter detailing the complaint, the Review Officer's/Consultant's Report, and any relevant documentation on the STB file.</li> </ul>			<p>seek advice from State Solicitor Office, for inclusion in the report.</p>
5.	<p>Consider the Review Officer's report, and determine to:</p> <ul style="list-style-type: none"> <li>• If a Board decision needs to be amended or retained and the precise reasons noted in the minutes.</li> <li>• If administrative action is required to fix the matter.</li> <li>• If discipline action is required against any public officer</li> <li>• If legal action is to be referred to authorities against tenderers, contractors or public officers.</li> </ul>	Board	First Board meeting after completion of Review Officers'/Consultant's report	<ul style="list-style-type: none"> <li>• The Board needs to be very precise in providing its reasons for whatever decision is taken. It needs to ensure that it has acted in a lawful manner with its decisions.</li> <li>• If dissatisfied with the Boards decision, the Client still has the right to obtain a further independent review from the Integrity Panel</li> </ul>

**CENTRAL SUPPLY AND TENDERS BOARD**

Step	Actions	Responsibility	Timings	Comment
6.	<p>Produce a letter to the Client, clearly outlining the Board's findings in relation to the Client's complaint. The information presented here <u>must</u> concur with the information in the Board minutes.</p> <p>A copy of the letter must be tabled at the next Board meeting and placed on the STB file.</p>	Chairman	Within 3 days of the Board meeting	<ul style="list-style-type: none"> <li>• The letter should inform the Client of his rights to take the complaint further to the CSTB.</li> <li>• If the complaint directly involves the CSTB, the matter should immediately be referred to the Integrity Panel.</li> </ul>
7.	<ul style="list-style-type: none"> <li>• If the Client is still dis-satisfied with the STB decision, the matter can be referred to the CSTB.</li> <li>• The CSTB will appoint a Review Officer or Consultant and conduct an investigation in accordance with Steps 3-6.</li> <li>• Based on the outcome of the investigation, the CSTB may; <ul style="list-style-type: none"> <li>• recommend a STB decision needs to be amended or retained and the precise reasons</li> <li>• administrative action required to fix the matter</li> <li>• refer discipline action against any public officer</li> <li>• refer legal action to authorities against tenderers, contractors or public officers</li> </ul> </li> </ul>	CSTB Board	First Board meeting after completion of Review Officer's/Consultant's report	
8.	CSTB to produce a letter to the Client, clearly outlining the CSTB's findings in relation to the	Chairman	Within 3 days of the Board meeting	The letter should inform the Client of his rights to



**CENTRAL SUPPLY AND TENDERS BOARD**

Step	Actions	Responsibility	Timings	Comment
	Client's complaint.			take the complaint further to the Integrity Panel, should he be dis-satisfied with the outcome.

The flowchart and table above clearly outlines the processes to be followed, responsible individuals, and timings required when reviewing a complaint. It is important also to emphasise that:

- The best way to avoid complaints is to ensure that matter is handled immediately with the intention of resolving the issue amicably before it becomes a formal complaint.
- The Client has a right to complain under the law, (where unjustly treated),
- The STB must ensure that the Client is kept fully informed of the review,
- Strict adherence to the process will enable a fair review to be conducted,
- The Review Officer/Consultant and Board need to ensure that any review is conducted fairly. Where either the STB or CSTB has made a genuine mistake, this process may provide an opportunity to correct the situation, without recourse to further legal or other action on behalf of the Client.
- Most complaints will be resolved through this mechanism where the STB has acted within the law.

# Chapter 10

## 10. Compliance and Enforcement

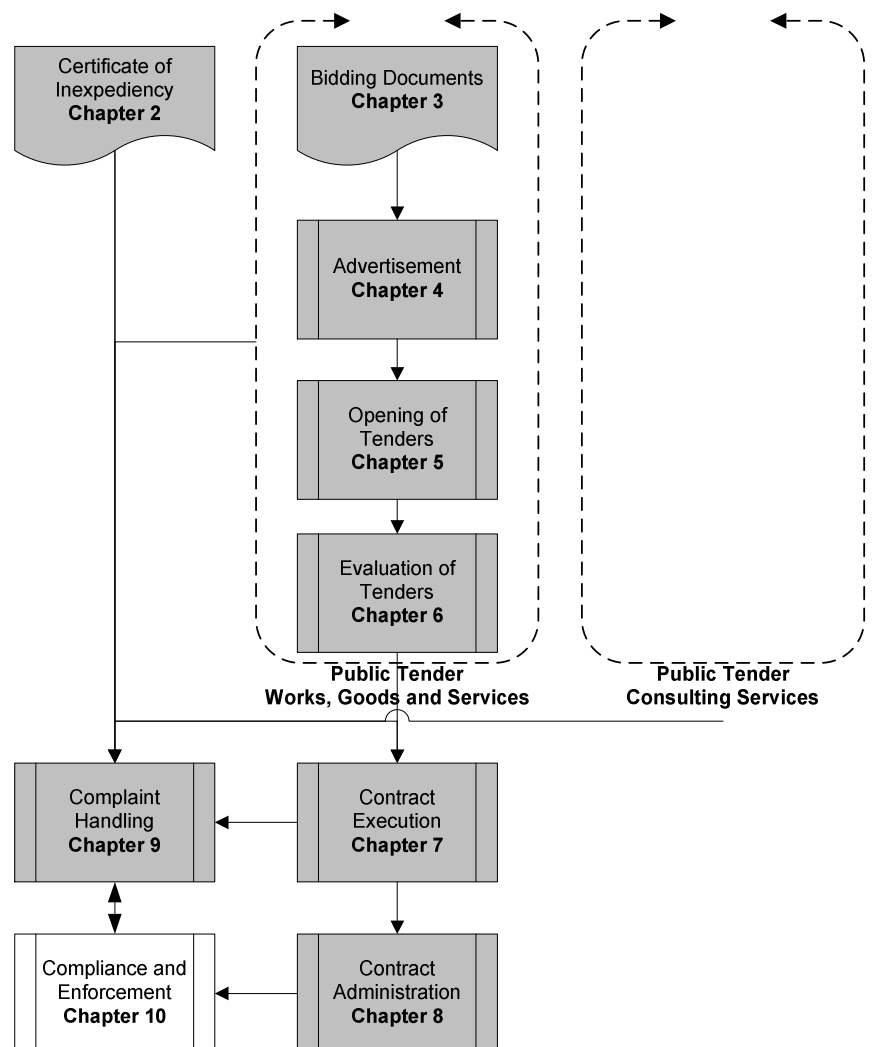
*Responsibility and Accountability, Compliance, Reporting and Enforcement*

### Responsibility and Accountability

In accordance with the PFMA, the CSTB is responsible for the control and regulation government procurement under its control. CSTB is also a gate-keeper to monitor and oversee procurement on behalf of GoPNG. To monitor compliance to the PFMA and FIs, CSTB will require Agencies and subordinate STBs to provide plans and reports, in accordance with Chapter 1 and detailed below. The CSTB will also work in conjunction with the Auditor General's Office (AGO) and Finance Inspections Division (FID), Department of Treasury to check compliance and where non-conformances occur provide advice and direction for corrective action. If required, CSTB, AGO and FID will refer disciplinary or criminal activities to the appropriate authorities.

However, the primary responsibility for procurement rests with the Agencies. In particular the responsibility remains with the head of these agencies and procurement officers.

Ignorance is no excuse and these responsibilities cannot be taken lightly. The consequences for breaches to the PFMA, Criminal Code and ICC Act can result in



disciplinary action and can attract harsh penalties up to 7 years imprisonment and hefty fines.

Likewise, contractors also have responsibilities to conduct their activities ethically and legally. Contractors can also be held accountable for their actions. If a contractor is involved in unethical or corrupt activities, he can also face harsh penalties including sanctions (blacklisting), imprisonment up to 7 years and large fines.

## **Compliance**

### **Auditing**

Agencies and STBs are required to conduct internal audits of their procurement activities. CSTB may request the results of internal audits as a means of establishing levels of compliance. Agencies should conduct internal audits, as external audits conducted by CSTB and AGO will expose non-conformances and possible illegal activity.

There are two major forms of external audit conducted by AGO and CSTB; compliance audits (both financial and procurement) and Value for Money audits. Compliance audits (also known as system audits) review the Agency's management and control of government funds. Value for Money audits are conducted on an as-required basis by AGO and assess procurement arrangements and contract implementation to determine if Value for Money was achieved. CSTB may be requested to assist.

In regards to procurement compliance audits, CSTB will review the procurement activities of Agencies and STBs to establish if procurement conducted has been in accordance with the PFMA, FIs and this Manual. CSTB with AGO will produce an Audit Report, stating its findings and corrective action. This report will be submitted to parliament, as per AGO's normal reporting structure.

If Agencies have any queries about audits, they should contact the AGO:

Auditor General's Office  
Level 6, Tisa Haus  
PO Box 423  
Waigani NCD  
Phone: 301 2203  
Fax: 325 2872

### **Investigations**

Agencies and STBs may be investigated by the CSTB in conjunction with FID if there are suspicions of illegal and/or corrupt procurement activities.

## Reporting

CSTB is to produce an annual report by 30 June each year, which is to include details of activities of Supply and Tenders Boards under its control. The Annual Report is to be audited by the Auditor General's Office, before being provided to the Minister of Finance for submission to Parliament. Specialised and Provincial STBs are required to submit details of their respective procurement activities for inclusion in the report, as outlined in the *Supply and Tenders Board Operations Manual*

Specialised and Provincial Boards are also required to provide other reports to the CSTB on an as-required basis.

## Enforcement

### Referrals

It is important to note that criminal activity may be referred to enforcement agencies by any Agency or person. If warranted, Agencies and STBs are also responsible to raise disciplinary matters with the appropriate authorities.

However, CSTB has a responsibility to control and oversee procurement activities and based on their examination into disputes (Chapter 9), audits and investigations, they may refer further action to:

- Integrity Panel (if the matter involves disputes or recommendations for blacklisting)
- Public Service Commission (if the matter involves Public Servants)
- Ombudsman Commission (if a leader is involved as defined in the *Leadership Code*)
- Independent Consumer and Competition Commission (if the matter involves collusive practices)

### Integrity Panel

The Integrity Panel is an independent review panel consisting of a representative from an enforcement agency, central agency and non-government organisation. The role of this Panel is to review complaints against STBs which cannot be resolved internally and recommendations for blacklisting referred to it by the CSTB. If the Panel confirms that a breach or illegal activity has occurred, then the matter can be referred to the relevant agency for correction and/or disciplinary action.

## Breaches by a Contractor

During the tendering process, Contractors are required to comply with the *Conditions of Tendering* and Law of Papua New Guinea. If there is an incidence of collusion, fraud or corruption in the first instance it is the STB's responsibility to assess the nature and extent

of the breach against the PFMA, FIs and ICC Act. A copy of these instruments is available from the office of CSTB or on their website [www.cstb.gov.pg](http://www.cstb.gov.pg)

STBs are required to use the Complaint Handling procedure, stated in Chapter 9 to investigate alleged breaches to PFMA, FIs and ICC Act.

Where the assessment from Chapter 9 indicates that the breach may warrant criminal investigation, the particulars of the breach should be supported by a statutory declaration by the party or parties making the allegation. On receipt of the statutory declaration, the CSTB should formally advise the contractor of alleged breaches, nature and extent of the allegations, and request that they show cause as to why the CSTB should not regard the conduct as a breach. The contractor should also be advised that a satisfactory reply is to be provided within ten (10) working days, otherwise the matter will be referred to the Integrity Panel.

### **Referral to Integrity Panel**

If the CSTB Board confirms that an alleged breach exists, then the matter will be referred to the Integrity Panel for assessment and action. At all stages, the contractor must be given an opportunity to explain his actions.

If the Integrity Panel finds the contractor responsible of a breach, the Panel must refer the matter to the Public Prosecutor (Attorney General's Department). If the contractor is found in a court of law to be guilty, then future sanctions may be considered by the Integrity Panel. Any sanctions must be published in the National Gazette and all STBs advised accordingly. The CSTB is to provide a secretariat function for the Panel and are to maintain a register of sanctions.

Sanctions cannot be applied by the Integrity Panel without a legal judgement in regards to the breach, in a court of law.

## **Breaches by an Agency or Public Officers**

A number of avenues are traditionally available to private sector individuals wishing to raise issues associated with the performance of government agencies. This includes representations to the Police and directly to the Ombudsman.

However, it is strongly recommended that the Contractor adopt the Complaint Handling procedure described in Chapter 9. This procedure has been established to ensure consistency with the government's wider reform program:

- if reported breaches are attributable to an agency's policies, practices and/or procedures, then appropriate changes can be made, and
- if the reported breach has resulted from activities of an individual, in contravention of the PFMA, FIs and ICC Act, agency's policies, practices and/or procedures, consideration will be given to appropriate disciplinary action.

Any reported breach by an agency needs to be fully documented, and include:

- details of the circumstances and extent of the breach or breaches, and
- a copy of any written information/advice exchanged with the agency.

### **Referral to Integrity Panel**

At the completion of the Complaint Handling procedure, if the CSTB determines that an Agency is in breach of the law, the matter may be referred to the Integrity Panel.

The Panel is to consider the alleged breach and determine if the breach warrants administrative or legal action. If the breach requires correction to procedures or practices, then the matter is to be referred back to the CSTB for action. If the breach is criminal in nature, the Panel is to refer the matter to the appropriate enforcement authorities.

**Annual Procurement Plan**



# Annual Procurement Plan

Agency:

Year:

## Procurement Arrangements

Summarise your agency's overall procurement aims, direction and goals.

Does the agency have a procurement unit?

Yes/No

If yes, how many procurement specialists?

\_\_\_\_\_

What was the total amount of major procurement last year?

K\_\_\_\_\_

What was the total amount of minor procurement last year?

K\_\_\_\_\_

What problems does the Agency encounter in achieving higher levels of efficiency?:

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

e. \_\_\_\_\_

f. \_\_\_\_\_

**Improving Purchasing Advantage**

How are you maximising the use of Whole of Government (WoG) Contracts managed by CSTB or agency contracts?

Does the agency combine (aggregate) items to be procured to achieve higher levels of efficiency?: Yes/No

Provide examples of the efficiencies being realised through aggregation.

**Improving Procurement Process**

Outline the major areas of procurement expenditure within your agency.

Analyse your spending patterns. (Do you need to adjust spending priorities?)

Identify where improved procurement processes could improve efficiency:

**Performance Target and Measures**

Set out the agency's priorities, targets and proposed actions for the next year, using the table below.

(This information (except amounts) will be published on the CSTB website to inform prospective tenderers of upcoming contracts)

Review the performance targets and milestones set in previous procurement plans and report upon what was achieved, what was learnt and what needs to be improved.

**Submitted by:**

**Position:**

**Contact details:**

Your plans should be sent to:  
Secretary  
Central Supply and Tenders Board  
PO Box 6457  
Port Moresby NCD  
Facsimile: 311 3778  
Email: [info@cstb.gov.pg](mailto:info@cstb.gov.pg)

Agency Name: \_\_\_\_\_

Year: \_\_\_\_\_

**Performance Targets and Measures**

Vote No. (1)	Contract Name (2)	Amount (3)	Advertise Date (4)	Objective (5)	Strategy to improve efficiency (6)	Remarks (7)

Notes:

1. National Budget Vote Number and Line Number
2. Name of contract (eg 'Reconstruction of 10km of the Magi Highway')
3. Amount of appropriation for this contract
4. Expected date to advertise the contract
5. Objectives of the contract (eg Heavy reconstruction of highway to repair recent landslip.)
6. Indicate the strategies to improve efficiency and achieve better Value for Money (eg Contract will be advertised after other major contracts are complete in NCD to attract the maximum number of tenderers)
7. Include any remarks to further describe the contract

**Acquisition Plan**

# Acquisition Plan

**Agency:**

**Date:**

**Contract Name:**

**ID:**

Agencies need to consider the following steps when developing and documenting high volume, strategic or complex procurement plans.

Overview: three steps

1 Analysing the need

2 Determining procurement requirements and considering options

3 Reviewing your procurement strategy

## Analysing the need

### Background

Identify broad reasons for the procurement and estimate the approximate total cost.

- Were alternative strategies considered (eg. Slice and package rather than on large contract)? Yes/No

Explain: \_\_\_\_\_

- Have the requirements (such as quantities, ordering patterns and delivery times) of the agency been established? Yes/No

Explain: \_\_\_\_\_

### Special requirements of the procurement

- Examine the context (eg industrial, political influence) for the procurement. Is there any special or contentious circumstances? Yes/No

Explain: \_\_\_\_\_

- Has advance notice of the procurement been disclosed to prospective tenderers to allow them the opportunity to more accurately price and program the work and develop innovative solutions? Yes/No

Explain: \_\_\_\_\_

### Develop specifications (for Professional Services – Terms of Reference)

Specifications should clearly establish the requirements of the procurement and be developed as one (or a combination) of the following:

- Functional specification that defines the outcomes of the procurement.
- Performance specification that defines the performance standards required.
- Technical specification that defines the technical or physical characteristics of the works, goods or service.

Has the agency considered using local participation and manual labour within the specification and does it represent Value for Money? Yes/No

Explain: \_\_\_\_\_

Is the specification used the most appropriate to ensure that the agency obtains best Value for Money? Yes/No

Explain: \_\_\_\_\_

**Examine what happened previously**

If the works, goods or services have been procured previously, review the tender documents used, including the specifications and tender evaluation criteria.

- What type of contract was used?

Explain: \_\_\_\_\_

- What was its value and duration?

Explain: \_\_\_\_\_

- If the contract is still current, what is the current status of the contract?

Explain: \_\_\_\_\_

- Who were the stakeholders?

Explain: \_\_\_\_\_

- Who were key personnel or sub-contractors?

Explain: \_\_\_\_\_

- Did the outcomes meet the goals?

Explain: \_\_\_\_\_

- Identify areas for improvement.

Explain: \_\_\_\_\_

**Determining procurement requirements and consider options**

**Consider options**

Consider as broad a range of options as feasible, do not jump to solutions based on past procedures. Look for innovative ways of adding value to the outcomes.

- Could the procurement be avoided or deferred?

Explain: \_\_\_\_\_

- Are existing resources being used at an optimal level?

Explain: \_\_\_\_\_

For example, could existing equipment be updated or better serviced, rather than buying new? Consider using in-house skills rather than external contractors or consultants.



### **Market Research and analysis**

Research and analysis provides information on the market and current price structures that may affect the contract. The research should also establish the existence and effectiveness of other government contracts that could be used in lieu of going to tender.

Consider different sources of supply:

- Is there a PNG source of supply rather than an international one?

Explain: \_\_\_\_\_

- Establish the number of suppliers or contractors.

Explain: \_\_\_\_\_

- Does the market allow effective competition?

Explain: \_\_\_\_\_

- Is there a danger of a monopoly developing?

Explain: \_\_\_\_\_

- Has the CSTB been consulted to identify Whole of Government Contracts?

Explain: \_\_\_\_\_

- Assess the impact the procurement is likely to have on the market, the community and on the industry.

Explain: \_\_\_\_\_

### **Detailing your procurement strategy**

#### **Procurement strategy**

The procurement strategy establishes the contract strategy to be used, procurement methods, evaluation process, management responsibilities, and timetable for the project.

#### **Contract strategy**

The contract strategy outlines the objectives and priorities to be pursued while undertaking the procurement process.

- What contract strategy will be used?

Explain: \_\_\_\_\_

- Form of contract (eg. fixed price, firm price, period contract, Whole of Government Contract).

Explain: \_\_\_\_\_

- Single or slice-and-package contract?

Explain: \_\_\_\_\_

- Works only, supply only, supply and service, service only, or supply, service and maintenance contract.

Explain: \_\_\_\_\_

**Evaluation of tenders**

Consider the evaluation criteria for the evaluation of tenders.

Have the Government's wider objectives been incorporated into the tender documents and appropriate weightings allocated to each criterion? Yes/No  
Explain: \_\_\_\_\_

Has local participation and use of manual labour considered in the criteria? Yes/No  
Explain: \_\_\_\_\_

Provide names and qualification of the evaluation committee (essential)

1. Name: \_\_\_\_\_

Qualifications: \_\_\_\_\_

2. Name: \_\_\_\_\_

Qualifications: \_\_\_\_\_

3. Name: \_\_\_\_\_

Qualifications: \_\_\_\_\_

4. Name: \_\_\_\_\_

Qualifications: \_\_\_\_\_

The tender evaluation committee should be kept to a small manageable number and consist of members appropriate for the procurement being undertaken.

**Procurement timetable**

The procurement strategy should contain a timetable that provides an overview of the whole process, including timings of briefings for pre and post tender, milestones, and the expected completion/delivery date. This enables the progress of the procurement project to be monitored, and the potential tenderers to know what is required.

The establishment of a timetable is particularly important where tender preparation, evaluation, and/or delivery of the contract outcomes is likely to be complex or where the delivery date is critical.

Attach a procurement timetable to this plan.

**Approval**

Signature of Head of Agency: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signature of Chairman CSTB: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Certificate of Inexpediency  
Request and Approval**

## Request for Certificate of Inexpediency

*To be completed by Agency*

Name of Agency	
Details of goods, works or services being procured	
Name of Proposed Contractor(s)	
Value ( <i>Kina</i> )	
<p>Reason for Certificate <i>(Refer to Finance Management Manual Part 13, Division 4)</i></p> <p><i>Tick appropriate emergency and provide reason for urgency.</i></p>	<p> <input type="checkbox"/> Natural Disaster              <input type="checkbox"/> Defence Emergency              <input type="checkbox"/> Health Emergency   <input type="checkbox"/> Civil Unrest Emergency         </p> <p>Explain reason for urgency: _____</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p>_____</p> <p>Name of Head of Agency</p> <p>_____</p> <p>Signature</p>	<p>_____</p> <p>Date</p>

## Certificate of Inexpediency

*To be completed by Supply and Tenders Board*

Name of STB											
Date of Certificate											
Certificate Number											
Name of contractor(s)											
Name of Agency											
Details of goods, works or services being procured											
Name of Proposed Contractor(s)											
Value (Kina)											
Reason for Certificate <i>(Refer to Finance Management Manual Part 13, Division 4)</i>	<input type="checkbox"/> Natural Disaster <input type="checkbox"/> Defence Emergency <input type="checkbox"/> Health Emergency  <input type="checkbox"/> Civil Unrest Emergency										
Name of Supply and Tender Board Members issuing the Certificate	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">1.</td> <td style="width: 50%;">2.</td> </tr> <tr> <td>3.</td> <td>4.</td> </tr> <tr> <td>5.</td> <td>6.</td> </tr> <tr> <td>7.</td> <td>8.</td> </tr> <tr> <td>9.</td> <td>10.</td> </tr> </table>	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
1.	2.										
3.	4.										
5.	6.										
7.	8.										
9.	10.										
<hr style="border: none; border-top: 1px solid black; margin-bottom: 5px;"/> Name of Chairman	<hr style="border: none; border-top: 1px solid black; margin-bottom: 5px;"/> Date										
<hr style="border: none; border-top: 1px solid black; margin-bottom: 5px;"/> Signature											

- Note:**
1. Certificate is not valid unless approved by Supply and Tenders Board and Signed by the Chairman.
  2. Certificate must be in accordance with Financial Instructions, Part 13, Division 4
  3. Signed Copy of Col to Agency. Original filed in STB.

**Sample Advertisement**



**CENTRAL SUPPLY AND TENDERS BOARD**



**TENDER NO. CSTB 1460**

**Invitation for Bids (IFB)**

The Government of Australia is providing support to the Royal Papua New Guinea Constabulary for the manufacture, supply and delivery of uniforms and accessories.

The Central Supply and Tenders Board on behalf of the Department of Police (Employers Representative) invites sealed bids from eligible bidders for the manufacture, supply and delivery of uniforms and accessories to the RPNGC.

Bidders may obtain further information from and inspect and acquire the bidding documents at Central Supply and Tenders Board, located at Westpac, Waigani Branch Building, 1<sup>st</sup> floor, Waigani drive, Port Moresby, Papua New Guinea, P.O. Box 6457, Boroko. Telephone: 311 3777 or Fax: 311 3778 or email [Malikienas@police.gov.pg](mailto:Malikienas@police.gov.pg).

A complete set of bidding documents may be purchased by interested eligible bidders on submission of a written application to the above office and upon payment of a non-refundable fee of US\$140.00. The method of payment will be by cashiers cheque payable to the Papua New Guinea Central Supply and Tenders Board account number 11845129, ANZ Bank, Waigani PNG. The document will be sent by commercial courier. No liability will be accepted for loss or late delivery.

All tenders must be accompanied by a Tender Security of 2% of total Contract Price submitted in a form of Bank cheque or Bank Guarantee in favour of Central Supply and Tenders Board and must be delivered to Central Supply and Tenders Board, Westpac Building Waigani.

Telephone: 311 3777 or Facsimile: 311 3778 at or before 10:00 hours local time on 10<sup>th</sup> December, 2004 .

Authorised by:

**PHILIP STAGG, MBE, FIE (PNG)  
CHAIRMAN**

**Tender Opening Checklist  
Register and Sheet  
Tender Recommendation Report Forms**



## Tender Opening Checklist

(To be filled out for each Tender as it is read out)

Contract Reference:

Tender Opening Date:                      Time:

Name of Tenderer:

- (a) Is outer envelope of Tender sealed?
- (b) Is Tender form completed and signed?
- (c) Expiration date of Tender:
- (d) Is documentary authority for signing enclosed?
- (e) Amount of Tender security (if required):                      (state currency)
- (f) Describe any "Substitution," "Withdrawal," or "Modification" submitted
- (g) Describe any discounts or modifications offered:
- (h) Additional comments:<sup>1</sup>
- (i) Name of Tenderer or representative present:
- (j) Total Tender price:    (list currencies and amounts or percentages)<sup>2</sup>

Signature of responsible official:                      Date:

---

<sup>1</sup> Read out and record model numbers of equipment.

<sup>2</sup> If tender is for a package of contracts, the price for each lot or item should be read out.

**Tender Opening Register**

Project Name: \_\_\_\_\_

Contract ID: \_\_\_\_\_

Place: \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

The following people attended the public opening of tenders.

No.	Name	Company/Firm/Agency	Designation	Signature
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

## Tender Opening Record Sheet

Project Name: \_\_\_\_\_

Contract ID: \_\_\_\_\_

The following tenders were received by the closing deadline on \_\_\_\_\_  
(date) \_\_\_\_\_ at \_\_\_\_\_ (time) \_\_\_\_\_ hrs and were publicly opened  
on the same day.

No	Tenderer Name and Address	Tender Security	Tender Amount <sup>1</sup>			
			Package No. 1	Package No. 2	Etc <sup>2</sup>	Total
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

1. Any discounts offered should be recorded.
2. Number of columns depends on the number of sub-packages in the Bidding Documents.

**Table 1. Identification**

1.1	Closing date		
(a)	original		
(b)	revised		
1.2	Name of project		
1.3	Purchaser (or Employer)		
(a)	name		
(b)	address		
1.4	Contract number (identification)		
1.5	Contract description		
1.6	Cost estimate <sup>1</sup>		
1.7	Domestic preference allowed	Yes	No
1.8	Fixed price contract	Yes	No
1.9	Co-financing, if any:		
(a)	Aid/Donor agency name		
(b)	percent financed by agency		

<sup>1</sup> This is the original Cost Estimate.

**Table 2. Tendering Process**

<p>2.1 Advertisement (Issuance date of Bidding Documents)</p> <p>(a) issue date</p>							
<p>2.2 Specific procurement notice</p> <p>(a) name of national newspaper</p> <p>(b) issue date of advertisement</p> <p>(c) name of international publication</p> <p>(d) issue date of advertisement</p> <p>(e) number of firms notified</p>							
<p>2.3 Bidding Document</p> <p>(a) name, title, publication date</p> <p>(b) State Solicitors clearance date (if CSTB standard documents not used)</p> <p>(c) date of issue to Tenderers</p>							
<p>2.4 Number of firms issued documents</p>							
<p>2.5 Amendments to documents, if any</p> <p>(a) list all issue dates</p> <p>(b) date(s) of Bank's no-objection</p>	<table border="0"> <tr> <td>1.</td> <td>2.</td> <td>3.</td> </tr> <tr> <td>1.</td> <td>2.</td> <td>3.</td> </tr> </table>	1.	2.	3.	1.	2.	3.
1.	2.	3.					
1.	2.	3.					
<p>2.6 Date of pre-tender conference, if any</p>							
<p>2.7 Date minutes of conference sent to Tenderers</p>							

**Table 3. Tender Submission and Opening**

3.1	Tender submission deadline	
(a)	original date, time	
(b)	extensions, if any	
3.2	Tender opening date, time	
3.3	Record of tender opening, date sent to Tenderers	
3.4	Number of tenders submitted	
3.5	Tender validity period (days or weeks)	
(a)	originally specified	
(b)	extensions, if any	

**Table 4. Tender Prices (as Read Out)**

Tenderer Identification			Read-out Tender Price(s) <sup>1</sup>		Modifications or Comments <sup>2</sup>
Name (a)	Province/State (b)	Country (c)	Currency(ies) (d)	Amount(s) or % (e)	
etc.					

<sup>1</sup> For multiple currency option refer to Annex G. Secondary currencies are expressed in column e as a percentage of the total tender price.

<sup>2</sup> Describe any modifications to the read-out tender, such as discounts offered and withdrawals. Note also the absence of any required tender security or other critical items. Refer also to Annex G.

**Table 5. Preliminary Examination**

Tenderer	Tender Validity				Qualification Requirements					Responsiveness	Acceptance for Detailed Evaluation
	Verification	Eligibility	Tender Security	Completeness of Tender	Capacity	Experience	Integrity	Past Performance	Financial Status	Substantial Responsiveness	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)

Notes: Refer to Table 5a



Table 5a. Preliminary Evaluation - Review of Tenders Received

Requirements	Tenderer Name	Tenderer Name	Tenderer Name
<b>Validity</b>			
<b>Verification</b>			
Does the tender provide an offer which is reasonable and does not provide unfair advantage to the Tenderer?			
<b>Eligibility</b>			
Is the Tenderer eligible to tender?			
<b>Bid Security</b>			
Acceptable form and correct amount of tender security provided?			
<b>Completeness of Tender<sup>1</sup></b>			
<i>Form of tender</i>			
<i>Tender security</i>			
<i>Qualification information</i>			
<i>Priced bill of quantities</i>			
<i>Copy of business registration</i>			
<i>Principal place of business</i>			
<i>Written power of attorney</i>			
<i>Statement of annual turnover for the last 5 years</i>			
<i>Listing of proposed equipment</i>			
<i>Listing of proposed key personnel</i>			
<i>Methodology statement</i>			
<i>Statement of liquid assets</i>			
<i>Statement of lines of credit</i>			
<i>Auditors reports showing profit and loss over the last five years</i>			
<i>Letter of authorisation to seek references from bankers</i>			
<i>Joint venture agreement</i>			
<i>Listing of proposed subcontractors including their credentials</i>			
<i>Draft works program</i>			
<i>Statement of relevant experience</i>			

<sup>1</sup> Full list of requirements must be indicated in the Bidding Documents. Those shown here are generally applicable to Works Bidding Documents.

<b>Requirements</b>	<b>Tenderer Name</b>	<b>Tenderer Name</b>	<b>Tenderer Name</b>
<i>Statement accepting nominated adjudicator</i>			
<i>Statement on eligibility for works</i>			
<i>Stated no conflict of interest</i>			
<i>Number of works of similar natured projects</i>			
<i>Draft works program</i>			
<i>Alternative offers, if invited</i>			
<b>Qualification Requirements</b>			
<b>Capacity</b>			
Does the contractor have access to equipment, materials and supplies?			
Does the contractor have the experience and technical capacity?			
If subcontracting is allowed, is it within required limits?			
<b>Experience</b>			
Does the contractor have the required experience of similar nature and size of this contract?			
<b>Integrity</b>			
Does the tenderer indicate the legal status and place of registration of their business, principal place of business and power of attorney to sign tender in their submitted tender?			
Does the tenderer not have a conflict of interest and have they provided a statement indicating no conflict exists?			
Does the contractor and/or its directors have an acceptable history of litigation?			
<b>Past Performance</b>			
Does the tenderer have the required previous experience either in monetary value or volume?			
Has the past performance of the tenderer been acceptable? For example, were the contracts completed on time and within contract value limits?			
<b>Financial Capability</b>			
Are the submitted financial reports acceptable?			
Does the tenderer have the required working capital to complete the contract?			

Requirements	Tenderer Name	Tenderer Name	Tenderer Name
<b>Substantial Responsiveness</b>			
Does the tender respond to the terms and conditions of the Bidding Documents?			
Is the Tender priced in accordance with the Bidding Documents?			
Does the tender substantially respond to the specifications?			
Does the tender conform to critical milestones and dates in the Bidding Document?			
If applicable, is subcontracting within requirements in Bidding Documents?			
Does the tender indicate that the contractor will bear important responsibilities and liabilities?			
Does the tenderer accept applicable law, taxes and duties and dispute resolution procedures?			

Note:

1.

**Table 6. Corrections and Unconditional Discounts**

Tender	Read-out Tender Price(s)		Corrections		Corrected Tender Price	Unconditional Discounts <sup>2</sup>		Corrected/Discounted Tender Price(s)
	Currency (ies)	Amount(s)	Computational Errors <sup>1</sup>	Provisional Sums		Percent	Amount(s)	
(a)	(b)	(c)	(d)	(e)	(f) = (c) + (d) - (e)	(g)	(h)	(i) = (f) - (h)
etc.								

Note: Only tenders accepted for preliminary examination (Table 5, column g) should be included in this and subsequent tables. Columns a, b, and c are from Table 4 (columns a, d, and e, respectively).

<sup>1</sup> Corrections in column d may be positive or negative.

<sup>2</sup> If the discount is offered as a percent, column h is normally the product of the amounts in columns f and g. Refer to Chapter 6. If the discount is provided as an amount, it is entered directly in column h. A price increase is a negative discount.

**Important:**

**If the bidding documents have provision for multiple currencies, adjustments and priced deviations, then following Tables should be included in accordance with Annex G:**

**Table 7 – Exchange Rates**

**Table 8 – Currency Conversion (Multiple Currencies)**

**Table 9 – Currency Conversion (Single Currency)**

**Table 10 – Additions, Adjustments and Priced Deviations (In this case, this Table will replace Table 10 shown on the following page)**

**Table 10. Additions**

If Adjustments and Price Deviations are considered in the Bidding Documents, refer to revised Table 10 in Annex G

Specify Evaluation Currency:

Tenderer	Corrected/Discounted Tender Price <sup>1</sup>	Additions <sup>2</sup>	Total Price
(a)	(b)	(c)	(d) = (b) + (c)
etc.			

<sup>1</sup> Column b is from Table 6, column i.

<sup>2</sup> Each insertion in columns c, should be footnoted and explained in adequate detail, accompanied by calculations. Refer to Chapter 6

**Table 11. Domestic Preference**

Specify Evaluation Currency:

Tenderer	Domestic Preference Group <sup>1</sup>	Total Price <sup>2</sup>	Surcharge <sup>3</sup>	Surcharge Amount	Total Comparison Price
(a)	(b)	(c)	(d)	(e)	(f) = (c) + (e)
etc.					

<sup>1</sup> Column b refers to National Tenderers or International (others) as indicated by Tenderer, subject to verification by the Agency.

<sup>2</sup> Column c is from Table 10, column d. If the lowest priced tender is National Tenderer, it is the lowest evaluated Tenderer, and the remainder of the table need not be filled out.

<sup>3</sup> Column d for National Tenderers is zero. For International (other) Tenderers, column d is the percentage indicated in the Bidding Documents.

**Table 12. Proposed Contract Award**

<p>1. Lowest evaluated responsive tenderer (proposed for contract award).</p> <p>(a) name</p> <p>(b) address</p>		
<p>2. If tender is from joint venture, list all partners, nationalities, and estimated shares of contract.</p>		
<p>3. Estimated date (month, year) of contract signing.</p>		
<p>4. Estimated delivery to project site/completion period.</p>		
	<p>Currency(ies)</p>	<p>Amount(s) or %</p>
<p>5. Tender Price(s) (Read-out)<sup>1</sup></p>		
<p>6. Corrections for Errors<sup>2</sup></p>		
<p>7. Discounts<sup>3</sup></p>		
<p>8. Other Adjustments<sup>4</sup></p>		
<p>9. Proposed Award<sup>5</sup></p>		

<sup>1</sup> From Table 6, columns b and c.

<sup>2</sup> From Table 6, column d.

<sup>3</sup> From Table 6, column h. Include any cross-discounts. See Chapter 6.

<sup>4</sup> All adjustments should be explained in detail.

<sup>5</sup> Sum of the prices in Items 7–10. For single currency tenders, express secondary currency amounts as percentages.



**Sample Tender Recommendation Report**

**Tender Recommendation Report**  
**and**  
**Recommendation for Award of Contract**

Name of Project:

Contract Name:

Identification Number:

Date of Submission:

## Letterhead

### Letter of Transmittal

The tender recommendation report should be attached with a Letter of Transmittal from the agency responsible for the procurement and signed by the head of Agency. The letter should highlight conclusions from the Tender Evaluation Committee and offer any additional information that would help to expedite review by the STB. The letter should indicate who the contact person is in the event of any follow-up questions. In addition, any unresolved or potentially contentious issues should be highlighted. The letter with TRR should be sent to the Chairman of the STB (ensure that the contract amount is within its delegated authority) for approval and execution.

## TENDER RECOMMENDATION REPORT

(sample format)

### EXECUTIVE SUMMARY

Contract No: {Reference No}

Contract Name: {Name}

A. Tenders were received at the closing time {\_\_\_\_\_ hours on \_\_\_\_\_ 200\_} from the following tenderers:

1. {Tenderer 1}
2. {Tenderer 2}
3. {Tenderer 3}

B. Valid, qualified and substantially responsive tenders were received from:

Contractor	Tender Price
1. {Tenderer 1}	{K7,152,111.25*}
2. {Tenderer 2}	{K7,724,079.85}

Note: \*Tender Prices corrected for Arithmetical Errors.

C. The Budget for this contract was {K7,779,327} including 10% GST. The cost estimate for this contract was {K7,000,000} including GST.

D. It is recommended that the contract be negotiated with and awarded to {Tenderer 1} for a price of {K7,152,111.25\*} as it deemed to meet the requirements of the bidding documents at the Lowest Total Cost.

E. Contract is planned to commence on {date} with an expected duration of \_\_\_\_ days.

## 1.0 INTRODUCTION

1.1 This tender evaluation is for the {\_\_\_\_\_}.

The Invitation for Tenders was issued on the {\_\_\_\_\_ 200\_}.

Advertising was carried out by:

1. direct invitation;
2. local notice boards;
3. local radio;
4. national press on {\_\_\_\_\_ 200\_} in the Post Courier and National Newspapers;
5. notification to Foreign High Commissions, Embassies, and Trade Missions in Port Moresby.

1.3 Bidding documents were purchased by ten (10) Contractors:

1. {Contractor 1}
2. {Contractor 2}
3. {Contractor 3}
4. {Contractor 4}
5. {Contractor 5}
6. {Contractor 6}
7. {Contractor 7}
8. {Contractor 8}
9. {Contractor 9}
10. {Contractor 10}

Tenders closed at {\_\_\_\_\_ hours on \_\_\_\_\_ 200\_}

Only three (3) Tenderers submitted their tenders.

1. {Tenderer 1}
2. {Tenderer 2}
3. {Tenderer 3}

1.6 {Tenderer 4} tender was received late on the {\_\_\_\_\_ 200\_} at {\_\_\_\_\_ hours} and was subsequently returned unopened.

## **2.0 FUNDING**

2.1 The project is funded by GoPNG. The Authority to Pre-commit (APC) number {\_\_\_} originally based on the Engineer's Estimate was revised because of the higher than expected Tender prices. Therefore an amended APC for a value of K7.779 million is attached. This amount will be sufficient to complete the project including any unexpected variations.

2.2 The Budget for the works was {K7,779,327} including the 10% Goods and Services Tax (GST).

2.3. The Engineer's estimate for this project was {K7,000,000} inclusive of 10% GST.

## **3.0 PRELIMINARY EVALUATION OF TENDERS**

3.1 Tenders were opened at {\_\_\_\_\_ hours on \_\_\_\_\_ 200\_} by Mr {\_\_\_\_\_}, Mr {\_\_\_\_\_}, and Mr {\_\_\_\_\_} all representing the {Central Supply and Tenders Board} in the presence of tenderers who attended as shown on the tender opening register attached (Table 4).

3.2 Tenders were received from the following Tenderers:

1. {Tenderer 1}
2. {Tenderer 2}
3. {Tenderer 3}

A record of the opening of each tender is attached.

3.3 The tenders were examined for the qualification criteria, the results of which are summarised in Table 5 and in detail in Table 5a.

3.4 The following tenderers did not satisfy the required qualification criteria, and their tenders have been rejected as non-conforming.

Tenderers	Reasons for Non Qualification
{Tenderer 3}	Submitted a Company Cheque as Tender Security

Whilst {Tenderer 3} had the apparent lowest submitted tender prices (K6,978,553.50) it was still rejected as {Tenderer 3} did not meet the qualifying requirements of submitting a correct Tender Security.

3.5 The following Tenderers qualify for consideration of their tenders:

Tenderer	Tender Price
{Tenderer 1}	{K7,153,111.25*}
{Tenderer 2}	{K7,727,179.85*}

The tender prices of the qualified Tenderers have been checked for arithmetical errors and adjusted for foreign exchange components. Corrected prices are marked throughout this evaluation with an asterisk (\*). All prices are inclusive of GST.

#### **4.0 DETAILED EVALUATION DISCUSSION**

##### 4.1 {Tenderer 1}

{Tenderer 1} rates are generally lower as compared to {Tenderer 2}, however, some are higher since the rates include Goods and Services Tax (GST).

The company has the technical expertise and financial capabilities and has liquid assets in excess of {K\_\_\_ million} and supported by a letter from their banker, Bank of South Pacific. They have also enclosed a bank statement from {\_\_\_\_\_} with the closing balance as at {\_\_\_\_\_} at {K\_\_\_\_\_}. It is also confirmed that they have a credit balance of {K\_\_\_\_\_}. Their total annual volume of construction for 200\_ was {K\_\_\_ million}.

##### 4.2 {Tenderer 2}

{Tenderer 2} rates are high as compared to {Tenderer 1} although some of their rates are lower.

{Tenderer 2} has the technical expertise and financial capabilities to do this project. Their total annual volume of construction work for 200\_ is {K\_\_\_\_\_ million}. They also have {K\_\_\_ million} at the bank and they have financial backing from {Tenderer 2} parent company in Australia for their operations in Papua New Guinea.

## 5.0 FINANCIAL DISCUSSION

Both Tenderers submitted prices which are marginally higher than the cost estimate. This is due partly to ..... The prices of various activities are given in the Table (i) below.

{Tenderer 1} made an arithmetic mistake of K32.45 in the dayworks component of their tender. Their error was due to an incorrect calculation for 45 hours of a Cat 130G grader (or similar), which they calculated to be 45 hours x K217.45 = K9,817.70 (*but should be K9,785.25*) This amount was corrected in {Tenderer 1} tender.

.....

.....

The required total annual Volume of Construction work for both contractors is satisfactory. Both companies have the required minimum amount of liquid assets, given the type of work to be done under this project.

**Table (i) Engineer's Estimate Compared to Tenderers Prices**

Description	Engineer's Estimate	{Tenderer 1}	{Tenderer 2}
Establishment Cost	700,000	696,634.00	868,992.00
Bridge Foundations	2,520,000	3,220,170.08	2,461,373.00
Rock Revetment	150,000	97,256.16	73,008.00
Demolition and Repairs	300,000	353,197.00	317,503.00
Excavation	450,000	477,911.80	665,660.00
Bridge Superstructure	750,000	848,637.14	1,088,748.00



<b>Description</b>	<b>Engineer's Estimate</b>	<b>{Tenderer 1}</b>	<b>{Tenderer 2}</b>
Guardrails	50,000	26,708.00	3,873.00
Pavements	300,000	319,407.20	310,040.00
Landscaping	10,000	5,806.00	11,203.00
Stormwater	100,000	94,891.99	75,112.00
Roadside Drainage	100,000	97,339.92	85,600.00
Culverts	35,000	34,015.96	37,650.00
Bulk Earthworks	90,000	83,475.20	130,719.00
Relocation of Services	80,000	75,637.00	70,908.00
Line Marking	5,000	Included in	Pavements
DAY WORKS	380,000	361,399.45**	469,810.00
Sub Total	6,020,000	6,792,486.90**	6,670,199.00
+ 5% Contingencies	301,000	339,624.35**	334,509.95
+ 10% GST	632,100	Included in	700,370.90

Description	Engineer's Estimate	{Tenderer 1}	{Tenderer 2}
		Rates	
Provisional Sums	20,000	20,000	20,000
Total	6,973,100	7,152,111.25**	7,724,079.85

\* Engineer's total estimate cost rounded off to K7,000,000

\*\* {Tenderer 1} made an arithmetic mistake of K32.45 in the dayworks component of their tender. This amount was corrected.

## 6.0 RECOMMENDATIONS

6.1 The conforming Tenderers are, ranked in order:

**Table (ii) Tenderer Ranking**

Rank	Tenderer	Amount
1	{Tenderer 1}	K7,152,111.25
2	{Tenderer 2}	K7,724,079.85

6.2 Based on the evaluation and examination of the Tenders it is recommended that the Contract be negotiated with and awarded to (Tenderer 1) for a price of {K7,152,111.25} as is deemed to meet the requirements of the bidding documents at the Lowest Total Cost.

Recommended by:

.....

Name: {Name}

Designation: Chairman, TEC

Date: {Date}

.....

Name: {Name}

Designation: Member, TEC

Date: {Date}

.....

Name: {Name}

Designation: Member, TEC

Date: {Date}

Checked by:

Attachments:

Tender Opening Register

Tender Opening Record Sheet

Tender Recommendation Report Forms

Bank of PNG daily exchange rates for {\_\_\_\_\_}

## Tender Opening Register

Project Name: \_\_\_\_\_

Contract ID: \_\_\_\_\_

Place: \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_

The following people attended the public opening of tenders.

No.	Name	Company/Firm/Agency	Designation	Signature
1	Joe ToRot	{Tenderer 1}	Operations Manager	
2	Bob D Builder	{Tender 3}	General Manager	
3	{_____}	Supply and Tenders Board		
4	{_____}	Supply and Tenders Board		
5	{_____}	Supply and Tenders Board		
6				
7				
8				
9				
10				

## Tender Opening Record Sheet

Project Name: \_\_\_\_\_

Contract ID: \_\_\_\_\_

The following tenders were received by the closing deadline on \_\_\_\_\_ (date) \_\_\_\_\_ at \_\_\_\_\_ (time) \_\_\_\_\_ hrs and were publicly opened on the same day.

No	Tenderer Name and Address	Tender Security	Tender Amount			
			Package No. 1	Package No. 2	Etc <sup>1</sup>	Total
1	{Tenderer 1}	K72,100	K7,152,143.70			K7,152,143.70
2	{Tenderer 2}	K72,100	K7,724,079.85			K7,724,079.85
3	{Tenderer 3}	K72,100	K6,978,553.50			K6,978,553.50
4						
5						
6						
7						
8						
9						
10						

1. If provided for in the Tender Documents, the number of columns depends on the number of sub-packages in the Bidding Documents.

**Table 1. Identification**

1.1	Closing date	
(a)	original	30 June 2004
(b)	revised	30 June 2004
1.2	Name of project	Sepik Highway Reconstruction
1.3	Purchaser (or Employer)	
(a)	name	Sepik Highway Development Authority
(b)	address	PO Box 123, Vanimo, Sandaun Province
1.4	Contract number (identification)	CSTB1500
1.5	Contract description	Repair and Upgrade of the Pual River Bridge, Sandaun Province
1.6	Cost estimate <sup>1</sup>	K7,000,000
1.7	Domestic preference allowed	<u>Yes</u> No
1.8	Fixed price contract	Yes <u>No</u>
1.9	Cofinancing, if any:	Not applicable
(a)	Aid/Donor agency name	
(b)	percent financed by agency	

<sup>1</sup> This is the original Cost Estimate.

**Table 2. Tendering Process**

2.1 Advertisement (Issuance date of Bidding Documents)	30 Mar 2004
(a) issue date	
2.2 Specific procurement notice	
(a) name of national newspaper	Post Courier & The National newspaper
(b) issue date of advertisement	30 <sup>th</sup> March & 31 <sup>th</sup> March 2004
(c) name of international publication	Nil
(d) issue date of advertisement	N/A
(e) number of firms notified	11 Embassies / High Commission 21 National Contractors
2.3 Bidding Document	
(a) name, title, publication date	
(b) State Solicitors clearance date (if CSTB standard documents not used)	
(c) date of issue to Tenderers	
2.4 Number of firms issued documents	10 Firms
2.5 Amendments to documents, if any	
(a) list all issue dates	1. Nil 2. 3.
(b) date(s) of Bank's no-objection	1. Nil 2. 3.
2.6 Date of pre-tender conference, if any	15 April 2004
2.7 Date minutes of conference sent to Tenderers	16 April 2004

**Table 3. Tender Submission and Opening**

3.1	Tender submission deadline	
(a)	original date, time	1300 hours on 30 June 2004
(b)	extensions, if any	Nil
3.2	Tender opening date, time	1305 hours on 30 June 2004
3.3	Record of tender opening, date sent to Tenderers	1 July 2004
3.4	Number of tenders submitted	3 number
3.5	Tender validity period (days or weeks)	
(a)	originally specified	90 days
(b)	extensions, if any	N/A



**Table 4. Tender Prices (as Read Out)**

Tenderer Identification			Read-out Tender Price(s) <sup>1</sup>		Modifications or
Name	Province/State	Country	Currency(ies)	Amount(s) or %	Comments <sup>2</sup>
(a)	(b)	(c)	(d)	(e)	(f)
{Tenderer 1}	East Sepik Province	PNG	PNG Kina	K7,152,143.70	Nil
{Tenderer 2}	Queensland	Australia	PNG Kina	K7,724,079.85	Nil
{Tenderer 3}	National Capital District	PNG	PNG Kina	K6,978,553.50	Nil
etc.					

<sup>1</sup> For multiple currency option refer to Annex G Secondary currencies are expressed in column e as a percentage of the total tender price.

<sup>2</sup> Describe any modifications to the read-out tender, such as discounts offered and withdrawals. Note also the absence of any required tender security or other critical items. Refer also to Annex G.

**Table 5. Preliminary Evaluation**

Tenderer	Validity of the Tender				Qualification Requirements					Responsiveness	Acceptance for Detailed Evaluation
	Verification	Eligibility	Tender Security	Completeness of Tender	Capacity	Experience	Integrity	Past Performance	Financial Status	Substantial Responsiveness	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
{Tenderer 1}	Yes	Yes	Yes <sup>3</sup>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
{Tenderer 2}	Yes	Yes	Yes <sup>2</sup>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
{Tenderer 3}	Yes	No	Yes <sup>1</sup>	No	Yes	Yes	Yes	Yes	Yes	No	No

Note: Refer Table 5a for details.

1. Tender Security submitted by {Tenderer 3} was a Company Cheque for K 72,100.
2. {Tenderer 2} submitted a Bank Cheque (ANZ) for K 72,100.
3. {Tenderer 1} submitted a Bank Guarantee for an amount of K 72,000 and a Bank Cheque for K100.00.

Table 5a. Preliminary Evaluation - Review of Tenders Received

Requirements	{Tenderer 1}	{Tenderer 2}	{Tenderer 3}
<b>Validity</b>			
<b>Verification</b>			
Does the tender provide an offer which is reasonable and does not provide unfair advantage to the Tenderer?	Yes	Yes	Yes
<b>Eligibility</b>			
Is the Tenderer eligible to tender?	Yes	Yes	Yes
<b>Bid Security</b>			
Acceptable form and correct amount of tender security provided?	Yes <sup>1</sup>	Yes <sup>1</sup>	No <sup>1</sup>
<b>Completeness of Tender<sup>1</sup></b>			
<i>Form of tender</i>	Yes	Yes	Yes
<i>Tender security</i>	Yes	Yes	No <sup>1</sup>
<i>Qualification information</i>	Yes	Yes	Yes
<i>Priced bill of quantities</i>	Yes	Yes	Yes
<i>Copy of business registration</i>	Yes	Yes	Yes
<i>Principal place of business</i>	Yes	No <sup>2</sup>	Yes
<i>Written power of attorney</i>	Yes	Yes	Yes
<i>Statement of annual turnover for the last 5 years</i>	Yes	Yes	Yes
<i>Listing of proposed equipment</i>	Yes	Yes	Yes
<i>Listing of proposed key personnel</i>	Yes	Yes	Yes
<i>Methodology statement</i>	Yes	Yes	Yes
<i>Statement of liquid assets</i>	Yes	Yes	Yes
<i>Statement of lines of credit</i>	Yes	Yes	Yes
<i>Auditors reports showing profit and loss over the last five years</i>	Yes	Yes	Yes
<i>Letter of authorisation to seek references from bankers</i>	Yes	Yes	Yes
<i>Joint venture agreement</i>	Yes	Yes	Yes

<sup>1</sup> Full list of requirements must be indicated in the Bidding Documents. Those shown here are generally applicable to Works Bidding Documents.

<b>Requirements</b>	<b>{Tenderer 1}</b>	<b>{Tenderer 2}</b>	<b>{Tenderer 3}</b>
<i>Listing of proposed subcontractors including their credentials</i>	Yes	Yes	Yes
<i>Draft works program</i>	Yes	Yes	Yes
<i>Statement of relevant experience</i>	Yes	Yes	Yes
<i>Statement accepting nominated adjudicator</i>	Yes	Yes	No <sup>3</sup>
<i>Statement on eligibility for works</i>	Yes	Yes	Yes
<i>Stated no conflict of interest</i>	Yes	No <sup>4</sup>	Yes
<i>Number of works of similar natured projects</i>	Yes	Yes	Yes
<i>Draft works program</i>	Yes	Yes	Yes
<i>Alternative offers, if invited</i>	N/A	N/A	N/A
<b>Qualification Requirements</b>			
<b>Capacity</b>			
Does the contractor have access to equipment, materials and supplies?	Yes	Yes	Yes
Does the contractor have the experience and technical capacity?	Yes	Yes	Yes
If subcontracting is allowed, is it within required limits?	Yes	Yes	Yes
<b>Experience</b>			
Does the contractor have the required experience of similar nature and size of this contract?	Yes	Yes	Yes
<b>Integrity</b>			
Does the tenderer indicate the legal status and place of registration of their business, principal place of business and power of attorney to sign tender in their submitted tender?	Yes	Yes <sup>2</sup>	Yes
Does the tenderer not have a conflict of interest and have they provided a statement indicating no conflict exists?	Yes	Yes <sup>4</sup>	Yes
Does the contractor and/or its directors have an acceptable history of litigation?	Yes	Yes	Yes
<b>Past Performance</b>			
Does the tenderer have the required previous experience either in monetary value or volume?	Yes	Yes	Yes
Has the past performance of the tenderer been acceptable? For example, were the contracts completed on time and within contract value limits?	Yes	Yes	Yes

Requirements	{Tenderer 1}	{Tenderer 2}	{Tenderer 3}
<b>Financial Capability</b>			
Are the submitted audited financial statement acceptable?	Yes	Yes	Yes
Does the tenderer have the required working capital to complete the contract?	Yes	Yes	Yes
<b>Substantial Responsiveness</b>			
Does the tender respond to the terms and conditions of the Bidding Documents?	Yes	Yes	No <sup>1</sup>
Is the Tender priced in accordance with the Bidding Documents?	Yes	Yes	Yes
Does the tender substantially respond to the specifications?	Yes	Yes	Yes
Does the tender conform to critical milestones and dates in the Bidding Document?	Yes	Yes	Yes
If applicable, is subcontracting within requirements in Bidding Documents?	N/A	Yes	N/A
Does the tender indicate that the contractor will bear important responsibilities and liabilities?	Yes	Yes	Yes
Does the tenderer accept applicable law, taxes and duties and dispute resolution procedures?	Yes	Yes	Yes

Note:

2. {Tenderer 3} submitted a Company Cheque for K 72,100, which is unacceptable. {Tenderer 2} submitted a Bank Cheque (ANZ) for K72,100 which is OK. {Tenderer 1} submitted a Bank Guarantee for an amount of K 72,000 and a Bank Cheque for K100.00 which is OK.
3. {Tenderer 2} did not submit details of its principal place of residence, but it was submitted once requested by TEC
4. {Tenderer 3} nominate himself as adjudicator (which is unacceptable), but upon request from TEC agreed with nominated adjudicator.
5. {Tenderer 2} did not provide a statement indicating no conflict of interest exists (as required in bidding documents). But {Tenderer 2} provided this statement upon request by TEC.

**Table 6. Corrections and Unconditional Discounts**

Tender	Read-out Tender Price(s)		Corrections		Corrected Tender Price	Unconditional Discounts <sup>2</sup>		Corrected/Discounted Tender Price(s)
	Currency (ies)	Amount(s)	Computational Errors <sup>1</sup>	Provisional Sums		Percent	Amount(s)	
(a)	(b)	(c)	(d)	(e)	(f) = (c) + (d) - (e)	(g)	(h)	(i) = (f) - (h)
1	PNG Kina	K7,152,143.70	-K32.45	K20,000	K7,133,111.25			K7,132,111.25
2	PNG Kina	K7,724,179.85	-	K20,000	K7,707,179.85			K7,704,079.85
etc.								

Note: Only tenders accepted for preliminary examination (Table 5, column g) should be included in this and subsequent tables. Columns a, b, and c are from Table 4 (columns a, d, and e, respectively).

<sup>1</sup> Corrections in column d may be positive or negative.

<sup>2</sup> If the discount is offered as a percent, column h is normally the product of the amounts in columns f and g. Refer to Chapter 6. If the discount is provided as an amount, it is entered directly in column h. A price increase is a negative discount.

**Table 9. Additions**

If Adjustments and Price Deviations are considered in the Bidding Documents, refer to revised Table 10 in Annex G

Specify Evaluation Currency:

Tenderer	Corrected/Discounted Tender Price <sup>1</sup>	Additions <sup>2</sup>	Total Price
(a)	(b)	(c)	(d) = (b) + (c)
{Tenderer 1}	K7,132,111.25	-	K7,132,111.25
{Tenderer 2}	K7,704,079.85	-	K7,704,079.85
etc.			

<sup>1</sup> Column b is from Table 6, column i.

<sup>2</sup> Each insertion in columns c, should be footnoted and explained in adequate detail, accompanied by calculations. Refer to Chapter 6

**Table 11. Domestic Preference**

Specify Evaluation Currency:

Tenderer	Domestic Preference Group <sup>1</sup>	Total Price <sup>2</sup>	Surcharge <sup>3</sup>	Surcharge Amount	Total Comparison Price
(a)	(b)	(c)	(d)	(e)	(f) = (c) + (e)
{Tenderer 1}	International	K7,132,111.25	5%	K356,605.56	K7,489,717.81
{Tenderer 2}	National	K7,704,079.85	0%	0	K7,704,079.85
etc.					

<sup>1</sup> Column b refers to National Tenderers or International (others) as indicated by Tenderer, subject to verification by the Agency.

<sup>2</sup> Column c is from Table 10, column d. If the lowest priced tender is National Tenderer, it is the lowest evaluated Tenderer, and the remainder of the table need not be filled out.

<sup>3</sup> Column d for National Tenderers is zero. For International (other) Tenderers, column d is the percentage indicated in the Bidding Documents.



**Table 12. Proposed Contract Award**

<p>1. Lowest evaluated responsive tenderer (proposed for contract award).</p> <p>(a) name</p> <p>(b) address</p>	<p>{Tenderer 1}</p> <p>PO Box 111, Cairns, Queensland 5555</p>	
<p>2. If tender is from joint venture, list all partners, nationalities, and estimated shares of contract.</p>	<p>N/A</p>	
<p>3. Estimated date (month, year) of contract signing.</p>	<p>21 July 2004</p>	
<p>4. Estimated delivery to project site/completion period.</p>	<p>305 Calendar Days</p>	
	<p>Currency(ies)</p>	<p>Amount(s) or %</p>
<p>5. Tender Price(s) (Read-out)<sup>1</sup></p>	<p>PNG Kina</p>	<p>K7,152,143.70</p>
<p>6. Corrections for Errors<sup>2</sup></p>		<p>K32.45</p>
<p>7. Discounts<sup>3</sup></p>		<p>N/A</p>
<p>8. Other Adjustments<sup>4</sup></p>		<p>N/A</p>
<p>9. Proposed Award<sup>5</sup></p>		<p>K7,152,111.25</p>

<sup>1</sup> From Table 6, columns b and c.

<sup>2</sup> From Table 6, column d.

<sup>3</sup> From Table 6, column h. Include any cross-discounts. See Chapter 6.

<sup>4</sup> All adjustments should be explained in detail.

<sup>5</sup> Sum of the prices in Items 7–10. For single currency tenders, express secondary currency amounts as percentages.

**Supplemental Tables**  
**For**  
**Multiple Currencies, Adjustments and Priced Deviations**

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## **Multiple Currencies, Adjustments and Priced Deviations**

If the Bidding Documents have expressed provision for multiple currencies, adjustments and deviations, then the Tender Evaluation Committee must use the following procedure and tables described in this Annex.

### **Multiple Currencies**

If multiple currencies are used, the tenders are to be corrected for computational errors and as adjusted for discounts and should be converted to a PNG Kina as described in the Bidding Documents. The exchange rates to be used in the calculations are to be listed in Table 7. If multiple exchange rates exist for a particular currency (for commercial, government transactions, etc.), indicate which applies, with reasons for the choice. Where exchange rates for a particular currency are not available from the specified authority or publication, identify the secondary source, as well as any necessary conversion calculations. There are two different currency options for bidding/payment, each requiring a different conversion methodology:

- Option A use the single currency option, in which the tender price is expressed entirely in a specific currency, usually in PNG Kina, with other foreign currency requirements stated as percentages of the tender price, together with the exchange rates used by the Tenderer to determine the percentages. Table 9 is to be used for these calculations.
- Option B use the multiple currency option, in which the tender price is expressed in a number of currencies. For this procurement, use Table 8.

### **Additions (this procedure remains unchanged from Chapter 6)**

Omissions to the tender should be compensated for by adding the estimated costs for remedying the deficiency. Where items missing in some tenders are present in others, an average of quoted prices could be used to compare competitors' Tenders. Alternatively, external sources, such as published price lists, freight tariff schedules, etc., may be appropriate. The cost determined should be expressed in the evaluation currency and shown in Table 10, column c.

### **Adjustments**

Adjustments: The Bidding Document specifies which, if any, performance or service factors will be taken into account in the tender evaluation. The methodology used in evaluation of these factors should be precisely described in the tender evaluation report and should be fully consistent with the Bidding Document provisions. Bonuses or additional credits that reduce the evaluated tender price will not be given in the tender evaluation for features that exceed the requirements stated in the bidding documents, unless specifically provided for in the bidding document. Similarly, a tender offering a choice of different product models is evaluated on the basis of the lowest price offered by the tender from among the models meeting the requirements of the tender document. The value of adjustments will be expressed in terms of cost,

for all works and most goods contracts, and should be shown in Table 10, column d and expressed in the evaluation currency.

### **Priced Deviations**

Tenders with minor deviations may be considered substantially responsive if their further consideration assigns a monetary cost or saving or penalty to the tender for the purpose of tender comparison:

- Requests for deviations that are expressed by the tenderer in vague terms, such as “we would like an increase in the amount of mobilization advance” or “we wish to discuss changes in the completion schedule” should ordinarily be ignored in tender evaluation. These comments must be clarified by the TEC before evaluation is completed. However, a categorical statement by the tenderers taking exception to a requirement in the bidding documents should be treated as a deviation.
- If a tender provides for a delivery or completion that is beyond the date specified in the bidding documents but that is nonetheless technically acceptable to the Agency, the time advantage given should be assessed a penalty specified in the bidding document or, if one is not provided, based on the rate of liquidated damages specified in the bidding documents.

If a tender requires a faster payment stream than specified in the bidding documents, this should not be considered as a deviation. The TEC must request the Contractor to indicate his conformance with the payment schedule as stated in the Bidding Document; otherwise the tender should be rejected.

The deviations should be priced in the evaluation currency in Table 10, column e.

**Table 7. Exchange Rates**

Currency Used for Tender Evaluation:

Effective Date of Exchange Rate:

Authority or Publication Specified for Exchange Rate:

Note: Attach copy of exchange rates provided by specified authority or publication.

**Table 8. Currency Conversion (Multiple Currencies)**

Specify Evaluation Currency:

Tenderer	Currency(ies) of Tender	Corrected/Discounted Tender Price(s)	Applicable Exchange Rate(s) <sup>1</sup>	Evaluation Currency	
				Tender Price(s)	Total Price <sup>2</sup> Tender
(a)	(b)	(c)	(d)	(e) = (c) x (d)	(f)
etc.					

Note: Columns a, b and c are from Table 6, columns a, b and i.

<sup>1</sup> Column d is from Table 7.

<sup>2</sup> Column f is the sum of tender prices in column e for each Tenderer.

**Table 9. Currency Conversion (Single Currency)**

Specify Evaluation Currency:

Tender -er	Corrected/ Discounted  Tender Price (in specified currency)	Payment Composition <sup>1</sup>			Exchange  Rate Used by Tenderer <sup>1</sup>	Amounts in  Currency of Payment	Exchange  Rate for Evaluation <sup>2</sup>	Evaluation Currency	
		Currency of Payment	Percent of Total Tender	Amount in Evaluation Currency				Tender Prices	Total <sup>3</sup>
(a)	(b)	(c)	(d)	(e) = (b) x (d)	(f)	(g) = (e) x (f)	(h)	(i) = (g) x (h)	(j)
etc.									

<sup>1</sup> Columns c, d, and f should be provided in the Appendix to Tender and in the (Form of) Contractor's Tender.

<sup>2</sup> Column h is from Table 7.

<sup>3</sup> Column j is the sum of tender prices in column i for each Tenderer.

**Table 10. Additions, Adjustments, and Priced Deviations**

Specify Evaluation Currency:

Tenderer	Corrected/Discounted Tender Price <sup>1</sup>	Additions <sup>2</sup>	Adjustments <sup>2</sup>	Priced Deviations <sup>2</sup>	Total Price
(a)	(b)	(c)	(d)	(e)	(f) = (b) + (c) + (d) + (e)
etc.					

<sup>1</sup> Column b is from either Table 8, column f or Table 9, column j.

<sup>2</sup> Each insertion in columns c, d, or e should be footnoted and explained in adequate detail, accompanied by calculations. Refer to Chapter 6



**Tender Evaluation Summary Checklist**

## **Tender Evaluation Summary Checklist**

1. Attach Tender opening record, if not previously submitted (refer to Chapter 6).
2. Explain any inconsistencies between prices and modifications to prices read out at Tender opening (and written into the record) and presented in Table 4.
3. Provide details on eliminating any Tenders during preliminary examination (Table 5). Copy select pages from Tenders, as desirable, to show examples of objectionable features.
4. If provisional sums in Table 6 vary among Tenderers, explain. Explain any substantial corrections for computational errors that may affect the ranking of Tenderers.
5. Provide a copy of the rates requested for Table 7 and used in Tables 8 or 9.
6. The additions, adjustments, and priced deviations in Table 10 require detailed explanations where they may affect the ranking of Tenderers.
7. Eligibility for domestic preference as indicated in Tables 11 or 12 must be verified if the ranking of Tenders is affected. Provide details in an attachment. Exclusions to the calculations for preference should be explained if similarly significant.
8. Explain any cross-discount not read out and recorded at Tender opening. In addition, attach copies of any evaluation reports for the other related contracts awarded to the same Tenderer.
9. Provide detailed reasons for refusing to award a contract to a party other than the lowest evaluated Tenderer.
10. An attachment to Table 12 should explain adjustments to the price provided on line 10. Explain any changes to scope of Tender and contract conditions.
11. Provide evidence of alternative insurance.
12. Attach copies of any correspondence from Tenderers that raise objections to the bidding and evaluation process, together with detailed responses.
13. Attach copies of any letters to Tenderers requesting clarifications. Provide copies of responses.
14. Submit Tender evaluation with separate recommendation report from consultant, if one was commissioned.

15. Ensure that the Tender recommendation report is double-checked, paginated, and complete, and includes a Letter of Transmittal.

**Whole of List Costs  
Framework for Evaluation**

## **Whole of Life Costs**

The 'whole of life' costing process requires all of the significant costs (and revenue streams) resulting from a particular purchase to be defined. These may differ between the tenders for goods or services offered. These costs can include:

- Operating costs
- Maintenance costs
- Decommissioning costs
- Distribution costs
- Training costs

When identifying all of the costs, it is also important to identify those costs for the whole of the life of the good or service. For example, if GoPNG were to purchase a fleet of vehicles, the operating cost of the different vehicles (fuel consumption, maintenance costs, spare part costs etc) on offer should be considered over the expected life of the vehicle in order to establish the true comparative cost between vehicles.

As 'whole of life' costs may be incurred over different periods for different tenders, it is important to be able to compare costs incurred in one year to those occurring in another year. To do this discounted cash flow techniques are applied.

Whole of life costing is also known as Product Life Cycle costing.

### **Formation and Analysis**

Models are normally developed to determine whole of life costs. These models are very difficult to construct and will require a high level of procurement and technical expertise. For this reason, if a project is planned which requires the consideration of whole of life costs, then a specialist consultant should be employed to work with government procurement staff to develop documentation and assist with evaluation.

**Sample Completion Certificate and Contractor  
Performance Report**

To Contractor, copy to Employer and relevant STB.

**"INSERT PROJECT NAME"**

**"INSERT CONTRACT NUMBER"**

BETWEEN

\_\_\_\_\_ (Employer)

AND

\_\_\_\_\_ Contractor)

FOR: \_\_\_\_\_

**CERTIFICATE OF COMPLETION OF THE WORKS**

Pursuant to Clause 55.1 of the Conditions of Contract, this is to certify that have been substantially completed in accordance with the Contract on the \_\_\_\_\_ of \_\_\_\_\_ 20\_\_ .

The following outstanding work and/or defects is/are to be completed and/or rectified with due expedition during the Defects Liability Period which shall be from the \_\_\_\_\_ of \_\_\_\_\_ 20\_\_ to the \_\_\_\_\_ of \_\_\_\_\_ 20\_\_.

*(List any known outstanding work and defects)*

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Other outstanding work and/or defects as instructed by the Project Manager during the Defects Liability Period are to be completed or rectified with due expedition after receiving notification.

\_\_\_\_\_  
Project Manager

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**"INSERT PROJECT NAME"**

**"INSERT CONTRACT NUMBER"**

**CONTRACTOR PERFORMANCE REPORT**

**General information**

Contractor name: \_\_\_\_\_ Contract No. \_\_\_\_\_  
Contract description: \_\_\_\_\_  
Original Contract period: \_\_\_\_\_ Date of commencement: \_\_\_\_\_  
Original date for completion: \_\_\_\_\_ EOTs approved: \_\_\_\_\_  
Actual date of completion: \_\_\_\_\_  
Original Contract Price: \_\_\_\_\_ Final Contract Price: \_\_\_\_\_

**Contractor's performance**

	Unsatisfactory	Acceptable	Good	Superior
Time management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Standard of work	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of site personnel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Management of subcontractors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contract administration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Health and safety management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Industrial relations management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Workforce or skills development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Co-operative relationships	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Overall performance</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Suitability for further work**

Not suitable  Suitable  
*if "not suitable", detailed reasons must be given*

The report has been forwarded to Contractor  yes  no

Recommended for further work  yes  no

If the recommendation is no, the unsatisfactory performance aspects have been discussed with:

Name of Contractor's representative \_\_\_\_\_

Telephone \_\_\_\_\_

Date of discussion \_\_\_\_\_

Minutes of meeting and Contractor's response attached  yes  no

\_\_\_\_\_  
Project Manager

\_\_\_\_\_  
Date



**Sample Completion Report for Works Contracts**

## Executive Summary

1. Introduction
2. Project
  - 2.1. Description Of Works
  - 2.2. Operating Plan
  - 2.3. Contract Costs
3. Details of Contract
4. Access to Site
5. Rainfall and Reservoir Level
6. Safety
7. Program and Progress
  - 7.1. Specified Construction Periods
  - 7.2. Contract Program
  - 7.3. Construction Programs
  - 7.4. Progress
8. Project Manager's Establishment
  - 8.1. Staff And Organisation
  - 8.2. Buildings And Facilities
  - 8.3. Survey
  - 8.4. Quality Control
  - 8.5. Transport
9. Contractor's Establishment
  - 9.1. Staff and Labour
  - 9.2. Buildings and Facilities
  - 9.3. Equipment
10. Quality Assurance
  - 10.1. Civil Works
  - 10.2. Plant Works
11. Assessment Of Civil Works
12. Problems, Solutions and Recommendations