



## TREASURY CIRCULAR

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**To:** All Chief Executive Officers  
**From:** Chief Executive Officer for Finance and National Planning

**Reference No.:** 15/23/518

**Date:** 5/09/2014

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It has been two months after the approval of the Appropriation Act for 2014/2015 Financial Year. The Ministry is embarking on a new initiative where circulars and guidance on mandatory requirements and certain policy directives is being issued for Ministries, Departments, Agencies (MDAs) information and compliance.

Attached are the first couple of policy and guidance for this Financial Year:

- 1. Procurement Policy (Reference No.PP\_1\_NPT\_2014-15)**
  - *New Procurement Threshold*
- 2. Budget Guidance (Reference No.BG\_1\_CFF\_2014-15)**
  - *Cash Flow Forecast*

I thank you in advance for your kind cooperation to assist with our efforts to promote good practices in public finance management. For any queries, please do not hesitate to contact the address provided in the guidance note.

Malo 'Aupito,

.....  
Tatafu Moeaki  
Chief Executive Officer





**MINISTRY OF FINANCE AND NATIONAL PLANNING**  
Government of Tonga

# Procurement Policy

## New Procurement Threshold

### **Access to information**

Government

### **FFD Reference Number**

PP\_1\_NPT\_2014-15

### **Issued and effective**

1 July, 2014

### **Content**

Policy on new procurement thresholds for all procurement value:

- \$3,000 to \$7,500.
- above \$7,500.

### **Applicable to**

Chief Executive Officers and staff of accounts/procurement divisions of all Ministries, Departments, and Agencies

### **Issuer**

Chief Executive Officer for Finance and National Planning  
Ministry of Finance and National Planning

## SECTION I - PURPOSE AND APPLICATION

1. The Policy provides a statement of broad principles that require government MDAs activities on the new procurement thresholds approved under Cabinet Decision No. 785 of 30 August 2013.
2. The new procurement thresholds policy aims to:
  - provide savings for government;
  - provide increased opportunities for greater access to the Tongan Government procurement market for all suppliers;
  - raise awareness among officers undertaking procurement of the Government's commitment to getting the best value for money from its usage of public funds;
  - complement implementation of the Government Procurement Strategy (GPS)
3. The Policy applies to all Government MDAs.

## SECTION II - DEFINITIONS

1. **CPU:** Central Procurement Unit at MOFNP
2. **Effective Date:** the date as of which the Policy enters into effect.
3. **GPS:** the Government Procurement Strategy approved by Cabinet in August 2013.
4. **PFMA:** the Public Finance Management Act 2002
5. **PPR:** the Public Procurement Regulations 2010
6. **MDA :** Ministries, Departments and Agencies (MDAs)
7. **Minister:** the Minister for Finance and National Planning.
8. **MOFNP:** Ministry of Finance and National Planning.

## SECTION III - SCOPE

### 1. **Background of the Policy.**

**Background.** PFMA section 44 mandates the Minister to make regulations for the proper and efficient administration of the Act. In October 2010, the Public Procurement Regulations (PPR) was promulgated. Then a review in 2013 identified that, although generally sound, the PPR have some gaps to be filled and aspects that could usefully be further elaborated. The review also identified a number of areas where provisions in the PPR have not been implemented and concluded that the current decentralized approach to the conduct of procurement has not worked well amongst others. Therefore, a partial centralized model be implemented hence the new procurement threshold approach.

#### SECTION IV - POLICY

1. Procurements value of \$3,000 to \$7,500 is to prepare by MDAs and submit to the Central Procurement Unit (CPU) for endorsement of process only.
  - 1.1 MDAs are to comply with the procurement regulations for all procurement within this range.
2. Procurements value above \$7,500 is to prepare by MDAs and submit to CPU for processing.
  - 2.1 The CPU is to prepare bidding documentation and manage the approach to market, bid evaluation and contract negotiations.
  - 2.2 Once the CPU processing is completed and a procurement contract is signed, MDAs are to carry out contract management, supervision of consultants, constructions and deliveries.
3. The policy applies to all government and donor funded procurements unless otherwise specified in the donor funding agreements or other validated agreements.

#### SECTION V - EFFECTIVE DATE

The Policy is effective as of 1 July, 2014.

#### SECTION VI - ISSUER

The Issuer of this Policy is the Chief Executive Officer for Finance and National Planning.

#### SECTION VII - CONTACT AND ACCESS

1. **Contact.** For questions relating to this Procurement Policy, please contact the MOFNP Procurement Team at [procurement@finance.gov.to](mailto:procurement@finance.gov.to) or Treasury Team at [treasury@finance.gov.to](mailto:treasury@finance.gov.to).
2. **Access.** The Policy can also be accessed at <http://www.finance.gov.to/publications/treasury-circulars/index.html>

#### SECTION VIII - RELATED DOCUMENTS

1. Public Finance Management Act 2002.
2. Public Procurement Regulations 2010.
3. Treasury Instructions 2010.
4. Government Procurement Strategy approved by Cabinet in August 2013.



**MINISTRY OF FINANCE AND NATIONAL PLANNING**  
Government of Tonga

# Budget Guidance

## Cash Flow Forecast

**Access to information**

Government

**FFD Reference Number**

BG\_1\_CFF\_2014-15

**Issued and effective**

1 July 2014

**Content**

Instructions on Cash Flow Forecasts 2014/2015

**Applicable to**

Chief Executive Officers and staff of accounts/budget divisions of all Ministries, Departments, and Agencies

**Issuer**

Chief Executive Officer for Finance and National Planning  
Ministry of Finance and National Planning

## SECTION I- PURPOSE AND APPLICATION

1. The Guidance provide background and generally explains the preparation of the cash flow forecast for the current Financial Year 2014/2015 by ministries, departments and agencies (MDAs) as required by the Public Finance Management Act (PFMA).
2. The Guidance applies to Government MDAs.

## SECTION II- DEFINITIONS

1. **Contracts** : All contracts approved ..... Before entering into any contracts that may commit public money, MDA is to be satisfied that:
  - it has the authority to enter into such contract;
  - it has acted in accordance with the PFMA where relevant; and
  - the spending proposal has been approved in accordance with the Public Procurement Regulations and, if required, agreement obtained.
2. **Effective Date** : the date as of which the Guidance enters into effect.
3. **Minister** : the Minister for Finance and National Planning.
4. **MOFNP** : Ministry of Finance and National Planning.

## SECTION III- SCOPE

1. **Background and General Explanation of the Guidance**
  - a. **Background.** PFMA section 14(3) mandates the Minister for Finance to make funds available to the respective (MDAs') Votes according to the cash flow forecasts agreed between the Minister and the Minister responsible for the Vote. In any case where agreement cannot be reached, the Cabinet will provide the appropriate direction.
  - b. **Format.** The cash flow forecast is to be in the format provided by the MOFNP Budget Division.

## SECTION IV- GUIDANCE

1. The cash flow forecast is to prepare and submit by MDAs at the 3-tiers level for Financial Year 2014/2015 in accordance with your respective approved budget allocations:
  - Program Level;
  - Sub-Program Level; and
  - Vote Level

2. MDAs are to prepare and submit realistic monthly cash flow forecast for both revenue and expenditure. This related forecast should already incorporate MDA's respective **procurement plans**. The forecast should also be reliable and does not lead to unnecessary borrowing costs to government.
3. The cash flow forecast indicates the amount that would be available to MDA respective vote in each month. Any variations from that month forecast amount is to inform and submit to the MOFNP's Budget Division for consideration.
4. MOFNP will set a monthly spending ceilings for those MDAs who do not submit cash flow forecast by the deadline.

#### SECTION V – EFFECTIVE DATE AND DEADLINE

1. **Effective Date.** The Guidance is effective 1 July, 2014.
2. **Deadline.** The deadline for submission of the cash flow forecast for FY 2014/2015 to MOFNP Budget Division is by ***4:30pm, Wednesday 10 September 2014.***

#### SECTION VI – ISSUER

The Issuer of this Guidance is the Chief Executive Officer for Finance and National Planning.

#### SECTION VI – CONTACT AND ACCESS

1. **Contact.** For questions relating to this Treasury Guidance, please contact the MOFNP Budget Team at [budget@finance.gov.to](mailto:budget@finance.gov.to) or MOFNP Treasury Team at [treasury@finance.gov.to](mailto:treasury@finance.gov.to).
2. **Access.** The Guidance can also be accessed at <http://www.finance.gov.to/publications/treasury-circulars/index.html>

#### SECTION VII – RELATED DOCUMENTS

1. Public Finance Management Act 2002.
2. Treasury Instructions 2010.