Minister for Procurement Paul Henderson said today Government agencies who do not pay their bills within 30 days will face interest penalties in a move to make sure businesses are not kept waiting.

"As of today, the Government will adopt a stronger approach to ensuring agencies pay bills within 30 days of receipt, unless the accounts are the subject of a dispute or specific contractual arrangements," Mr Henderson said.

"Government agencies have 12 months to make sure they have adopted this new approach."

"After that time, bills left unpaid after 30 days, unless they are under dispute or a special payment arrangement, agencies will have to pay an interest penalty to the company left waiting."

The Government spends $750 million a year on goods and services from the private sector, but historically only 80% of bills are paid within 30 days, and 96% are paid within 60 days.

Mr Henderson said it was not clear which portion of the unpaid bills were the result of agency error, and the 12-month grace period has been given to allow agencies the chance to iron out errors in their practices.

"I know that a number of the invoices left unpaid are the subject of a query or, in a few cases, a genuine dispute," he said.

"But for the businesses kept waiting, an unpaid bill can lead to significant opportunity costs, and this Government thinks that’s not good enough."