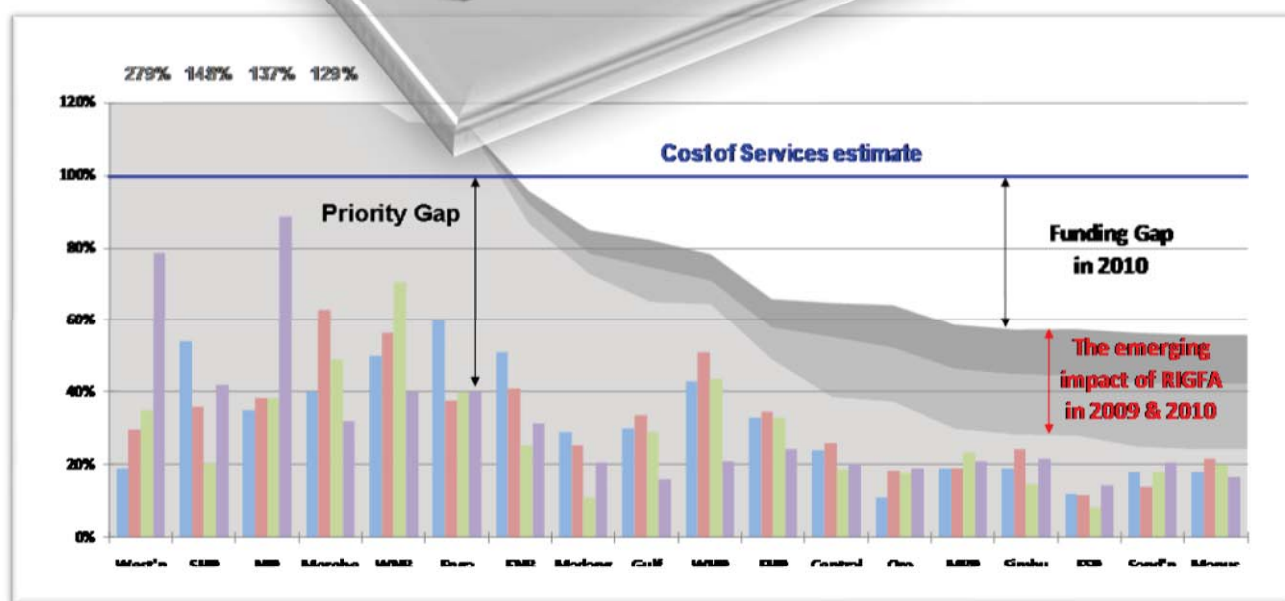


Annual Report 2009



National Economic and Fiscal Commission



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FOREWORD



Nao Badu – CEO/Chairman

It is with great pleasure that I present the National Economic & Fiscal Commission Annual Report 2009 as required by the *National Economic and Fiscal Commission Act*.

At the outset, I must commend the staff of NEFC Secretariat for working tirelessly in achieving the set objectives of the NEFC for 2009.

I would like to also thank the relevant stakeholders for their support in enabling NEFC for its achievements in 2009 as reflected by the significant number of programs accomplished as part of the NEFC overall strategy to implement the reform of intergovernmental financing arrangements (RIGFA).

In addition to work on cost of services, NEFC together with the Provincial and Local-Level Service Monitoring Authority (PLLSMA) have worked to provide a clearer assignment of service delivery functions and responsibilities of provincial and local-level governments. A PLLSMA sub-committee finalised a review on function assignment that gave a clear understanding on the distribution of responsibilities among the three tiers of government to avoid confusion on who is responsible for what, and to ensure that funding follows function. The results of the review were endorsed by PLLSMA and approved by Cabinet in June this year. The final product has been the issuance of a Governor-General's Determination, published in the Government Gazette.

Under the legislation, the new system requires that monitoring and reporting of the expenditure on the different types of grants, including service delivery function grants take place. The normal process for this to happen is through Department of Treasury's quarterly budget reviews. Further details and clarification on monitoring and reporting responsibilities have been covered in the Budget and Expenditure Instructions 2008 issued by the Secretary for Treasury. Among many other considerations, the Instructions also spell out

the possible sanctions that can be imposed in the event that grants are not used as originally intended. The second set of budget and expenditure instructions to be released by the Secretary Treasury are intended to go beyond the requirement to just budget for 11 Minimum Priority Activities. Provinces will in 2010 have to report against specific indicators in order to demonstrate actual performance. A review by the NEFC on compliance shows that provinces are gradually getting used to the idea of reporting on their expenditure and outputs, based on the Minimum Priority Activities.

The 2007 Provincial Expenditure Review (PER) was launched in early 2009 and the 2008 PER was completed in 2009 (and launched in January 2010). These reviews provide a comprehensive overview of expenditure of each province from all revenue sources. It revealed that the funding gap continued, but that this is now being addressed by the implementation of the new system of intergovernmental financing which is directing more resources to the provinces that do not have enough of their own resources to meet the cost of delivering core services. The review re-emphasised that provincial governments and administrations need to address the priority gap by choosing to reallocate their own resources to support the MTDS priority sectors. Furthermore, provinces can use the NEFC Cost of Services Study data as a guide to how much recurrent funding is required to deliver core services in their province.

Although the NEFC is currently concentrating on reforms of provincial recurrent expenditure, any expenditure incurred on infrastructure and staffing do significantly affect recurrent costs in the future. In terms of spending for service delivery, this also means that funding for recurrent goods and services has often been compromised in the name of funding for administration, capital projects and development schemes.

In 2009, NEFC also completed a preliminary analysis of funds allocated through development budget Additional Priority Expenditures and Supplementary Budget for years 2003 to 2007. Even though the report is confined to appropriations, it provides an invaluable insight into the sectoral and geographic distribution of development resources over that period.

In conclusion, the Government is now starting, through the new system of intergovernmental financing, to address the funding gap faced by most of the provinces. Provinces now also need to do their part to ensure the additional funds are spent wisely and that they better prioritise the funding already available to them in order to improve service delivery.

Nao Badu
Chairman and CEO

STATEMENT OF PURPOSE

The National Economic and Fiscal Commission (NEFC) is a Constitutional Office provided for under the *Constitution* and the *Organic Law on Provincial Governments and Local-level Governments*.

Its roles and functions are spelled out specifically in Section 187H of the *Constitution* and in the *National Economic and Fiscal Commission Act*.

Roles

The overarching role of the Commission is to provide advice to the government on intergovernmental financing. The *Intergovernmental Relations (Functions and Funding) Act 2009* gives the NEFC a number of specific responsibilities. The most important responsibility of the Commission is to provide advice to the Treasurer on the amount of funding that Provincial Government should receive for recurrent non-salary grants.

Vision

The NEFC **vision** is “to provide quality independent and objective advice to the National Executive Council which will result in Equitable Distribution of Development Opportunities, Economic Growth and Prosperity for the people of Papua New Guinea”.

The mission statement is to ensure that;

- a. National economic growth and the allocation of scarce resources are focussed on sustainable development, and
- b. The opportunities to benefit from that development are distributed in an equitable manner.

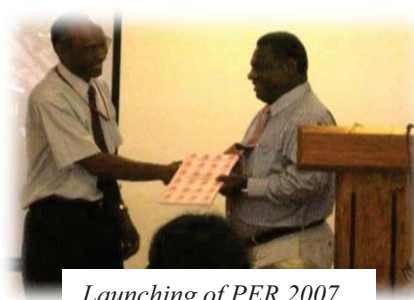
The strategic areas are:

- (1) Independent and Objective Policy Advice to Government
- (2) Promoting Transparency in Governance

The objectives are:

1. **Providing Independent and Objective Policy Advice to Government.**

Particular focus is placed on;



Launching of PER 2007

- a. Key macro/micro-economic and equity issues, particularly Intergovernmental Financing Arrangements
- b. Economic development strategies,
- c. Fiscal management and policies.

2. Promoting Transparency in Governance

Particular focus is placed on;

- a. Transparency of Intergovernmental Financing,
- b. Development of a sound Gradation System for classifying provinces and districts.
- c. Recommendations on the equitable allocation of grants to Provinces and Local-level Governments based on sound economic and fiscal criteria.
- d. Monitoring of adherence to established public accounting rules and procedures.



*Highlands Regional Workshop
Mt Hagen, April 2009*



Launching of PER 2007

ORGANISATIONAL STRUCTURE

National Economic and Fiscal Commission

Under Section 187H of the Constitution and with Section 117 of the Organic Law on Provincial Governments and Local Level Government, the Commission was made up of many Commissioners and proved to be unwieldy.

An amendment to the Organic law on Provincial Governments and Local-level Governments and the National Economic and Fiscal Commission Act in 2008 reduced the Commission to a minimum of two members plus the CEO of the NEFC who is also Chairman of the Commission.

In October 2009, Treasurer Hon Patrick Pruaitch agreed with the nominations for the Commission and has agreed to take these to the National Executive Council for their consideration.

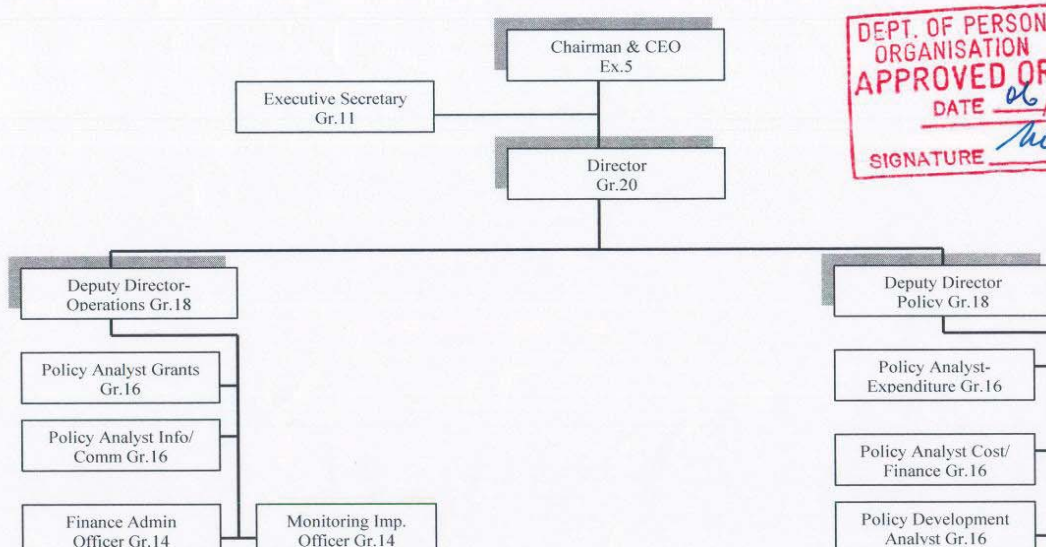
Secretariat to the National Economic and Fiscal Commission Structure

The Commission is supported by a Secretariat of twelve people. The Structure of the Secretariat was approved by the Department of Personnel Management in 2007. This structure has been implemented by the Secretariat through open advertising and recruitment.

Vacancies filled in 2009 were the Executive Secretary, Deputy Director (Operations and Policy Analyst. In addition to the approved structure, two (2) casuals employed to assist the office operations.



Front Row: R. Sorame, P. Willie, E. Belapuna, E. Babate, I. Airi
Middle Row: N. Henao, Dr N. Badu, P. Painap, F. Kore
Back Row: H. Suve, D. Kui, N. Douglas, M. Ranu

APPROVED ORGANIZATIONAL STRUCTURE**NATIONAL ECONOMIC & FISCAL COMMISSION SECRETARIAT**

Review of Reforms of Intergovernmental Financing 2009



Following ten years of consultation, empirical research and economic modelling, a comprehensive legislative reform package was developed. This Reform of the Intergovernmental Financing Arrangements (RIGFA) has started to have a positive impact on the recurrent goods and services budget provided from the National government to provincial governments.

RIGFA can be explained as follows;

- Under the new system approved by Parliament on 16 July 2008 and the *Ordinary Act* passed in 2009, the amount of funding to be shared amongst provincial and local-level governments (the equalisation amount) is now based on a percentage of resources available to the government. This is known as Net National Revenue (NNR), which is the total tax revenue received by the government after excluding mining and petroleum revenue.
- In the Ministerial Determination for 2010, the equalisation amount was K207.3 million, an increase of K30.3 million from last year. The Determination provided for a guaranteed amount for each provincial and local-level government, the equivalent of K103.7 million for provincial governments and K39.0 million for local-level governments. These guaranteed amounts are necessary as all provincial and local-level governments, will for the first five years of the new system, not receive less than the combined total of goods and services grants and GST than they received in the 2008 budget. It also provided for the balance of the funds of K64.5 million to be distributed amongst the provincial and local-level governments on a needs basis.
- Following the Ministerial Determination, the NEFC calculated and recommended to the Treasurer individual allocations for each provincial and local-level government (called the individual province share or individual local level share) along with recommended allocations for the different service delivery function grants. These ceilings were then provided to the provincial and local-level governments by Treasury for the purpose of preparing their 2010 budgets. Provinces were then given the opportunity to vary the distribution of these funds among the different function grants, but only within the total overall amount for that province. Once this process of negotiation was completed, the Treasurer issued the Function and Administration Grants Determination that locked in the level and distribution of funding for each province for 2010.
- In determining the “need” of a province, all revenues received are counted, and then compared with their estimated costs of delivery services. The main sources of revenue in a province are

national government grants, GST, licences, fees, taxes, commercial activities, mining and petroleum royalties and dividends. For the purpose of calculating grants, NEFC's assessed revenue for 2010 is K316.4 million, an increase of K6.3 million from last year. NEFC's estimates of the cost of delivering basic services in each province are based on the work done in the 2005 costs of services study. The costing has been kept current by applying the relevant inflation and population indices for each year using 2005 as the base year. The costs estimated are only those related to recurrent goods and services and exclude personnel emoluments and development expenditures. The study involved an in-depth review of how much the provinces should be spending to ensure service delivery takes place in the vital MTDS sectors in the rural areas. In 2009, work was undertaken by the NEFC to update the costs of service study. The new data should be available by late 2010.

- The estimated total cost of delivering a basic level of services in the provinces, districts and local governments was K599.8 million (in 2010 prices). This includes the costs of recurrent goods and services for transport infrastructure maintenance, education, health/HIV, agriculture, village courts and administration. This was against a projected total revenue envelope for the provinces and local-level governments in 2010 of K381.1 million.
- After estimating the costs of services and assessed revenue, the fiscal needs of provinces and a local-level governments was calculated. This is defined as the difference between estimated recurrent cost and assessed revenue.

Since the successful passage of amendments to the *Organic Law on Provincial and local-level Governments* in 2008 and the passing of the consequential amendments in 2009, the National Economic and Fiscal Commission is set to monitor that extra funding made available by National Government translates into improved basic service delivery.

The first year of implementation was in 2009. While many relevant government agencies and departments are contributing towards this course, NEFC has been able to achieve significant milestones with assistance from Department of Treasury and DPLGA in particular.

After the *Intergovernmental Financing Arrangements (Functions and Funding) Act 2009* was passed, consequential amendments were made to the:

- *National Economic and Fiscal Commission Act*, changing the membership and procedures of the Commission
- *Public Finances Management Act* relating to the repeal and replacement of Section 65 on Grants and payments to Provincial Governments and Local-Level Governments;

Implementation:

- **NEFC support to 2010 National Budget process**

NEFC's role in supporting the 2010 National Budget process was achieved by:

- (a) Preparation of advice on the equalisation amount to Treasury submitted by 31 March for the Determination by the Treasurer by 30th April;
- (b) The breakdown of grants for Provinces and LLGs was delivered to the Treasurer by 31 May.
- (c) Treasury continues to be supportive of the close partnership arrangements with NEFC that existed for the 2009 budget preparation.

- ***Increased Funding Allocation to Provinces***

In the 2010 Budget, Provinces and were given a total of a 22 percent increase in their Goods and Services Grants (K26 million) from 2009 Budget Allocations. This is on top of a 40 percent increase in 2009 (K34 Million) for Goods and Services from 2008.

Using the equalization method of distribution, funding was distributed equitably on a needs basis. In 2009, an amount of K177 million was allocated for the Equalisation Amount to be shared amongst the provinces and LLGs.

For 2010, the equalisation amount for distribution on the basis of need was increased to K207 million by the Government. This funding will enable provinces to better meet their cost of delivering services.

- ***Coordination with Central and Line Agencies***

Departments of Treasury and DPLGA and other line agencies are now focusing on improving budgetary processes. The increase in the Function Grants in 2009 and 2010 as a result of RIGFA are thus a great step forward in delivering services to the people of Papua New Guinea.

- ***Provincial Visitations***

As part of the communication roll out, officers from NEFC have been visiting the provinces to encourage them to increase their budget allocations and spending on core MTDS areas namely health, education, agriculture, transport infrastructure, and village courts.

- ***Regional Workshops***

These regional workshops are a centre-piece of the implementation of the reforms to the intergovernmental financing system focusing on:

- (a) Increasing the funding available for basic service delivery by provinces; and
- (b) Undertaking ongoing reform of budgeting, spending and reporting processes to make sure that this extra funding equals extra service delivery, especially in important areas such as basic health, education and maintaining our roads.

The regional workshops held at Port Moresby, Mt Hagen, Madang and Kavieng between June and September were hailed a success. The workshops were jointly facilitated by NEFC together with the Departments of Treasury, Finance and Provincial and Local level Government Affairs (DPLGA). The workshops were jointly funded by NEFC and AusAID.

Those who attended included provincial administrators, deputy administrators, sector managers, provincial treasurers and officials from the NEFC and the Departments of Treasury, Finance and Provincial and Local Level Government Affairs.

The workshops were hailed as successful by the provinces as they improved their capacity so they could better understand the changes required.

- **11 Minimum Priority Activities –**

In November 2008, Secretary of Treasury issued 2009 Budget and Expenditure Instructions to all Provinces. These were guidelines and conditions on how provinces must spend their Function Grants for Recurrent Goods and Services under the Reforms. The Budget and Expenditure instructions are summarised below but may be found at www.treasury.gov.pg

There are 11 core activities that all Provinces must deliver to their people and must be reflected specifically in their budgets and reports on spending. These Function Grants for the 5 core areas must include these activities:

- Health- facilities drug distribution, operation of rural health facilities and health outreach patrols and clinics;
 - Education-distribution of school materials, supervision of schools by district and provincial officers and operation of district education offices;
 - Transport Infrastructure Maintenance – airstrip maintenance, wharves and jetties maintenance for maritime provinces and roads and bridges maintenance;
 - Agriculture – extension activities for agriculture, fisheries and forestry; and
 - Village Courts – provision of operational materials.
- **Communication and Information Dissemination**
Information dissemination to all major stakeholders and relevant audiences including the media and civil society forms a crucial part of the implementation process. A series of publications and reports have been published and disseminated widely through the print and electronic media and presentations made at different levels of government and groups.

Provincial Expenditure Review (PER) 2007 sub-titled, “*Closing the Gap*” was launched and it highlighted the twin gaps of funding and prioritisation. It explained the steps that are being taken by the National Government through the intergovernmental financing reforms to address the funding gap and the steps that need to be taken by each province to address their own priority gap – the difference between the resources available to them and the amount they spent on basic services.

In an effort to improve **better transparency and accountability**, NEFC published two Warrant Releases of more than 60,000 copies in the national newspapers. The Warrant Release contains details of amounts of funding given to provinces and LLG for recurrent goods and services. NEFC

also participated in Quarterly Budget Reviews with Treasury. This year, NEFC has published the second **Fiscal Report** as part of the 2010 Budget Documents.

The Fiscal Report contains Grant Calculation advice for the provinces. By law, NEFC is required to publish a Fiscal Report as part of the Budget Documents to Parliament.

- **Budget and Expenditure Instructions**

This is an instruction paper from Treasury to Provinces outlining the conditions tied to the funding for 5 sectors and 11 MPAs.

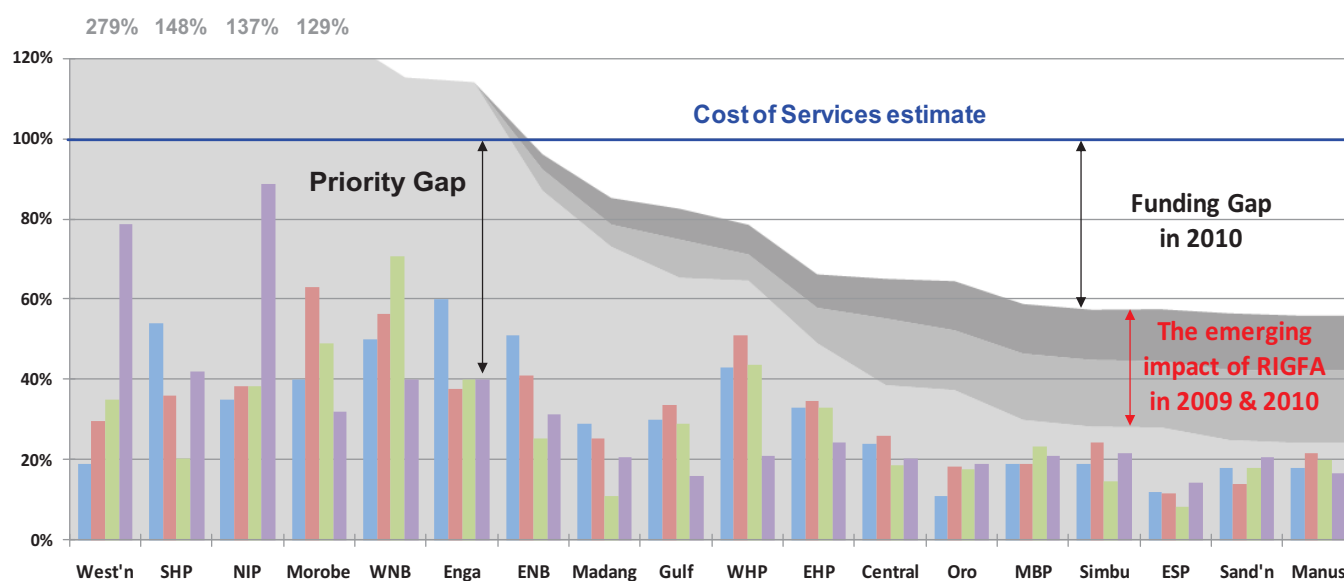
- **Provincial Expenditure Review 2008**

The PER 2008 was completed in 2009 and launched by Acting Chief Secretary on 26th January 2010. It is the fourth in a series of reviews of all Provincial Expenditures.

The annual Provincial Expenditure Review (PER) is a key output for NEFC. It analyses how and where provinces spent their total revenue for the preceding year.

The following graph depicts the estimated cost of services as well as provincial expenditures 2005 – 2008 on key service delivery sectors.

Graph 1: Closing the Gap¹



These expenditures were then compared to NEFC cost of service estimates and the MTDS priorities. The data used to create the graph above, is based on PNG Government Accounting System (PGAS) actual expenditure and revenue.

¹ The shaded area labelled 'the emerging impact of (Reform of Intergovernmental Financing Arrangements) RIGFA in 2009 & 2010' is for illustrative purposes. The 2009 area is 'actual' whilst the 2010 is the budgeted amount.

The 2008 PER also includes a score card which ranks provinces according to their expenditure performances. This is the most comprehensive and objective measure of provincial expenditure performance in PNG.

Communication of the findings of the PER to key stake holders is important to NEFC. This involves the preparation and publication of the report. These are then distributed to provinces, with presentations made at appropriate forums, including the Governors conference in Lae and the National Health conference in Goroka.

As the Provincial Expenditure Review is a part of Schedule 4 of the Governments of PNG and Australia Bilateral Partnership Agreement, NEFC continues to provide key performance indicator trends on an annual basis.

• **Update of Cost of Services Study**



The Cost of the Services study is a district by district survey of how much it costs to deliver basic goods and services in the provinces and districts in the country. The Cost of Services estimate is shown as the blue line on Graph 1 above. The first Cost of Services study was conducted in 2004 and it is being updated currently.² The data generated from this exercise is critical to annual grant calculation.

To collect new data, NEFC officers spent a week in each province, as well as covering the Autonomous Region of Bougainville and NCDC. In total, the teams interviewed

over 1,000 provincial and district officers on how and where they provided services. The results are a series of data on:

- District service delivery capacity including power, water, offices, housing
- Travel routes from provinces to districts to LLGs and the cost of travel
- The location and number of facilities for health, education, agricultural extension points, village courts and transport infrastructure.
- Prices survey on a standard basket of goods that are the essential inputs to service delivery in the provinces.
- Staff on strength, vehicles and boats by province and district.
- Comprehensive maps of each district showing the location of health, education and village court services. This information is then feeding into the Geographic Information System database at the University of Papua New Guinea Remote Sensing Unit. The Unit is in the process of loading this information into a set of Geobooks, one for each province, which will be released in mid 2010.

² The Cost Of Service is represented by the blue line in Graph 1 on p 12.

In 2010 this data will be fed into the costing model to provide an updated cost of services in the provinces.

- **Unit Costing Model (UCM)**

Monitoring expenditures and assisting provinces to improve on their budgeting is an ongoing activity. In 2007, NEFC developed a budgeting software tool that can simplify complex budgeting details and in doing so, helps provinces to budget realistically.

The UCM was initially piloted in two provinces; East New Britain and Sandaun. Other provinces also expressed interest in the model and want to use for their budgeting purposes. In 2009 ten provinces received customised models and received basic training on the use of the model.

- ***Function Assignment Determination***

One of the major problems of the decentralised service delivery system was confusion about which level of government is responsible for what. This is no longer the case as National Executive Council, in July 2009, approved a Determination which clearly spells out which level of government is responsible for providing what services.

The next step is to make sure that these functions and responsibilities are carried out by each level of government. The Provincial and Local-level Services Monitoring Authority (PLLSMA) will be responsible for overseeing the implementation of the Determination. PLLSMA is made up of heads of departments and other senior staff from key National service delivery agencies such as Health and Education.

It is important that Provincial Governments are involved in the implementation of the Determination. Provincial Coordination Monitoring Committees (PCMCs) will be responsible for improving the coordination among National Agencies in Provinces.

- ***Development Expenditure Review***

Although the Departments of National Planning and Monitoring, Finance and ORD are the responsible agencies for monitoring the Development Budget, NEFC initiated a project at the request of the Minister for Planning and Rural Development. The intention was to use the tools and approach used in the analysis of the recurrent budget to development expenditures. In 2009, NEFC completed its preliminary analysis of funds allocated through development budget, Additional Priority Expenditures, Trust accounts, and Supplementary Budget for years 2003 to 2007. Even though the report is confined to appropriations, it provides an invaluable insight into the sectoral and geographic distribution of development resources over that period.



Major Strategies for 2009

NEFC major strategies for 2009 were;

- Coordination with Departments of Treasury and Finance on grant calculations and PGAS analysis
- Monitoring through Provincial Expenditure Review 2007 & 2008;



- Unit Cost Model roll out.
- Coordination of Central Agencies to provide regional workshops on the reforms to provinces to build their budget capacity and understanding of Minimum Priority Activities (MPA)
- Communication strategy to improve information on RIGFA
- Information dissemination (warrant releases, Revenue Report, Fiscal Report) to improve transparency
- Update of 2005 Cost of Services

Outcomes of National Economic and Fiscal Commission 2009

In 2009, NEFC achieved the following outcomes:

- Legislation approved unanimously in Parliament to change the way funding is given to Provinces for service delivery
- With Treasury agreement, the funding gap is closing as shown in the Provincial Expenditure Review 2008
- Two provinces are now spending more than 70% of the cost of services (Western and New Ireland) on MTDS priorities
- Minimum Priority Activities are well understood by the vast majority of provincial sector managers, as shown by regional workshop evaluations
- NEFC provided Budget 2010 Grant Calculations to Treasury on time
- Function Assignment Determination endorsed by National Executive Council;
- In 2005 ten provinces wrongly spent more than 5% of function grants on salaries – in 2008, this has reduced to 5 provinces (halved)

- Unit Cost Model is being used in three provinces to provide more realistic budgets for recurrent costs

Legislated requirements for NEFC

Activities required by legislation that were achieved by NEFC in 2009 were:

- Provincial and local-level government grant calculations advice provided to Treasury by March 31 (on-time)
- Function and Administration Grants Determination signed by Treasurer in September, required before the Budget Screening Committee. This was delivered on time.
- Fiscal Report 2010 provided to the Treasurer on 3 November 2009 and tabled in Parliament as part of Budget 2010;
- Function Assignment Determination agreed through the PLLSMA sub committee and agreed by NEC in June 2009

Milestones of Reforms implementation

As a result of the work of the NEFC, in 2009 there is evidence that the Reforms are starting to take hold. Examples include:

- Some provinces included MPAs in their 2009 Budget as required by the Department of Treasury Budget and Expenditure Instructions November 2008
- NEFC developed a Standard Chart of Accounts for provincial expenditure and revenue in consultation with Treasury and provinces
- Second quarter budget reviews undertaken with Treasury which showed that there was improved understanding of service delivery reporting, and many provinces demonstrated an awareness of MPA and started performance reporting;
- Unit Costing Model training in key provinces to improve understanding of the actual cost of services; three provinces have started to use it for more realistic budgeting for service delivery
- Compliance of provincial budgets against the criteria of the Budget and Expenditure Instructions was undertaken and reported in the Fiscal Report
- Provincial Expenditure Review 2008 monitored expenditure throughout the RIGFA process.

Activity Reporting

The NEFC had an extremely busy year. The major activities are listed below:

- 250 provincial staff attended two day capacity building workshops in the regions
- RIGFA DVD replayed over multiple times on Kundu2 TV
- 1000 provincial and district staff interviewed on costs of services study
- Majority of District Administrators were interviewed regarding district service delivery and capacity (cost of services)

- 1000 copies of PER 2007 were distributed throughout PNG
- 700 Fiscal Reports were distributed to Parliament and provinces to provide transparency of NEFC grant calculations
- Provincial and LLG warrant releases information – 30,000 posters distributed in March and September throughout PNG with the daily newspapers;
- On average once month NEFC delivered a high level presentation on RIGFA in Waigani offices
- All provinces received presentations on the Provincial Expenditure Reviews
- Every six months, a presentation to donors
- Three international presentations on PNG RIGFA: Australia (May), Solomon Islands (November) and South Africa (May) to inform others of PNG progress towards decentralisation;
- All service delivery agencies in Waigani were consulted regarding the cost of services data.

Evaluating our Activities

Evaluating Regional Workshops

Following the Regional Workshops 2009, NEFC convened a forum of all those agencies that had taken part in the workshops. The aim of the exercise was to assess what had been achieved, what had been learnt and what we might do better next time. All agencies attended the evaluation meeting which was facilitated by NEFC.



The following are notes made at the evaluation workshop. The workshops had been held by regions as follows:

- Southern 9-10 June
- Highlands 23-24 June
- Momase 30 June – 1 July
- New Guinea Islands 7-8 July

Regional workshops purpose

Overview of Budget 2010, spending and reporting processes and procedures, including budgeting for minimum priority activities, s.119 reporting templates (annual performance reports to DPLGA)
- processes for quarterly reviews with Treasury.

Overview of some future changes to budgeting and reporting processes and procedures

- reporting on minimum priority activities
- ensuring adequate funding for minimum priority activities
- a consistent chart of accounts
- a report by provincial treasurers to provinces about spending and monies available

Chance for provinces to:

- contribute to proposals for a standard chart of accounts
- learn from each other about what works in managing service delivery
- ask questions to confirm understanding

Understand provincial spending on basic service delivery to date

At the end of the workshops, provinces made commitments to work towards:

- a consistent approach to chart of accounts
- ensuring adequate funding for minimum priority activities (MPAs)
- provincial reporting on expenditure and actual performance on MPAs
- provincial treasurers' providing timely useful information to provinces about actual spending and monies available.

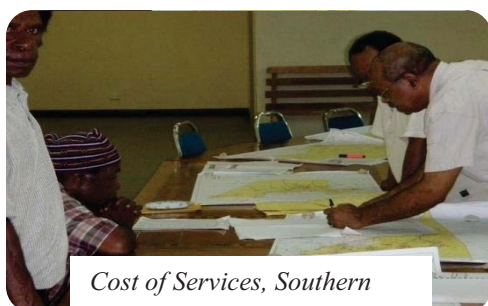
Feedback from provinces

When we asked provincial participants at the end of each workshop what worked for them – here is a summary of what they had to say

- *“The MPAs will help us focus on service delivery”*
- *“Interested in the UCM as a tool to help us budget more realistically”*
- *“Budget processes will be refined after this workshop to accommodate MPA”*
- *“We could compare our performance with other provinces (PER)”*
- *“Good opportunity to look at solutions while we were all together”*
- *“Positive to have central agencies working together with the provinces”*
- *“Helpful discussions around Chart of Accounts”*

What worked well during the workshops?

- Discussions with and by provinces – hearing their experiences on the ground
- Feedback on the budget processes for example, warrant release timing
- Good choice of participants: ideas + implementation. Positive consultation took place. These are the people who will implement the changes.
- Lack of information partly addressed through giving it directly to the sector managers
- Good to have the sector managers involved – better understanding and information, including how they access their funding.
- MPAs awareness and support e.g. comment to increase them to improve targeting and ring fence funding for service delivery.
- PER presentation – many provinces not aware of how they are performing
- Very good organisation behind the workshops
- Excellent funding support from SNS AusAID



Cost of Services, Southern Highlands Province



Southern Regional Workshop

FINANCIAL STATEMENT

STATEMENT OF RECEIPTS AND PAYMENTS

For the year ended 31 December 2009

	<u>NOTES</u>	<u>2009</u> (Kina)
<u>ADD RECEIPTS</u>		
Government Grant/Warrants	1	1,499,800.00
Grants & Other Assistance(SAP Funds)		0.00
		<u>1,499,800.00</u>
<u>LESS PAYMENTS</u>		
<u>OPERATING EXPENSES</u>		
Salaries & Allowances	2	498,746.32
Wages		94,592.00
Leave Fares		1,087.95
Direct Costs		
Travel & Subsistence		187,058.94
Utilities		61,067.43
Office Materials and Supplies		56,215.78
Operational Materials and Supplies		34,821.63
Transport and Fuel		54,272.14
Administrative Consultancies		0.00
Routine Maintenance		26,142.28
Overhead Costs		
Other Operational Expenses	3	336,220.76
Training		0.00
Retirement Benefits, Pensions, Gratuity etc		39,234.26
<u>CAPITAL EXPENDITURES</u>		
Office Furniture & Equipment	4	32,286.96
Purchase of Motor Vehicles	4	89,683.46
Construction, Renovation and Improv.		1,511,429.91
Journals		<u>12,146.96</u>
CLOSING CASH BALANCE AT 31 DECEMBER	5	<u>517.05</u>

Cash is included in the statement of cash receipts and payments comprises the following:

The NEFC does not operate its drawing bank account. The accounts of NEFC are handled by Department of National Planning & Monitoring. The NEFC operates on a single line item. Appropriations/Warrants are released and drawn from Vote Number 507-1201-1-101-143

1) Appropriation

Total monthly warrants released from Budget Division, Department of Finance

	Appropriation	Warrant/CFC	Expenditure	Difference
Recurrent Expenditure	1,500,000	1,499,800	1,499,283	517
<i>NPO PGAS</i>		1,481,000		
<i>Opening of NEFC operating account (BSP)</i>		18,800		
	1,500,000	1,499,800		

2) Salaries and Allowances

	Total
<i>Extract from concept print-out & PGAS</i>	498,746.32
<i>Casual wages, leave fares, gratuity</i>	134,914.21
	633,660.53

As salaries are paid through the DNPM concept payroll, sufficient provision is made in the NEFC budget to cover for these costs. These are then paid back into Consolidated revenue at the end of the year.

The amount paid through Concept payroll to be reimbursed to CRF is: **421,427.63**

This is being reimbursed from two sources:

a) The August warrant remitted into the NEFC operating account	18,800.00
b) The funds available at the end of the year in PGAS	402,917.63
	421,717.63

3) Other operational expenses

Expenditure for regional workshops, Printing of Provincial Expenditure Review, Printing & publications of quarterly reports	336,220.76
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4) Capital Expenditure

Expenditures for PGAS server and equipments -	32,286.96
Trade-In of Toyota Hilux together with Hyundai H100 & purchase of Toyota landcruiser	<u>89,683.46</u>
	121,970.42

5) PERCEIVED UNSPENT GOVERNMENT GRANT

Owing to the unique nature of the NEFC and the way its payroll is run (explained under salaries and allowances above), it may seem as if the NEFC has greatly underspent its appropriation.

This is not the case as careful management of funds throughout the year is required in order to ensure sufficient available funds remain at the end of the year to cover for the salaries paid through the payroll. The true value of unspent funds by the NEFC in 2009 was just K517.05

Current Publications of NEFC

Review of Provincial Revenues 2004-2007

Fiscal Report 2010

Provincial Expenditure Report 2008 “Walking the Talk”

Plain English Guide to the New System of Intergovernmental Financing

Minimum Priority Activity Posters and Provincial Expenditure Posters

Warrant Release information

Website for More Information

National Economic and Fiscal Commission publications can be downloaded from www.nefc.gov.pg



NEFC visit to children's ward December 2009