

NATIONAL ECONOMIC & FISCAL COMMISSION

2024 BUDGET FISCAL REPORT

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National Economic and Fiscal Commission

2024 Budget Fiscal Report

Foreword



I am delighted to present the 2024 Annual Budget Fiscal Report, marking the seventeenth edition of this annual publication by the National Economic and Fiscal Commission (NEFC).

The primary aim of the Annual Budget Fiscal Report is to establish a robust foundation for well-informed public policy. It centers on the fundamental objectives of fiscal decentralization, aligning with the government's development goals and the aspirational Vision 2050.

In pursuit of these objectives, both national and sub-national entities must strike a balance between driving economic growth and funding essential service delivery. This report facilitates a comprehensive understanding of how Provincial Governments generate, collect, and report their revenues, while also tapping into national government funding as outlined in the Intergovernmental Relations (Functions & Funding) Act of 2009.

A significant highlight this year has been the Intergovernmental Financing Arrangement Review-Regional Consultations undertaken by the NEFC, the Department of Treasury, and 11 other key agencies. Serving as the Chair of the PLLSMA Sub-Committee on IGFAR alongside my Co-Chair from the Department of Treasury (DoT), our task involved establishing a working Committee comprising thirteen crucial stakeholder agencies.

Progress in 2023 has been promising, with impactful consultative workshops held in the Four Regions of Papua New Guinea, concluding in the Southern Region.

It is understood that the current system faces challenges, many of which have been discussed in previous editions of this report. Systematic addressing of these issues took place through the Review, incorporating collective perspectives from provincial administration representatives, Districts, Provincial Health Authorities, City Authorities, Local-Level Governments, and various members of the civil society.

The Review is envisioned to pave the way for gradual improvements in the system in the years to come.

Throughout, the NEFC remains steadfast in its role as an independent advisor to the government on fiscal and economic matters, particularly on agendas related to intergovernmental financing reforms.

In conclusion, I extend the Commission's hope that this publication proves valuable to readers and decision-makers. We welcome any observations or suggestions that may contribute to enhancing the utility of this publication.

A handwritten signature in blue ink, appearing to read 'P. Kennedy Painap', written over a horizontal line.

Patrick Kennedy Painap
Chairman & Chief Executive Officer

Executive Summary

Every year, as mandated by law, the National Economic & Fiscal Commission (NEFC) must present a report on its operations and the determination of function grants for Provincial and Local Level Governments (LLGs) to the Government and Parliament through the Minister for Treasury. The Annual Budget Fiscal Reports, in accordance with Section 69 of the Intergovernmental Relations (Functions and Funding) Act 2009 and Section 117 (9) of the Organic Law on Provincial & Local Level Governments, are obligated to be submitted to Parliament by the Minister for Treasury.

The following is a summary of the 2024 Fiscal Report giving the function grant determinations for 2024 and other key operational achievements of the NEFC in 2023. More detailed information on these milestones is given in the subsequent sections of this report.

The story on the reforms of intergovernmental financing arrangements spans over a decade. It is a story of how our intergovernmental financing system was built upon the principle of equalization and the fundamental belief that funding must always follow functions. Although the system has proven us well over the years, we must also acknowledge that a lot has happened over the course of this reform process.

Since 2009, over K7.8 billion has been given in function grants with an additional K7 billion in GST. These are just two fiscal transfers alone, but when you consider the SIP funds, PIP, and donor grants to the sub-nationals, the total envelope of fiscal transfers has been enormous.

The increased funding over the years has provided a vital lifeline for our service delivery mechanisms. However, with this increased funding, it becomes our collective responsibility to ensure that these resources are not just financial injections but catalysts for service delivery.

The total Function Grant Determination for 2024 is K771.3 million, an increase of K129.3 million from the previous year. The following summary table shows the function grant allocation for 2024 compared to 2023.

(Kina in millions)	2024	2023	Variance
Provincial Government Function Grants *	K655.6m	K571.4m	K84.2m
Local-Level Government Function Grants	K115.7m	K70.6m	K45.1m
Total	K771.3m	K642.1m	K129.2m
<i>Major Sectors</i>			
Health	K133.3m	K116.7m	K16.6m
Education	K155.1m	K134.9m	K20.2m
Transport Infrastructure	K194.6m	K170.3m	K24.3m

* This includes the health function grants which now go directly to the Provincial Health Authorities (PHAs) and not through the provincial governments.

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List of Abbreviations

BEI	Budget Expenditure Instructions
CoSS	Cost of Services Study
DFAT	Department of Foreign Affairs & Trade
DoT	Department of Treasury
DDA	District Development Authority
DPM	Department of Personal Management
DPLGA	Department of Provincial & Local Level Government
DSIP	District Services Improvement Program
EA	Equalization Amount
GST	Goods & Services Tax
IFMS	Integrated Financial Management System
IGFAR	Intergovernmental Financing Arrangement Review
IRC	Internal Revenue Commission
LLG	Local Level Government
MPA	Minimum Priority Activities
MRA	Mineral Resources Authority
MTDS	Medium-Term Executive Development Strategy
NEC	National Council
NEFC	National Economic & Fiscal Commission
NNR	Net National Revenue
PEFA	Public Expenditure & Financial Accountability
PGAS	Papua New Guinea Government Accounting System
PHA	Provincial Health Authority
PLLSMA	Provincial & Local Level Services Monitoring Authority
PSIP	Provincial Service Improvement Program
RIGFA	Reform of Intergovernmental Financing Arrangement
TFF	Tuition Fee Free
TWG	Technical Working Group

CHAPTER ONE: FINANCING SERVICE DELIVERY IN PNG

Papua New Guinea's intergovernmental financing framework was established with the explicit purpose of addressing disparities among its provinces. The national government, cognizant of the crucial role of service delivery, strives to make necessary adjustments while upholding the principle of equity for all Papua New Guineans. This consideration is crucial in light of the perceived social and economic differences among provinces.

Operating within a highly centralized system, the national government generates approximately 95% of the total tax revenues. In parallel, provincial governments, within their capacity, generate their own source revenues. However, certain revenue sources have been prohibited for provinces to collect, primarily to prevent duplications. The Internal Revenue Commission (IRC) imposes prohibitions on beer and cigarette taxes, as these are already part of the Goods & Services Tax.

The financial transactions between PNG's three-tier government levels are governed by legislation and guidelines. These legal frameworks delineate the responsibilities of each level of government for specific services and activities. Additionally, they guide how provinces and Local Level Governments (LLGs) can raise revenues.

Recognizing the differences among sub-national levels of government, the system aims to rectify imbalances inhibiting service delivery within provinces. Two key imbalances addressed by the system are horizontal fiscal imbalances, about differing tax revenues and government spending requirements, and vertical fiscal imbalance, associated with provinces' inability to raise revenues in line with their responsibilities.

In contrast to horizontal fiscal imbalances, where the system mitigates disparities, the inability of provinces to raise significant revenue necessitates centralized tax collections by the national government. This positions provinces to focus primarily on delivering services. The intergovernmental financial relations framework addresses both types of fiscal imbalances while also serving broader purposes, such as the national coordination of policies.

The coordination of national policies within the intergovernmental arena has witnessed structural changes in recent years. Various government interventions introduced in the last decade have directly impacted the functions and funding of sub-national levels of government. These interventions are governed by key pieces of legislation, including the Organic Law on Provincial and Local Level Governments, the City Authority Act, the PHA Act, the DDA Act, the Fiscal Responsibility Act, and other Acts not explicitly specified.

1.1 The Fiscal Gap

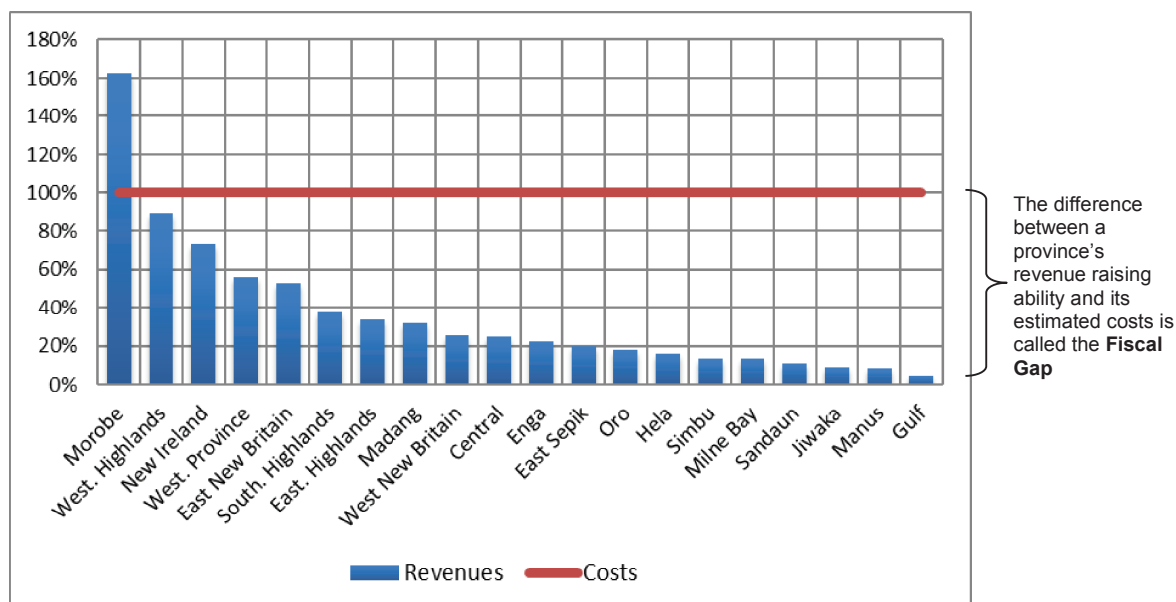
The determination of Function Grants occurs annually through the application of a legislated formula by the NEFC. This formula carefully considers the respective levels of responsibility held by both national and sub-national governments in delivering services to communities. Notably, variations in cost levels across provinces are attributed to the unique characteristics each province possesses. These discrepancies arise due to factors such as population size and the geographical accessibility of areas within the province.

To align with the levels of responsibility and characteristics of provinces, the NEFC conducts a comprehensive costing exercise every five years. This exercise evaluates critical activities undertaken by provinces, ensuring a proportional consideration of their distinct features.

Following the establishment of provincial costs, the national government engages in a review of funding arrangements. However, provincial autonomy in revenue generation is constrained by limitations on the types of taxes they can impose. This limitation is primarily driven by concerns related to duplication, emphasizing the centralized role of the national government in tax-related activities.

The restrictions imposed by the IRC on provincial revenue-raising capabilities create a disparity between the costs associated with delivering government services and the financial resources accessible to provinces for funding those services. This disjunction is commonly referred to as the Fiscal Gap. A visual representation of the fiscal gap for the year 2024 is provided in the graph below for reference and analysis.

Figure 1: Fiscal capacity of Provinces compared to their estimated costs



1.2 Reforms on Intergovernmental Financial Arrangements (RIGFA)

The national government's interest in the funding flow to provinces has long been a priority. Before 2009, provinces received funds through a "Kina per Head" system, leading to an unequal distribution where some provinces received a substantial portion of funds while others received less. This resulted in a significant "Fiscal Gap" for several provinces, creating an inequitable distribution of funds.

Provinces with substantial revenue sources, such as mines and other taxable economic activities, received more revenue than necessary for basic service provision. To address this imbalance and adhere to the principle of equal distribution, an Act was necessary. This Act, which aimed at a more comprehensive revenue-sharing arrangement among different levels of government, was passed. The reform of the old system was officially approved by Parliament on July 16, 2008, through the Ordinary Act of 2009.

The reformed system brought about significant changes, particularly in revenue sharing based on a percentage of the government's available resources. The distribution of funds among provinces also transformed. The new formula, now based on the NEFC's cost estimates, determines each province's share of funds. A decade later, the outcome is a notable increase in funding to all provinces, with a particular emphasis on those with lower fiscal capacity

1.3 Types of Grants

Over the last decade, the national government has been providing provinces with three main types of grants, namely:

The staffing grant. Public servant salaries and allowances are funded by the National Government regardless of whether they are provincial or national staff. The single government payroll means that administratively the payments are made directly between the National Government's payroll system and the employee. To maintain budget integrity, each province is provided with a staffing grant that sets out the ceiling that is available for personnel emoluments, and the staffing structure of each province is approved by the Department of Personnel Management (DPM). The management of the staffing grant is highly centralized and is managed by the DPM and the Department of Treasury (DoT).

Development funding. Capital and human development funding is provided through a range of grants. These are projects specific while others are devolved grants provided for a range of activities. The Provincial Services Improvement Program (PSIP) provides each province with K5 million per District. The District Services Improvement Program (DSIP) provided K10 million per District. Guidelines for the use of these funds direct that certain percentages must be allocated into sectors (health, education, infrastructure, etc.) but the specific projects are left to the discretion of decision-making committees in the respective Provinces, Districts, LLGs, and Wards.

Recurrent funding (function and administration grants). To provide basic services, each level of government requires funding for goods and services. These include items such as fuel to undertake patrols or materials for maintenance. The NEFC recognizes that without sufficient recurrent funding, service delivery for rural communities is ineffective. The national government provides a set of *Function Grants* that provide extra recurrent funding to those provinces with the lowest fiscal capacities. It is expected that those provinces with high internal revenues can fund a larger portion of their recurrent costs.

Recurrent funding was the focus of RIGFA and is the main concern of the NEFC. Chapters 2 to 5 of this report outline the process for determining the Function Grants and the amounts for 2024.

1.4 Role of the NEFC

The NEFC serves as an advisory body to the government, specifically addressing intergovernmental financing matters within Papua New Guinea. Its primary function is to provide recommendations regarding the allocation of function grants among the Provinces and LLGs. The subsequent distribution of these function grants is determined by the Treasurer, who relies on the advice furnished by the NEFC.

From a technical standpoint, the NEFC engages in a comprehensive analysis to grasp the cost pressures experienced by each province and assess their respective self-generated revenues. Employing a legislatively defined formula, the NEFC meticulously computes the share entitled to each province and LLG. This calculation is guided by a set of principles, which are elucidated in Chapter 4, detailing the procedural intricacies of how the NEFC allocates Function Grants.

CHAPTER TWO: EQUALIZATION AMOUNT

Each year, provinces anticipate a set minimum funding, known as the "Equalization" amount, as part of the Function & Administration Grants. This funding pool, outlined in Section 19 of the Intergovernmental Relations (Functions and Funding) Act 2009, is subsequently distributed among individual provinces and Local Level Governments (LLGs). In the upcoming 2024 Budget, the calculated Equalization amount stands at **K771.3 million**, with detailed calculations provided on page 11.

Since the transitional period, a fixed prescribed percentage of 6.57% of the Net National Revenues (NNR) has dictated the funding allocation. Consequently, the available funds for provincial and local level governments fluctuate in proportion to the NNR relative to this prescribed percentage. The NNR represents the national government's total tax revenue, excluding income from mining and petroleum taxes. The Reform on Intergovernmental Financing Arrangement (RIGFA) underscores the importance of fair revenue-sharing arrangements between the national government and provincial and local level governments. In essence, higher NNR in a given year results in increased funding for provincial governments and LLGs, while lower NNR leads to reduced funding for these entities.

2.1. Calculation of the Equalization Amount- 2024

The Equalization Amount, a pivotal aspect outlined by the Intergovernmental Relations (Functions and Funding) Act 2009, follows a defined formula. This amount serves as the funding pool earmarked for fair distribution among provincial and local level governments. To derive the Net National Revenue (NNR), concrete data from the second fiscal year prior is employed. In the case of the 2024 calculation, the Treasury Department's 2022 Final Budget Outcome, typically disclosed on or before March 31st, was utilized.

A preliminary assessment of the equalization amount for the upcoming fiscal year is submitted to the Secretary for Treasury by March 31st. The Secretary holds the authority to augment this sum. According to the Act, the Secretary of the Treasury is mandated to communicate the revised estimate to the National Economic & Fiscal Commission (NEFC) on or before April 30th of the same year. It is crucial to note that this 'equalization amount' estimate represents a baseline, capable only of being increased, not diminished.

The following formula illustrates section 19 of the Act.

General tax revenue for 2021	-	Mining and petroleum tax revenue for 2021	=	Net National Revenue
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Where: -

“General tax revenue” is the total amount of tax revenue received by the national government in the second preceding fiscal year; and

“Mining and petroleum tax revenue” is the total of the following amounts received by the National Government in the second preceding fiscal year: -

- (a) Gas income tax within the meaning of the *Income Tax Act 1959*.
- (b) Mining income tax within the meaning of that Act.
- (c) Petroleum income tax within the meaning of that Act.
- (d) Any other tax imposed concerning any gas, mining, or petroleum activity.

Being highly volatile in nature, the Mining and Petroleum Tax Revenue is usually excluded to maintain stability in the province’s pool of funding and stabilize the amount of funding to Provinces and local-level governments.

The following table shows how the NNR amount for 2024 was calculated:

Act Definition	Final Budget Outcome equivalents	2021	2022	Difference
Total Tax Revenue	Tax revenue	10, 408.2 million	15, 776.2 million	5, 368.0 million
Mining and petroleum tax revenue	Mining and petroleum taxes	635. 4 million	4, 036.1 million	3, 400.7 million
EQUALS (=)				
		2023 Budget	2024 Budget	
Net National Revenue Amount		9, 772.8 million	11, 740.1 million	1, 967.3 million
Equalization Amount		642.1 million	771.3 million	129.3 million

For the 2024 Budget, the minimum funding level for the equalization amount is calculated according to the following formula in Kina million:

Net national revenue for 2022 X 6.57% = NEFC estimate of 2024 equalization amount

K 11, 740, 100 x 6.57% = K771, 324, 570

The total amount for 2024 (K million) has increased by **K129.3 million** higher than the 2023 total funding amount (**K642.1 million**). The increase is primarily due to high total tax revenue collections in 2022 compared to 2021. Given the increase in the 2024 total funding, most provinces' funding is expected to have some significant increases.

2.2. Apportioning the Equalization Amount between Provincial and local-level Governments

Equalization Amount

The Ministerial Determination that was issued by the Treasurer splits the equalization amount of **K771.3 million** as follows;

Local Level Share

The Local-level share is the proportion of the equalization amount to be distributed amongst all rural and urban LLGs. As stated in the Ministerial Determination, the share is about 15% of the 2024 Equalization Amount.

Overall, for the 2024 Budget, LLGs will receive funding of **K115.7 million**.

Provincial Share

The provincial share is the amount remaining after deductions are made from the local level share on the Equalization Amount. The share will be distributed amongst all provinces through Function and Administration Grants.

Available funding for Provincial Governments from Ministerial Determination		
2024 Equalization Amount	K771.3 million	100.00%
<i>(Less) LLG Share</i>	<i>K115.7 million</i>	<i>15%</i>
<i>Provincial Share</i>	<i>K655.6 million</i>	<i>85%</i>

As shown in the table above, for the 2024 Budget, provinces will receive a total funding of **K655.6 million**. The two components are funded from the equalization amount (EA) and distributed based on need.

CHAPTER THREE: RECOMMENDATIONS

Recommendations for allocating Function and administration Grants to Provinces and LLGs are communicated to the Treasurer through the Ministerial Determination. These recommendations, specifically for provinces, are broken down based on distinct service delivery function grants, such as those for health or infrastructure maintenance. Provinces have some flexibility within their overall sectoral ceiling, allowing them to propose minor adjustments among function grants. The NEFC imposes a maximum shift limit of 10%. When provinces seek changes, negotiations typically take place between the Treasury and NEFC to reach an agreement on the revised distribution among function grants.

The Treasurer is then advised of this shift through a negotiated recommendation from both the NEFC and Treasury. If accepted, the Treasurer then determines to formalize the splits amongst the provincial grants for the coming year's fiscal budget.

This chapter elaborates on the outcomes derived from the NEFC's formula. Subsequent chapters provide a detailed overview of the steps involved in the NEFC's calculation of distribution, including the pertinent data used in the process.

3.1. Provincial distribution

The table below shows the final amounts (in K'000) for each service delivery function grant for each province for 2024.

Province	Health Function Grant	Education Function Grant	Transport Infrastructure Maintenance Function Grant	Primary Production Function Grant	Village Courts Function Grant	Land Mediation Function Grant	Other Service Delivery Function Grant	Administration Grant	Total Provincial Government Grants
Western	8,009.2	6,755.0	9,725.8	2,638.6	408.1	352.7	1,011.8	614.8	29,516.0
Gulf	6,390.1	5,304.2	7,609.1	2,819.4	619.7	132.9	1,886.9	2,810.7	27,573.0
Central	7,563.3	8,463.8	13,861.8	3,832.4	764.6	359.4	3,115.8	2,551.6	40,512.6
Milne Bay	7,558.6	8,647.3	8,804.7	4,379.5	738.8	517.5	3,389.4	2,544.1	36,579.8
Oro	5,960.3	4,835.7	4,838.4	2,627.6	433.1	135.2	2,085.7	1,919.2	22,835.3
Southern Highlands	6,314.8	8,432.2	7,459.8	2,443.5	682.5	374.3	3,013.6	1,810.4	30,531.1
Hela	7,153.4	5,764.0	5,682.4	2,214.1	605.2	120.4	2,125.1	2,954.1	26,618.7
Enga	6,520.3	10,838.0	12,743.4	5,453.0	1,291.3	288.0	2,084.4	2,914.1	42,132.6
Western Highlands	4,575.2	2,019.6	2,801.5	915.1	357.8	110.5	542.1	689.3	12,011.0
Jiwaka	6,311.3	9,142.0	13,631.8	1,485.2	446.5	128.2	2,436.5	2,492.5	36,073.9
Simbu	7,141.7	11,093.1	11,657.2	2,321.0	785.3	121.1	3,206.5	4,130.2	40,456.1
Eastern Highlands	7,043.5	11,949.9	18,502.7	2,727.5	665.1	108.2	3,698.2	3,087.1	47,782.2
Morobe	3,989.1	1,453.0	1,798.9	761.1	518.9	173.0	207.6	207.6	9,109.2
Madang	8,314.2	9,816.4	13,351.1	3,845.4	564.5	56.3	3,715.8	3,696.5	43,360.2
East Sepik	8,592.1	14,884.7	24,618.3	4,434.7	790.5	185.3	3,249.9	4,754.4	61,509.8
Sandaun	9,484.3	11,197.0	9,615.9	4,279.6	550.0	105.0	2,657.3	4,050.9	41,939.9
Manus	4,311.5	3,721.9	6,155.2	1,929.2	542.4	96.0	1,938.3	2,496.7	21,191.3
New Ireland	4,315.2	2,333.6	2,683.6	991.8	816.7	583.4	700.1	1,166.8	13,591.1
East New Britain	6,724.5	5,996.3	5,628.3	6,256.8	661.4	123.5	1,469.6	827.4	27,687.9
West New Britain	7,016.1	12,439.9	13,426.7	3,986.8	840.1	244.0	3,560.7	3,099.9	44,614.2
TOTAL	133,289	155,088	194,597	60,342	13,082	4,315	46,095	48,818	655,626

Figure 2: 2024 Function and Administration Grants Determination (K '000).

3.2. LLG Distribution

The following table shows the conclusive figures (in K'000) representing the LLG grants distributed across provinces for the year 2024. The breakdown distinguishes between Urban and Rural Local Level Governments (LLGs), providing a detailed overview of the funding allocations for each.

Figure 3: Local-level Government share by Province for 2024 (K'000)

Province	Urban LLG Grants	Rural LLG Grants	Total LLG Grants
Western	1,477.3	7,672	9,149
Gulf	575.7	2,148	2,724
Central	0.0	4,946	4,946
Milne Bay	574.0	3,772	4,346
Oro	1,425.8	4,710	6,136
Southern Highlands	1,357.8	3,948	5,306
Hela	2,059.7	3,579	5,638
Enga	473.3	5,761	6,234
Western Highlands	1,589.2	2,989	4,578
Jiwaka	0.0	2,653	2,653
Simbu	752.6	3,010	3,762
Eastern Highlands	1,479.5	4,434	5,914
Morobe	4,430.0	9,841	14,271
Madang	1,692.9	5,776	7,469
East Sepik	1,302.9	7,483	8,786
Sandaun	977.8	6,656	7,634
Manus	430.0	1,009	1,439
New Ireland	809.6	1,864	2,673
East New Britain	1,779.0	4,138	5,917
West New Britain	1,109.7	5,014	6,124
TOTAL	24,296.7	91,402	115,699

CHAPTER FOUR: CALCULATING THE FUNCTION GRANTS

In calculating provincial and LLG grants on a need basis, the NEFC uses a formula that is legislated. This formula has two key steps:

Step 1: Determine the ‘fiscal need’ of each Province and LLG by comparing their estimated costs and assessed revenues;

Step 2: Using the different levels of financial need, calculate the share of the equalization pool going to each Province and LLG.

4.1. Summary of Legislative Provisions

Two key pieces of legislation provide the basis for the NEFC to determine how much each provincial and LLG receive as grants.

1. The *Organic Law on Provincial and Local-level Governments*

Part 4, Division 2, of the Organic Law, explains the division and distribution of revenue among and between the levels of government and other financial arrangements.

These provisions are further supported by a more detailed description of the *Intergovernmental Relations (Functions and Funding) Act 2009*.

2. *Intergovernmental Relations (Functions and Funding) Act 2009*

Part 2 of the Act explains the principles and the circumstances under which service delivery functions and responsibilities assignments will be determined.

Part 3 explains the equalization system of the new intergovernmental financing arrangements, which also clearly highlights the fiscal need basis upon which provincial and LLG grants will be calculated.

4.2. The Framework for Determining Fiscal Needs of Provincial and Local-level Governments

Throughout the reform process, a significant effort was made to enhance the understanding of the financial requirements of Provinces and LLGs. The fundamental concept underlying fiscal needs revolves around discerning the disparity between the expenses associated with delivering designated services and fulfilling responsibilities, and the revenue accessible to provincial and LLGs to cover these obligations.

In instances where a province or LLG boasts a robust revenue foundation, it signifies a favorable fiscal capacity. Essentially, this indicates a robust alignment of assessed revenues vis-à-vis costs. The NEFC, in its evaluation, categorizes this scenario as having a fiscal need amounting to zero. In simpler terms, it possesses the fiscal capability to meet service delivery functions without necessitating additional funds from the national government.

The quantification of the required funds for a province and LLG is termed the fiscal needs amount. This figure is derived from a meticulous calculation that takes into account the recurring costs associated with delivering the designated service functions and responsibilities, coupled with the existing revenue at the disposal of Provinces and LLGs to meet these service requirements.

4.2.1 Fiscal Needs Amounts for Provincial Governments

The fiscal needs amount for a provincial government is calculated using the formula:

$$\begin{array}{l} \text{Estimated recurrent cost of} \\ \text{assigned service delivery} \\ \text{functions \& responsibilities} \end{array} - \text{Assessed revenue} = \text{Fiscal Needs amounts}$$

-where;

“*Estimated recurrent cost of assigned service delivery functions and responsibilities*” is the estimated recurrent cost for the provincial government in performing its assigned service delivery functions and responsibilities for the fiscal year, including the necessary and incidental costs of administration for the provincial government;

“*Assessed revenue*” is the amount of revenue that the NEFC considers to be available to the provincial government for meeting the recurrent cost of its assigned service delivery functions and responsibilities for the fiscal year.

4.2.2 Fiscal Needs Amounts for Local-Level Governments

The fiscal needs amount of each LLG for each fiscal year is calculated using the formula –

$$\begin{array}{l} \text{Estimated recurrent cost of} \\ \text{assigned service delivery} \\ \text{functions \& responsibilities} \end{array} - \text{Assessed revenue} = \text{Fiscal Needs amounts}$$

Where:

“*Estimated recurrent cost of assigned service delivery functions and responsibilities*” is the recurrent cost to the LLG for performing its assigned service delivery functions and responsibilities for the fiscal year, including the necessary and incidental costs of administration of the LLG;

“*Assessed revenue*” is the amount of revenue that the NEFC considers to be available to the LLG for meeting the recurrent cost of its assigned service delivery functions and responsibilities for the fiscal year.

Since the inception of the new system, the NEFC has predominantly been assessing LLG fiscal needs against the costs carried out at the district level in proportion to the district population. This has been a proxy for the assessment of fiscal needs at the LLG level mainly because of the unavailability of revenue data. Coherently, the NEFC assesses LLG revenues annually as equal to zero.

Urban and Rural Local-Level Governments have different assigned service delivery functions and responsibilities. Though they have different revenues available to them, the question lies with how best the NEFC can gather these revenue data and assess them using the legislated formula. Eventually, the NEFC expects to obtain better information on the revenues of urban and Rural Local-level Governments and would then assess these more accurately.

4.3. Estimating the cost-of-service delivery

Cost is one of the two key determinants that impact provinces' share of the function and administration grants. Each province has differing cost factors due to its unique circumstances.

4.3.1 Roles and Responsibilities - The Function Assignment

In the pursuit of a more equitable distribution of resources through intergovernmental financial reforms, a crucial step involved defining the distinct roles and responsibilities of both Provinces and LLGs. This clarity was essential for accurately assessing the costs associated with the services they were entrusted to deliver.

The year 2009 marked a significant milestone with the enactment of the Inter-governmental Relations (Functions and Funding) Act 2009 and the subsequent official declaration of the Function Assignment Determination in June 2009. These legislative measures delineated the specific functions and responsibilities of Provinces and LLGs. The primary objective was to dispel confusion, providing a clear framework that facilitated effective planning, budgeting, delivery, and monitoring of their accountable activities. For a more in-depth exploration of these assignments, The Handbook to The Determination of Service Delivery Functions and Responsibilities by The Department of Provincial & Local Level Government Affairs offers comprehensive insights.

Crucially, the cost estimates provided by the NEFC are rooted in the actual expenses required to execute these functions, irrespective of whether they are carried out by the Province or LLG. This approach is deliberate, aiming to empower both entities with the fiscal capacity needed to fulfill their myriad responsibilities

4.3.2 Cost of Service Estimate

Every five years, the NEFC engages in a comprehensive costing analysis of provincial government functions, serving as the foundation for identifying fiscal needs. The most recent update to this cost estimate occurred in 2020, with annual indexing implemented thereafter to account for inflation and population growth-related cost changes.

For each determination year, the calculation relies on costs from the second fiscal year preceding it. In the case of the 2024 determination, the 2022 cost estimate is utilized, ensuring a consistent alignment between revenues and costs.

The graph below outlines the estimated costs for each province in 2022.

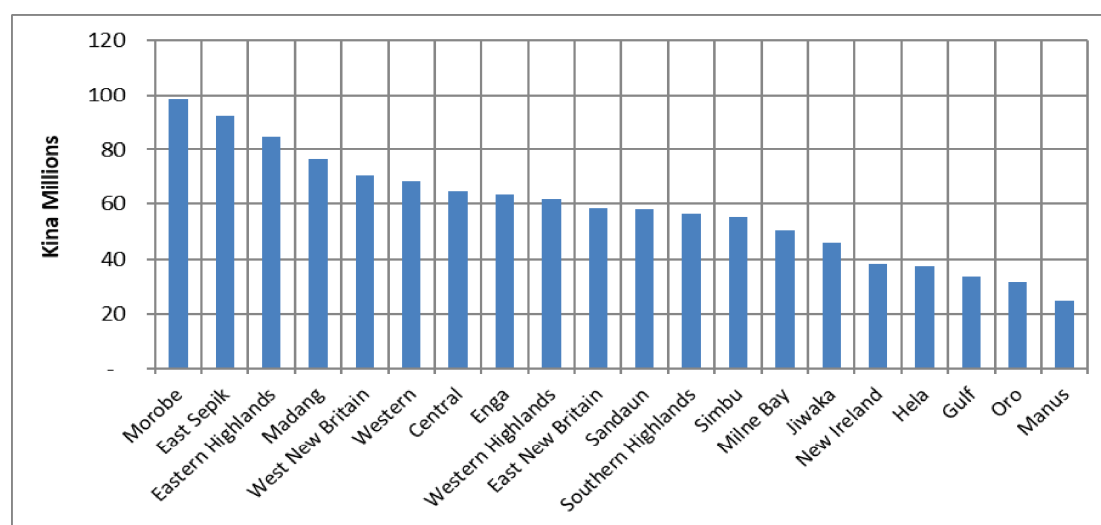


Figure 4: 2022 Cost of Service Estimate by Province

4.4. Assessed Revenues

The process of determining provincial financial needs involves a crucial step—the calculation of available own-source revenues, constituting the second part of the formula. This quantification hinges on the disparity between provincial revenues and the costs associated with assigned service delivery functions and responsibilities. To adhere to the formula, the NEFC is tasked with collecting and evaluating revenue data for provinces. Traditionally, this involved provinces extracting data from their PGAS, but the advent of the Integrated Financial Management System (IFMS) saw a transition for several provinces. However, no system is flawless, and with IFMS in play, there were certain drawbacks. In 2022, the collection of revenue data faced delays, primarily attributed to capacity issues.

Despite these challenges, the NEFC acknowledges the significance of this revenue source in their assessments. Assessed revenues represent the anticipated total amounts that the provincial government is likely to receive in the fiscal year for executing its designated service delivery functions.

Assessment of revenues for a fiscal year typically looks back to the second preceding year for the last available year of complete and actual data. In the case of the 2024 distribution year, the NEFC based its assessments on the revenues from 2022.

The sources of revenue are outlined below:

4.4.1 National Goods and Services Grants

The National Government provides provincial governments with a range of goods and services grants each year to support a variety of core service delivery activities.

This information is sourced from data on actual grants paid, as reported in the National Budget Papers.

4.4.2 Goods and Services Tax

Provincial governments receive Goods and Services Tax (GST) distributions paid through the IRC.

GST is collected and administered by the IRC. The IRC distributes a portion of the GST revenue to provincial governments and the NCD as set out in section 40 of the *Intergovernmental Relations (Functions and Funding) Act 2009*. Any remaining GST that is not distributed to provincial governments or the NCD under these sharing arrangements is paid into consolidated revenue (to the national government).

The amount of GST distributed under the Act is based on 60% of net inland GST collections for each province from the second preceding year.

Generally, revenues for a fiscal year are to be assessed concerning the second preceding year to that fiscal year as this will be the last available year of data. So, GST distribution for 2024 will be based on 60% of net inland GST collected from the second preceding year (i.e., 2022).

4.4.3 Bookmakers Tax

Bookmakers Tax is also administered by the IRC.

Bookmakers' Tax received by provincial governments is 40% of the revenues collected in the province in the second preceding year.

4.4.4 Own-source revenue

These are local taxes, charges, and receipts collected by the provincial administrations, which is the primary revenue base for the provinces. These comprise:

- licenses for liquor outlets.
- licenses for gambling establishments.
- motor vehicle registration and license fees.
- proceeds from business activities, rents, and sale of assets.
- provincial road users' tax.
- court fees & fines; and
- Other fees & charges.

The NEFC estimates that in 2022 (the second preceding year), provinces raised **K639.7** million¹ from this revenue source. This data is obtained from both the PNG Government Accounting System (PGAS) internal revenue electronic summary files held by the Department of Finance and the Integrated Financial Management System (IFMS). It is well understood that provinces are now transitioning into the Integrated Financial Management System (IFMS). However, it's acknowledged that not all revenues received by provincial governments are meticulously documented in PGAS and IFMS

4.4.5 Mining and Petroleum Royalties

When it comes to provinces hosting mining and petroleum activities, royalties become a potential boon. These royalties are determined through a Memorandum of Agreement (MOA) involving the provincial government, customary landowners, the mining company, and other stakeholders. For petroleum projects negotiated post-1988, the provincial government's share is outlined in the pertinent mining and petroleum legislation.

Since the late 1980s, the national government has refrained from claiming mining and petroleum royalties in MOAs for new projects. Instead, these royalties are distributed among landowners, local governments, and provincial governments in diverse ways, contingent on the specific project. Additionally, provincial governments sometimes commit to long-term agreements, allocating a portion of their royalties to local governments or non-government entities for particular projects.

As of 2022, the NEFC estimates that provinces collectively received millions of kinas from royalty and dividend payments, sourced directly from mining and petroleum companies and verified by government agencies such as the Mineral Resources Authority (MRA) for mining projects and the Department of Petroleum and Energy (DPE) for petroleum projects.

¹ This excludes Bookmakers Tax

Figure 5: Actual revenues collected by the province in 2021

Province	GST Distributions	Bookmakers Tax	Own Source Revenues & Others	Royalties	Dividends
Western	20,929,860	11,702	1,922,706	25,752,852	0
Gulf	1,571,604	0	387,392	0	0
Central	4,025,879	0	9,193,341	0	0
Milne Bay	7,325,839	0	1,952,634	0	0
Oro	5,880,246	22,660	1,903,788	0	0
Southern Highlands	20,787,867	0	8,620,441	0	0
Hela	7,419,875	0	0	0	0
Enga	5,949,813	0	18,637,125	0	0
Western Highlands	64,979,809	240,785	5,125,711	0	0
Jiwaka	5,026,523	0	0	0	0
Simbu	8,078,608	89,598	1,926,874	0	0
Eastern Highlands	30,804,639	353,748	3,326,587	2,063,774	0
Morobe	188,515,201	1,214,735	12,004,207	3,265,247	0
Madang	23,887,302	1,909,588	2,437,364	2,792,549	0
East Sepik	20,400,182	179,059	3,598,202	0	0
Sandaun	5,731,374	0	3,635,183	0	0
Manus	2,778,903	0	789,929	0	0
New Ireland	22,817,603	0	5,270,276	8,908,062	0
East New Britain	34,036,926	139,944	6,603,508	0	0
West New Britain	19,055,617	321,284	5,131,957	0	0
TOTAL	500,003,670	4,483,103	92,467,226	42,782,485	0

4.4.6 Assessing revenues

To calculate the different funding levels of the different function grants, the following assessments have been made. All revenues are assessed based on the actual revenues collected for the second preceding year for each province.

i) Royalties and Dividends from Mining and Petroleum Projects

- 80% of *royalties* and 50% of *dividends* from mining and petroleum projects. This gives the recognition that some revenues are spent on the development of mining infrastructure.

ii) Own-source Revenues

- The NEFC takes into account only 50% of its *own source revenues* collected to encourage provinces to continue to collect and enhance their revenue base².

² The practice by NEFC to use the above percentages of 80% of royalties and 50% of dividends is included in the Regulations of *Intergovernmental Relations (Functions and Funding) Act 2009*. The application of the percentage is subject to a periodic review by the NEFC and adjustments made if necessary.

iii) GST

- 100% of GST is distributed under the *Intergovernmental Relations (Functions and Funding) Act 2009* (which is 60% of net inland collections).

iv) Bookmakers' Turnover Tax

- 100% of *Bookmakers Tax* is distributed under the *Intergovernmental Relations (Functions and Funding) Act 2009*. (Which is 40% of net inland collections)

4.5. Calculating Fiscal Needs of the Provinces

Bringing together the estimated costs and assessed revenues of each province gives a calculation of fiscal needs. The calculation for 2024 is outlined in the below table.

Figure 6: Fiscal Needs of Provinces for 2024 (Kina '000)

Provinces	Estimated costs	Assessed revenues	Fiscal needs	% of total fiscal needs
Western	68,549.1	38,316.9	30,232.2	4.1%
Gulf	33,474.7	1,451.0	32,023.7	4.3%
Central	64,475.7	16,175.7	48,300.0	6.5%
Milne Bay	50,527.3	6,837.0	43,690.3	5.9%
Oro	31,738.3	5,674.2	26,064.1	3.5%
Southern Highlands	56,355.7	20,940.5	35,415.2	4.8%
Hela	37,573.9	5,935.9	31,638.0	4.3%
Enga	63,275.5	14,078.4	49,197.1	6.6%
Western Highlands	61,740.2	54,739.3	7,000.9	0.9%
Jiwaka	45,923.5	4,021.2	41,902.3	5.7%
Simbu	55,327.7	7,498.0	47,829.7	6.5%
Eastern Highlands	84,555.0	28,241.0	56,314.0	7.6%
Morobe	98,842.0	160,398.3	0.0	0.0%
Madang	76,444.6	24,090.2	52,354.3	7.1%
East Sepik	92,135.5	18,262.5	73,873.0	10.0%
Sandaun	58,215.6	6,402.7	51,812.9	7.0%
Manus	24,620.8	2,062.3	22,558.5	3.0%
New Ireland	38,520.7	28,015.7	10,505.1	1.4%
East New Britain	58,340.1	30,643.3	27,696.9	3.7%
West New Britain	70,645.8	18,067.5	52,578.3	7.1%
TOTAL	1,171,281.6	491,851.6	740,986.3	100.0%

4.6. Calculating Individual Province Shares

Once fiscal needs have been calculated, the next step is to apportion the shares of the equalization pool to determine the final amounts going to each provincial government. The calculation of fiscal needs recognizes that each province is different, and as such, each province will receive a different share of the equalization amount.

Once the individual province share is calculated the next step is to divide up the total share into service delivery function grants and an administration grant.

For 2024, the individual province share is calculated using the formula:

$$\text{equalization amount for provinces} \times \frac{\text{fiscal needs amount of individual province}}{\text{total fiscal needs amount of provinces}} = \text{individual province share}$$

Where –

‘Equalization amount for provinces’ means the amount equal to the province share specified in the determination made under Section 17 (1) (a) that is in force on 30 April of the immediately preceding fiscal year;

‘Fiscal needs amount of individual province’ means the fiscal needs amount of that provincial government for the relevant fiscal year;

‘Total fiscal needs amount of provinces’ means the total fiscal needs amounts of the provincial governments that have fiscal needs amounts greater than zero for the relevant fiscal year.

Figure 7: 2024 Individual Province Share (K’000)

Province	Transitional Individual Province Guarantee (a)	Estimated Fiscal Needs (Estimated costs minus assessed revenues)	Percentage of total fiscal needs	Funding based on percentage of total fiscal needs (b)	Individual Province Share (a) + (b)
Western	4,798.4	30,232.2	4.1%	25,818.5	30,616.9
Gulf	0.0	32,023.7	4.3%	27,348.4	27,348.4
Central	0.0	48,300.0	6.5%	41,248.4	41,248.4
Milne Bay	0.0	43,690.3	5.9%	37,311.8	37,311.8
Oro	0.0	26,064.1	3.5%	22,258.9	22,258.9
Southern Highlands	0.0	35,415.2	4.8%	30,244.8	30,244.8
Hela	0.0	31,638.0	4.3%	27,019.0	27,019.0
Enga	0.0	49,197.1	6.6%	42,014.6	42,014.6
Western Highlands	4,321.8	7,000.9	0.9%	5,978.8	10,300.6
Jiwaka	0.0	41,902.3	5.7%	35,784.8	35,784.8
Simbu	0.0	47,829.7	6.5%	40,846.8	40,846.8
Eastern Highlands	0.0	56,314.0	7.6%	48,092.5	48,092.5
Morobe	6,918.9	0.0	0.0%	0.0	6,918.9
Madang	0.0	52,354.3	7.1%	44,710.9	44,710.9
East Sepik	0.0	73,873.0	10.0%	63,087.9	63,087.9
Sandaun	0.0	51,812.9	7.0%	44,248.5	44,248.5
Manus	0.0	22,558.5	3.0%	19,265.0	19,265.0
New Ireland	2,696.5	10,505.1	1.4%	8,971.4	11,667.8
East New Britain	4,083.8	27,696.9	3.7%	23,653.3	27,737.1
West New Britain	0.0	52,578.3	7.1%	44,902.2	44,902.2
Total	22,819.5	740,986.3	100.0%	632,806.4	655,625.9

4.7. Individual Local-level Government Share

The individual rural local-level share is the amount an individual rural LLG receives from the equalization system.

The LLG share is divided into two amounts: one for urban LLGs, and another for rural LLGs. These are called individual local-level shares.

The amounts for individual urban or rural LLG for the relevant fiscal year are calculated using the formula below:

$$\begin{array}{ccccc} \text{equalization} & & \text{fiscal needs amount of individual} & & \\ \text{amount for} & & \text{urban Local-level Government} & & \\ \text{urban Local-level} & \times & \frac{\text{total fiscal needs amount}}{\text{of urban Local-level}} & = & \text{individual} \\ \text{governments} & & \text{Governments} & & \text{Local-level} \\ & & & & \text{share} \end{array}$$

Where –

‘Equalization amount for urban LLGs’ means the amount estimated by the NEFC to be the urban LLGs’ share of the local-level share specified in the determination made under Section 17 (1) (b) that is in force on 30 April of the immediate preceding fiscal year;

‘Fiscal needs amount of individual urban LLG’ means the fiscal needs amount of that urban LLG for the relevant fiscal year;

‘Total fiscal needs amount of urban LLGs’ means the total fiscal needs amounts of the urban LLGs that have fiscal needs amounts greater than zero for the relevant fiscal year.

A similar formula is used to calculate the rural LLG share.

In the realm of rural LLGs, their revenue streams are generally meager, yet their cost landscapes vary significantly. Factors contributing to this divergence include heightened expenses attributed to geographical remoteness or the diverse demographics they serve. Despite the commonality of limited or nonexistent revenues among rural LLGs, their fiscal needs differ due to the inherent variations in their cost structures.

Divergence extends beyond revenue disparities to the assigned service delivery functions and responsibilities, outlined by the Function Assignment Determination endorsed by the NEC. Urban and rural LLGs not only grapple with distinct duties but also contend with disparate revenue capacities. Urban counterparts boast the ability to generate substantially higher revenues, enabling them to cover a more substantial portion of their service delivery costs. Conversely, rural LLGs navigate a landscape characterized by modest revenues and a more limited scope of service delivery functions and responsibilities.

The assessment of revenues for both rural and urban LLGs often hovers around the zero mark. This stems from the incomplete and subpar quality of available revenue data. **Section 4.2.2** underscores this challenge, indicating that the NEFC, in the absence of comprehensive revenue data, resorts to employing District costs and population as surrogates for determining LLG costs. This approach, while providing a foundational assessment for both Rural and Urban LLGs, is a provisional measure. The NEFC anticipates refining its evaluation with more accurate information on urban LLG revenues in the future. However, the prospect of accurately assessing revenues for the vast expanse of over 300 rural LLGs remains uncertain, keeping rural LLG revenues at an estimated zero for the foreseeable future

The total LLG share is divided between rural and urban LLGs in the same proportion as provided in the 2009 budget i.e., 79% rural, and 21% urban.

The rural LLG share is then further divided into the 300 plus individual LLG amounts, based on district costs and population in each LLG. Considerably, the NEFC understands the nature of the establishment of rural LLGs. Should new LLGs be gazetted in the foreseeable future, LLG shares will have to be shared accordingly.

For urban LLGs, their funding is determined as their share of funding based on their assessed fiscal needs³.

4.8. A note on calculating the determination

At times, the NEFC faces a challenge when current revenue data isn't readily accessible during its initial calculations in the early stages of the financial year, typically around May. In such instances, the NEFC resorts to forecasting revenues based on historical data, often relying on a 3-year average.

Forecasting, by its nature, introduces an element of uncertainty, leading to potential disparities between the calculated estimates and the actual revenues recorded later in the year. Moreover, there are occasions when data from other government agencies, initially utilized in NEFC's calculations, undergoes subsequent revisions.

Despite these challenges, the NEFC adheres to a consistent practice of maintaining its recommendations unchanged in response to revised data or discrepancies in actual revenues. The NEFC conducts its calculations diligently, employing its best efforts and utilizing the available data at the time. This approach ensures the timely determination of funding ceilings for Provinces, even if adjustments may be required based on later-confirmed figures.

4.9. Resource-Rich Provinces & the Funding Arrangements.

Ever since the initiation of RIGFA, there have been remarkable changes in funding approaches. However, the NEFC has remained steadfast in emphasizing the importance of service delivery. The utilization of provinces' own-source revenues has consistently been a primary concern. Drawing insights from the past "Kina per Head" System, the reform now plays a crucial role in distributing funds to provinces in an "equitable" manner, emphasizing a needs-based approach to funding arrangements. The NEFC carefully considers provincial fiscal capacities when allocating funds and assessing revenues against fiscal needs. A fiscal need of zero signifies that a province possesses the capacity to sustain service delivery without additional support from the national government.

This aligns with the principles of intergovernmental financing arrangements, where provinces with higher fiscal capacities are expected to use their internally generated resources to complement government funding for basic service delivery.

The Inter-governmental Relations (Functions and Funding) Act of 2009 introduced a five-year transitional arrangement, ensuring that provinces would not receive less funding than they did in 2008. This safeguarded resource-rich provinces like Morobe, New Ireland, and Western, allowing them to continue receiving grants. However, this arrangement concluded in 2016, and the transitional guarantee funding ceased in the 2017 Budget. Consequently, after the 2017 and 2018 Budgets, Morobe and New Ireland provinces became ineligible for function and administration grants.

Despite this, New Ireland has re-entered the system, facing a low assessed fiscal capacity due to an arrangement diverting royalties directly to districts. This has disadvantaged the province's ability to effectively plan and budget for service delivery obligations.

Morobe Province finds itself among the recipients of function grants in the 2024 budget, thanks to the continuous reform efforts laid out in the Intergovernmental Financing Arrangement Review (IGFAR).

³ Fiscal needs in the context of assessing District costs in proportion with District population.

CHAPTER FIVE: CONDITIONS ATTACHED TO THE USE OF THE FUNCTION AND ADMINISTRATION GRANTS

In 2020, the NEFC issued a letter to the Secretary for Treasury to remind provinces of the “Conditions of Funding”, purposely on the use of function grants and roll-overs. The subsequent approach would involve the Secretary issuing a directive to provinces highlighting the conditions outlined in the Budget Expenditure Instructions (BEI). This was a necessary approach as assessments on the Service Delivery Function Grants showed misapplication on the use of these grants.

5.1 Service Delivery Function Grants

Service Delivery Function Grants are provided to provincial administrations to ensure that a minimum set of core services are adequately funded to benefit the majority of people across Papua New Guinea.

Section 65 of the *Intergovernmental Relations (Functions and Funding) Act 2009* serves as the basis on which the Secretary for the Department of Treasury may, in consultation with the NEFC, determine the conditions over the administration of the following grants; as follows:

- service delivery function grants.
- administration grants.
- rural LLG grants.
- urban LLG grants.
- staffing grants, and allowances for village court officials.
- Other development needs.

The conditions are subject to the provisions outlined under section 66 of the Act.

Service Delivery Function Grants are to be used exclusively for goods and services (operational costs) and not to fund salaries, capital, or development costs unless specified in the Budget Expenditure Instructions.

The following service delivery function grants will be in operation in 2024:

- Education Service Delivery Function Grant.
- Health Service Delivery Function Grant.
- Transport Infrastructure Maintenance Grant.
- Village Courts Function Grant (Operations).
- Land Mediation Function Grant (*newly established*)
- Village Courts Allowances Grant.
- Agriculture Service Delivery Function Grant.
- Other service delivery Function Grant (*Grant composed of funding for other service sectors such as Community Development, Lands, Commerce, Environment, etc.*).

5.2 Administration Grants

This grant is to fund general overhead costs or meet the day-to-day operational costs of the provincial administration.

The Administration Grant **cannot** be used to pay salaries or other personal emoluments, casual wages, or debt payments. This grant is intended to fund the operation of the administration sectors such as the Legal Services; Human Resource Development; Policy, Planning and research; Internal Audit; Assembly/Parliamentary Services; Office of the Administrator; and LLG Administration.

5.3 Minimum Priority Activities and Performance Indicators

In 2009, the Secretary of Treasury issued Budget and Expenditure Instructions calling for Provinces to adequately fund eleven (11) specific service delivery activities. These eleven activities were identified as a basic provincial responsibility across the nominated five key function grant categories of Agriculture, Education, Health, Transport Infrastructure, and Village Courts (all MTDS priority areas) and are known as the Minimum Priority Activities (MPAs).

These MPAs were arrived at after extensive consultation with national agencies, Provinces, and PLLSMA. MPAs should assist provincial governments in prioritizing effective and targeted service delivery outcomes at the district and LLG levels.

Provincial governments must create identifiable activity codes for each MPA in their respective budgets and request performance reporting from sector managers. The MPAs are:

Agriculture

- Extension activities for agriculture, fisheries, and forestry

Education

- Distribution of school materials
- Supervision of schools by district and provincial officers
- Operation of district education offices

Health

- Operation of rural health facilities
- Integrated health outreach patrols
- Drug distribution

Transport Infrastructure Maintenance

- Road and bridge maintenance
- Airstrip maintenance
- For maritime provinces- wharves and jetties maintenance

Village Courts

- Operation of village courts
- Supply of uniforms/inspection of village courts

Additionally, there is a set of very specific indicators against which each of these MPAs could be measured.

The full set of MPAs and performance indicators are provided on the following pages.

Minimum Priority Activities and Performance Indicators

The Minimum Priority Activities **must** be funded from service delivery function grants within each financial year. These form part of the conditions of the service delivery function grants.

These minimum activities are **minimum priority activities that the NEFC monitors and encourages provincial administrations to adequately fund from their total function grant allocations**. Function grants can still be used for funding other recurrent goods and services activities within that functional area.

Minimum Priority Activity	Performance Indicator
<u>Health</u> 1. Operation of rural health facilities 2. Drug distribution* 3. Integrated health outreach patrols	i. Total number and names of health facilities ii. Number of Health Facilities open and staffed iii. Health facilities with access to running water in the labor ward i. Several months health facilities stocked with essential supplies in the last quarter i. A total number of health patrols conducted and then, a. Number of administrative supervision patrols to health facilities b. A number of patrols with specialist medical officers to health facilities c. A number of maternity child health patrols to health facilities.
<u>Education</u> 4. Provision of school materials 5. Supervision by provincial/district officers 6. Operation of district education offices	i. Total number of schools by type ii. Percentage of schools that received basic school supplies before 30th April. i. Number of schools visited by district / provincial education officers i. A number of District Education Offices provided quarterly performance reports.
<u>Transport Maintenance</u> 7. Road and bridge maintenance 8. Airstrip maintenance 9. Wharves and jetties maintenance	i. Names and approximate lengths of provincial roads maintained ii. Names of bridges maintained i. Names of rural airstrips maintained i. Names of wharves, jetties, and landing ramps maintained
<u>Agriculture</u> 10. Extension activities for agriculture, fisheries, and forestry	i. Number of extension patrols conducted by provincial government staff and ii. Number of people who attended extension sessions
<u>Village Courts</u> 11. Operations of Village Courts	i. Number of village courts in active operation ii. Number of village courts supplied with operational materials iii. Number of inspections of village courts

*It is understood that the distribution of drug supplies is being managed through donor support. Whilst this activity was identified as a minimum priority activity, proper assessment and monitoring of this activity are being considered by the NEFC. In the meantime, this should not deter the province from reallocating the cost previously budgeted for the drug distribution to other areas of priority expenditure.

*It is also understood that the establishment of the TTF has induced provinces to use the Education Function Grants for other activities. The NEFC still maintains its objectivity by encouraging provinces to fund the distribution of school supplies as TTF is only a policy and NEC decision and can be changed at times.

The Land Mediation Function Grant as it was created in 2016 is yet to establish its minimum priority activities and its performance indicators through another consultation process with key stakeholders such as Department of Treasury, Department of Finance, Department of Justice & Attorney General, and Provincial Administrations.

5.4 Improving Compliance with Conditions for Funding

Conditions for function grants (including the Minimum Priority Activities) and management of expenditure are provided for in the Function Grant and Administration Grant Determination and the 'Budget and Expenditure Instructions' issued by the Secretary for Treasury in August 2012. The Budget and Expenditure Instructions specify:

- which grants, receipts, or other revenues are to be used for, and the expected outputs from spending
- the management of grants, receipts, or other revenues
- how the expenditure of grants, receipts, or other revenue is reported; and
- The budget preparation process, including consultation with stakeholders.

The Department of Treasury, in conjunction with the Department of Provincial and Local Government Affairs and the NEFC, continues to work with provinces to improve compliance with these Budget and Expenditure Instructions. The NEFC has undertaken a series of budget workshops with all provinces to further improve budget compliance with the use chart of accounts coding and other budget scorecard criteria.

CHAPTER SIX: ISSUANCE OF WARRANTS AND CASH RELEASES

6.1 Function Grants- Warranting and Cash Release

NEFC has been keeping tabs on various ongoing and emerging issues. The effectiveness of planned warrant and cash flow administrative practices has been compromised by discrepancies in warrant and cash releases. These challenges have intensified in both favorable and challenging periods, partly due to inconsistent reforms and conflicting funding priorities.

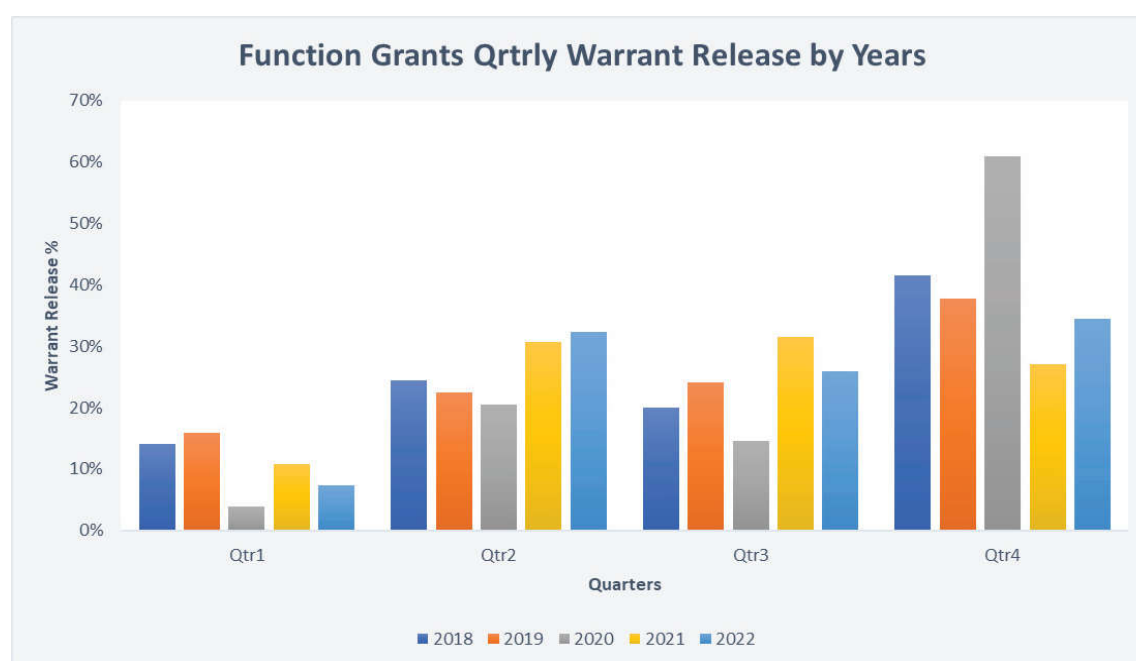
While RIGFA is generally acknowledged as a successful reform, it's conceivable that the surge in funding over the years wasn't initially foreseen. Nevertheless, the NEFC's recent advocacy has led to the Treasurer committing government funds for function grants.

The following graphs show the warrant release information on function grants. The graphs illustrate the timeliness of when funds are warranted from the national level to the sub-national level.

Illustrated in the following are the function grants warrants released by quarter and by years. The trend highlighted here is that much of the funds are released in Q4; which has been an ongoing trend.

That trend presents several issues for program implementation and affects the overall provincial performance in achieving outlined targets and goals.

Figure 5: Function Grant Warrants Release Trend by Quarters (2018-2022)

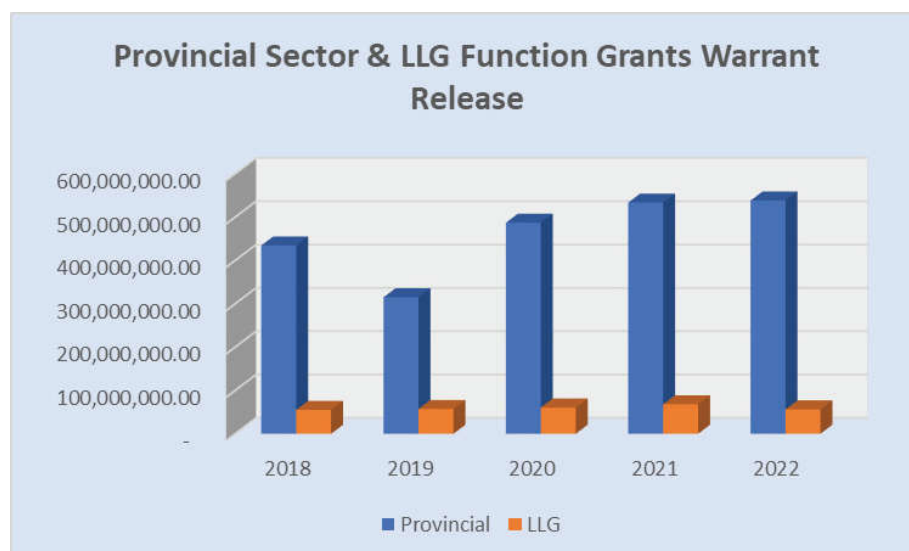


The ideal projection for warrant release as recommended by the governors' conference which proposed an arrangement of warrant release of;

1st Quarter- 20% - 2nd Quarter 40% - 3rd Quarter 30% - 4th Quarter 10%

This recommendation was put forward to assist with program implementation according to the budget cycle and the financial year cycle and to minimize accumulating rollovers.

Figure 6: Total Function Grant Warrant Release by Years



FG Warrant Release	2018	2019	2020	2021	2022
Provincial Sector (K)	434,419,824.00	314,890,506.00	486,927,625.00	533,390,188.00	538,146,473.00
LLG (K)	55,000,679.00	57,085,175.00	60,544,227.00	67,980,332.00	56,166,784.00

As illustrated above in the graph and table is the overall trend of total provincial sector grants and LLG grants released over the years from 2018 – 2022.

It has been projected that function grants will be increased over the years, and rightly so, the return on investment in service delivery should substantiate the amount that is released each year to the provinces and LLGs.

Overall, since 2018, a total of K2,307,774,616.00 in provincial sector grants and K296,777,197.00 in LLG grants have been released to provide and support basic service delivery in the provinces.

CHAPTER SEVEN: INTERGOVERNMENTAL FINANCING ARRANGEMENT REVIEW (IGFAR)

7.1 RIGFA Principles

Almost every country in the world today has some form of decentralized system of government. For the system to work effectively, certain principles and practices must be in place. In PNG this is no different when it comes to decentralization and Intergovernmental Financing. The principles that must guide PNG's funding arrangements include.

- Funding follows functions – recurrent activities that are delegated by sectors to be performed at the sub-national governments.
- Principles of equalization – The function grants must be allocated according to fiscal capacity.
- Cost – how much does it cost to deliver priority services in each province?
- Capacity – Does the government have the capacity to provide the funds?
- Performance – Does provincial spending support service delivery?

7.2 Current Review

In 2020, the Government, through PLLSMA tasked the NEFC and the Department of Treasury to lead the Review into the current intergovernmental financing system. This task needed a whole of government approach, therefore, 13 agencies were called upon to form the PLLSMA Sub-Committee on Intergovernmental Financing Arrangements.

These institutions include:

1. The NEFC- IGFAR Secretariat/ Chair
2. The Department of Treasury- Co-Chair
3. The Department of Provincial & Local-Level Government Affairs
4. The Department of Prime Minister & NEC
5. The Department of National Planning & Monitoring
6. The Department of Finance
7. The Department of Justice and Attorney General
8. The Department of Implementation and Rural Development
9. The Department of Personnel Management
10. The Constitutional Law & Reform Commission
11. The Internal Revenue Commission
12. The National Research Institute
13. The Auditor General's Office

A series of consultations were conducted in 2023, with the theme **“Strengthening the Financing Systems for Greater Empowerment, Sustainable Development, and Economic Growth”**.

It was emphasized during the consultations that the need to review and strengthen PNG intergovernmental financing systems cannot be overstated. As the country journeys forward, the fiscal frameworks must also evolve in tandem. The Intergovernmental Financing Arrangement Review represents an integral step towards ensuring that the provinces possess the administrative and financial powers and functions necessary for effective governance and development.

7.2 The 5 Key Focus Areas of the Review

The Review is important as it seeks to address issues relating to the current intergovernmental system. In the pre-consultation stage, the PLLSMA Sub-Committee through its Technical Working Group (TWG) had established 5 Key Focus Areas for review, namely;

1. Fiscal Decentralization and Revenue Mobilization
2. Integrated Planning and Budgeting
3. Public Finance Management Systems
4. Policy, Institutional and Legislative Frameworks, and
5. Monitoring and Reporting

It was identified that the current intergovernmental financing system is fragmented, and this has hindered efficient resource allocation in one way or another. These statements were echoed by the NEFC Chairman & CEO in the context that funds (FG, SIP, PIP, Province's Internal Resources, and donor agencies funds) disbursed from Waigani must be seen as complementary; one must complement the other.

With the introduction of new policies and the establishment of entities at the subnational level, there currently exists an overlap in the functions and responsibilities for each level of government and institutions at the sub-national level resulting in duplication, inconsistencies, and confusion as to "who" should do "what" and be accountable for funding to perform the assigned functions.

7.3 The IGFA- Roadmap

The scope of the work will compromise five (5) phases. It is estimated that the 5 phases will take four (4) to five (5) years but this is subject to the progress of the review.

Phase One	Consultation & Target Studies: A complete review of the current IGFA systems is undertaken through key studies and wider consultation with key stakeholders. Major Report with findings and recommendations	2022/2023
Phase Two	Policy Development: Based on the findings in phase one, develop and make a major policy recommendation to the National Executive Council (NEC).	2024
Phase Three	Adjust/Modify: Based on the outcome of the NEC on the policy submission and parliament decision, design, develop and/or modify the current system.	2024/2025
Phase Four	Implementation: Implement the modified and integrated fiscal decentralization system.	2025/2026
Phase Five	Monitor, Evaluation, Reporting, and Learning Develop and implement an integrated fiscal decentralization monitoring, evaluation, reporting, and learning system.	2026 onwards

APPENDICES:

Appendix A: DETERMINATION APPORTIONING THE EQUALIZATION AMOUNT

Appendix B: FUNCTION AND ADMINISTRATION GRANTS DETERMINATION

Appendix C: FUNCTION GRANTS WARRANT RELEASE FOR 2023 JAN TO AUG

APPENDIX A: DETERMINATION APPORTIONING THE EQUALIZATION AMOUNT

DETERMINATION APPORTIONING THE EQUALISATION AMOUNT



Inter-Governmental Relations (Functions & Funding) Act 2009

DETERMINATION APPORTIONING THE EQUALISATION AMOUNT

I, **Hon. Ian Ling-Stuckey, MP, Minister for Treasury**, by virtual of powers conferred by Section 17 of the ***Inter-Governmental Relations (Functions & Funding) Act 2009*** and all other powers enabling me, in consultation with the National Economic and Fiscal Commission, hereby make the following determination:

1. LOCAL-LEVEL SHARE.

For a fiscal year, the local-level share, being the proportion of the equalization amount for that fiscal year available for distribution amongst Local-Level Governments, is an amount equal to 10.05 per cent of that equalization amount.

2. PROVINCIAL SHARE.

For a fiscal year, the provincial share, being the proportion of the equalization amount of that fiscal year available for distribution amongst Provincial Governments, is the amount remaining after deduction from that equalization amount from the total of the amounts calculated under Clauses 1 for that fiscal year.

3. MEANING OF TERMS

In accordance with Section 77 of the *Interpretation Act* 1975, the terms used in the determination have the same meaning as in the *Inter-Governmental Relations (Functions & Funding) Act* 2009.

MADE this _____ day of _____, 2023

Minister for Treasury

APPENDIX B: FUNCTION AND ADMINISTRATION GRANTS DETERMINATION



Intergovernmental Relations (Functions and Funding) Act 2009

FUNCTION AND ADMINISTRATION GRANT DETERMINATION

I, **Hon. Ian Ling-Stuckey, MP, Minister for Treasury**, by virtue of the powers conferred by Section 64 of the *Intergovernmental Relations (Functions and Funding) Act 2009* and all other powers enabling me, in consultation with the National Economic and Fiscal Commission, hereby make the following determination: -

1 AMOUNT OF SERVICE DELIVERY FUNCTION GRANT AND ADMINISTRATION GRANT

Subject to the approval of the Parliament, the amount of each service delivery function grant and administration grant to be made to a Provincial Government is the relevant amount set out in the attached table.

2 SERVICE DELIVERY FUNCTION GRANT

(1) Service delivery function grants are provided to Provincial Governments to ensure that adequate funding is directed towards a minimum set of core services for all people across Papua New Guinea and consistent with the Government's Medium-Term Development Strategy priorities.

(2) Service delivery function grants must not be used to fund salaries or capital development unless the budget allocation specifies that purpose.

3 HEALTH FUNCTION GRANT

(1) A health function grant must be used to fund operational and maintenance costs (i.e. goods and services) incurred in the primary health sector.

(2) Without limiting subclause (1), a health function grant must be used to fund goods and services for the following main programs and activities:

- (a) The distribution of medical supplies;
- (b) Outreach patrols;
- (c) Malaria supervision;
- (d) Safe motherhood;
- (e) Immunization;
- (f) Water supply and sanitation;
- (g) Health service monitoring, review, and performance agreements.

4 EDUCATION FUNCTION GRANT

- (1) An education function grant must be used to fund operational and maintenance costs (i.e. goods and services) incurred in the basic education sector.
- (2) Without limiting subclause (1), an education function grant must be used to fund the operational costs for elementary, primary, and secondary education that are within the responsibilities of a Provincial Government, such as:
 - (a) The maintenance of schools; and
 - (b) The provision of school materials; and
 - (c) The operation of district education offices in the province.

5 TRANSPORT INFRASTRUCTURE MAINTENANCE FUNCTION GRANT

- (1) A transport infrastructure maintenance function grant must be used to fund operational and maintenance costs (i.e. goods and services) incurred in the transport infrastructure maintenance sector.
- (2) Without limiting subclause (1), a transport infrastructure maintenance grant must be used to fund the maintenance costs of provincial roads, bridges, jetties, wharves, airstrips, and airfields that are within the responsibilities of a Provincial Government.
- (3) A transport infrastructure maintenance grant must not be used to fund all or any of the following:
 - (a) The construction of new roads;
 - (b) The maintenance of buildings;
 - (c) The major reconstruction or rehabilitation of unusable existing roads, bridges, wharves, jetties, airstrips, or airfields.

6 VILLAGE COURT FUNCTION GRANT

- (1) A village court function grant must be used to fund operational and maintenance costs (i.e. goods and services) incurred in the village court sector.
- (2) Without limiting subclause (1), a village court function grant must be used to fund the operational and supervision costs incurred in the village court sector for the purchase of goods and services, such as uniforms, flags, and badges.
- (3) A village court function grant must not be used to fund the costs of salaries or allowances for village court officials.

7 LAND MEDIATION FUNCTION GRANT

- (1) A land mediation function grant must be used to fund operational and maintenance costs (i.e. goods and services) incurred in the land mediation sector.
- (2) Without limiting sub-clause (1), a land mediation function grant must be used to fund the operational, training, and supervision costs incurred in the land mediation sector.
- (3) A land mediation function grant must not be used to fund the costs of salaries or allowances for land mediation officials.

8 PRIMARY PRODUCT FUNCTION GRANT

- (1) A primary production function grant must be used to fund operational and maintenance costs (i.e. goods and services) incurred in the agriculture sector.
- (2) Without limiting Sub clause (1), a primary production function grant must be used to fund primary production through support for supervision, training, and extension activities to the agricultural and fisheries sectors, as well as for the export promotion of these products.

9 OTHER SERVICES DELIVERY FUNCTION GRANTS

Another service delivery function grant must be used to fund the recurrent goods and services costs for other sectors not covered by the service delivery function grants mentioned in clauses 3 to 8, such as business development, community development, and environment and conservation.

10 ADMINISTRATION GRANT

An administration grant must be used to fund the costs of administrative overheads of a Provincial Government, excluding salaries and capital investments.

MADE this day of , 2023

Minister for Treasury

APPENDIX C: FUNCTION GRANTS WARRANT RELEASE FOR 2023-JAN TO AUG



Hon. Ian Ling-Sluckey CMG, MP
Minister for Treasury



DEPARTMENT OF TREASURY



NATIONAL ECONOMIC AND FISCAL COMMISSION



Patrick Kennedy Pamp
Chairman CEO - NEFC

NATIONAL GOVERNMENT RECURRENT GOODS & SERVICES FUNDING RELEASED TO PROVINCES AND LOCAL LEVEL GOVERNMENT

UPDATE OF PROVINCIAL WARRANT RELEASED JAN - AUG 2023

In complying with the requirement of the Open Government Partnership (OGP) and Public Expenditure & Financial Accountability (PEFA) on Fiscal Transparency & Accountability; the publication of this Warrant Release is intended to inform the Provinces and LLGs on how much of their appropriations have been released to-date to carry out service delivery responsibilities.

PROVINCIAL GOVERNMENT	TOTAL GOODS AND SERVICES GRANTS (KINA)			ADMINISTRATION GRANT (KINA)			HEALTH FUNCTION GRANT (KINA)			EDUCATION FUNCTION GRANT (KINA)			OTHER SERVICE DELIVERY GRANT (KINA)		
	2023 Appropriation	Funds released		2023 Appropriation	Funds released		2023 Appropriation	Funds released		2023 Appropriation	Funds released		2023 Appropriation	Funds released	
		Year to date	% RELEASED		Year to date	% RELEASED		Year to date	% RELEASED		Year to date	% RELEASED		Year to date	% RELEASED
		(Jan to Aug)			(Jan to Aug)			(Jan to Aug)			(Jan to Aug)			(Jan to Aug)	
Western	24,206,700	16,709,086	69%	394,000	248,111	63%	4,837,400	4,837,441	100%	4,215,800	2,654,394	63%	791,000	498,043	63%
Gulf	22,763,500	14,431,668	63%	2,800,300	1,763,067	63%	0	0	0%	5,264,500	3,538,033	68%	1,882,700	1,011,042	54%
Central	41,497,100	28,609,234	69%	2,501,800	1,575,190	63%	7,801,300	7,801,273	100%	7,990,800	5,031,237	63%	3,066,000	1,930,442	63%
Milne Bay	33,584,900	22,364,584	67%	2,240,800	2,136,620	95%	6,670,100	4,954,216	74%	7,495,100	4,719,124	63%	3,328,700	1,759,893	53%
Oro	22,909,200	16,152,207	71%	1,332,700	839,093	63%	4,679,900	4,673,343	100%	4,249,200	2,846,769	67%	2,027,000	1,276,330	63%
Southern Highlands	26,402,600	18,715,247	71%	1,409,500	943,031	67%	5,442,800	5,442,800	100%	7,229,400	4,551,854	63%	1,650,400	1,094,645	66%
Eaga	44,317,900	29,694,808	67%	2,857,300	1,799,080	63%	5,374,600	5,374,796	100%	10,627,000	6,695,133	63%	2,068,200	1,302,196	63%
Western Highlands	9,946,100	7,520,589	76%	689,300	434,053	63%	2,792,600	2,792,590	100%	897,700	565,190	63%	155,200	97,698	63%
Simbu	39,336,500	27,733,457	71%	3,688,400	2,264,932	61%	6,782,400	6,782,385	100%	10,256,000	6,432,058	63%	3,113,500	2,001,719	64%
Eastern Highlands	49,183,100	34,057,531	69%	2,912,800	1,854,014	63%	7,315,800	7,315,783	100%	10,662,900	6,991,488	66%	3,671,400	2,311,676	63%
Morobe	15,305,500	9,410,754	62%	585,000	368,294	63%	0	0	0%	2,000,000	1,814,786	91%	966,000	600,274	63%
Madang	46,294,100	33,322,093	72%	3,459,600	2,178,290	63%	8,884,400	8,884,396	100%	8,779,600	5,662,680	64%	3,686,200	2,320,977	63%
East Sepik	60,269,700	41,558,825	69%	3,895,500	2,452,771	63%	9,715,600	9,715,567	100%	12,854,500	7,695,256	60%	3,015,600	1,908,747	63%
Sanduan	45,459,900	32,368,356	71%	3,953,000	2,488,885	63%	10,650,100	10,650,142	100%	10,152,200	6,301,964	62%	2,526,700	1,590,905	63%
Mamu	19,524,600	12,213,526	63%	2,423,000	1,525,644	63%	6,452,100	6,452,100	100%	3,627,100	2,392,855	66%	1,885,700	1,187,290	63%
New Ireland	6,777,200	4,110,982	61%	639,000	402,308	63%	0	0	0%	1,278,000	804,716	63%	383,400	241,403	63%
East New Britain	25,014,400	16,962,322	68%	762,700	480,235	63%	2,634,800	2,634,800	100%	5,349,200	3,368,376	63%	1,307,800	823,431	63%
West New Britain	39,351,000	27,457,109	70%	2,509,000	1,579,788	63%	5,972,500	5,972,522	100%	10,076,300	6,504,279	65%	2,930,400	1,845,092	63%
Hela	28,782,400	20,513,309	71%	2,895,800	1,823,257	63%	6,452,100	6,452,100	100%	5,567,200	3,664,548	66%	2,081,400	1,210,536	63%
Jiwaka	32,045,900	21,392,824	67%	235,1900	1,480,798	63%	3,280,000	3,280,000	100%	8298200	5,290,618	64%	2298800	1,445,565	63%
Bougainville*															
NCD*															
TOTAL															

PROVINCIAL GOVERNMENT	TRANSPORT INFRASTRUCTURE MAINTENANCE FUNCTION GRANT (KINA)			PRIMARY PRODUCTION GRANT (KINA)			VILLAGE COURTS FUNCTION GRANT (KINA)			LAND MEDIATION FUNCTION GRANT (KINA)			RURAL LLG GRANTS AND URBAN LLG GRANTS		
	2023 Appropriation	Funds released		2023 Appropriation	Funds released		2023 Appropriation	Funds released		2023 Appropriation	Funds released		2023 Appropriation	Funds released	
		Year to date	% RELEASED		Year to date	% RELEASED		Year to date	% RELEASED		Year to date	% RELEASED		Year to date	% RELEASED
		(Jan to Aug)			(Jan to Aug)			(Jan to Aug)			(Jan to Aug)			(Jan to Aug)	
Western	6,413,800	4,038,308	63%	1,755,400	1,105,447	63%	187,300	117,950	63%	131,900	83,063	63%	5,480,100	3,126,329	57%
Gulf	7,550,600	4,851,387	64%	2,790,200	1,756,796	63%	611,300	384,908	63%	112,000	70,544	63%	1,752,000	1,035,891	59%
Central	13,115,000	8,020,330	61%	3,483,900	2,193,594	63%	689,900	434,367	63%	110,400	69,549	63%	2,838,000	1,613,252	57%
Milne Bay	7,409,900	4,665,511	63%	3,106,000	1,955,084	63%	435,600	274,290	63%	93,000	58,581	63%	2,805,700	1,840,665	66%
Oro	4,310,600	2,885,433	67%	2,187,700	1,377,492	63%	345,100	217,337	63%	76,600	48,238	63%	3,700,400	1,988,172	54%
Southern Highlands	5,455,100	3,434,726	63%	1,320,800	896,095	68%	441,900	278,223	63%	53,500	33,739	63%	3,399,200	2,040,134	60%
Eaga	12,540,500	8,451,412	67%	5,298,800	3,127,964	59%	1,258,900	792,681	63%	263,600	165,966	63%	4,029,000	1,985,680	49%
Western Highlands	1,176,500	1,149,077	98%	503,071	503,071	100%	339,100	254,923	80%	33,100	20,887	63%	3,083,600	1,683,550	55%
Simbu	11,192,100	7,460,213	67%	1,437,400	998,620	69%	738,800	457,757	62%	97,800	61,409	63%	2,030,100	1,274,354	63%
Eastern Highlands	17,430,300	11,218,555	64%	2,700,700	1,700,494	63%	638,300	401,906	63%	94,800	59,681	63%	3,756,100	2,223,934	59%
Morobe	2,266,000	1,426,783	63%	751,700	473,307	63%	157,000	98,820	63%	65,000	40,914	63%	8,514,800	4,579,576	54%
Madang	12,344,900	8,322,721	67%	3,408,400	2,271,974	67%	534,900	336,744	63%	26,700	16,827	63%	4,970,300	2,322,475	47%
East Sepik	21,104,600	13,843,674	66%	3,732,000	2,349,723	63%	712,400	448,563	63%	107,200	67,476	63%	5,132,300	3,077,048	60%
Sanduan	9,093,500	6,036,400	66%	3,985,700	2,509,481	63%	533,600	335,967	63%	88,600	47,602	54%	4,476,500	2,407,012	54%
Mamu	5,976,200	3,762,824	63%	1,876,600	1,181,536	63%	526,600	331,576	63%	90,800	74,112	82%	786,000	425,089	54%
New Ireland	1,469,700	925,423	63%	543,200	341,655	63%	447,300	281,603	63%	319,500	201,213	63%	1,697,100	912,361	54%
East New Britain	5,094,400	3,741,345	73%	3,530,800	3,360,044	95%	564,400	355,323	63%	107,300	83,311	78%	3,843,000	2,106,457	55%
West New Britain	10,590,300	6,827,956	64%	2,930,400	2,311,830	79%	682,500	394,744	58%	204,600	139,880	68%	3,455,000	1,881,018	54%
Hela	5,222,100	3,636,155	66%	2,155,800	1,357,384	63%	576,000	362,710	63%	91,300	57,514	63%	3,440,700	1,849,195	54%
Jiwaka	12,506,800	7,940,513	63%	1,172,700	864,314	74%	418,800	263,410	63%	100,000	62,975	63%	1,422,200	764,631	54%
Bougainville*															
NCD*															
TOTAL															

PURPOSE OF GRANTS

Function and Administration Grants are provided to Provincial Governments to ensure that adequate funding is directed towards the **service delivery priorities** specified under the Medium Term Development Plan. Funding from these grants should only be used to pay for operational and recurrent costs (i.e. goods & services). These Grants must not be spent on any activities related to **Salaries or Capital Investment Programs**.

Since the 2009 Budget, the Department of Treasury has issued a Secretary's Instruction (Budget & Expenditure Instruction) regarding the use of function grants. Provinces are now required to specifically fund a set of Minimum Priority Activities (MPAs) in each area of functional responsibility. The MPAs are a minimum set of activities that must be funded out of each of the function grants. The MPAs are not the only activities that can be funded, and in general, Provinces would be expected to fund a broader range of activities out of each of their service delivery function grants. However, they are a core set of activities that most Provinces would already be expected to have in place. The relevant sectoral MPAs are included with each **Sector Grant** description below.

The **Health Function Grant** should be used for rural health operations. MPAs for this sector are;

1. Operation of rural health facilities
2. Health outreach patrols and clinics
3. Drug distribution

The **Education Function Grant** should be primarily used to fund operational costs for primary education, rather than secondary education. MPAs are as follows:

1. Provision of school materials
2. Supervision of schools by district and provincial officers
3. Operation of district education offices

The **Transport Infrastructure Maintenance Function Grant** should be used to meet maintenance costs of provincial roads & bridges, jetties & wharves and airstrips. This grant should not be used for the construction of new roads or maintenance of buildings or for major reconstruction or rehabilitation of unusable existing roads. MPAs are as follows;

1. Road and bridges maintenance
2. Airstrip maintenance
3. Wharves and jetties maintenance - for maritime provinces

The **Primary Production Function Grant** should be used to fund **extension activities in Agriculture & Livestock, Forestry, Fisheries**. Extension activities include; **farmer training, distribution of seeds and other technologies to farmers**.

The **Village Court Function Grant** is to be used to fund the **operational and supervision** costs incurred in the village court sector. The grant should not be used to fund the costs of salaries or allowances for village court officials. The MPA for this sector is;

1. Provision of Operational materials

The **Land Mediation Function Grant** is to be used to fund the **operational and supervision** cost incurred in Land mediation under Village Court Sector.

The **Administration Grant** should be used to cover the costs of Provincial Government administrative overheads such as the Office of Administrator, Internal Audit, Human Resources, Policy, Planning & Research, Finance & Administration, Legal Services, LLG Administration and Assembly Services.

The **Other Service Delivery Function Grant** is intended to fund other costs, not covered by the Function Grants such as community development, natural resource management, business development and land Administration.

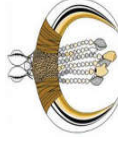
Note: (*) These recurrent Goods & Services grants are determined as per the provisions stated in the OLPLLG 1995 which excludes Bougainville and NCD. However, they receive their grants from National Government under separate arrangements.

The release of this information is a joint initiative of Department of Treasury and National Economic and Fiscal Commission.

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DEPARTMENT OF TREASURY



NATIONAL ECONOMIC AND FISCAL COMMISSION

NATIONAL GOVERNMENT RECURRENT GOODS AND SERVICES FUNDING RELEASED TO LOCAL- LEVEL GOVERNMENTS

UPDATE OF LLG WARRANT REALEASE, JAN - AUG 2023

PROVINCE AND LOCAL-LEVEL GOVERNMENTS	RURAL AND URBAN LLG GRANTS (KINA)		
	2023 Appropriation	Funds released	
		Year to date (Jan - Aug)	% RELEASED
Western	5,480,200.00	3,126,329.00	57%
Kiwalu LLG	152,800.00	83,303.00	55%
Morehead LLG	226,000.00	122,000.00	54%
Onorotu, Bitiri LLG	147,700.00	80,815.00	55%
Barru LLG	476,900.00	261,860.00	55%
Gogodala LLG	789,000.00	470,503.00	60%
Lake Murray LLG	834,400.00	506,774.00	61%
Namadi LLG	815,300.00	499,122.00	55%
Kiunga LLG	184,400.00	98,763.00	54%
Nigerum LLG	206,900.00	110,965.00	54%
Oksoip LLG	190,800.00	99,945.00	66%
Star Mountain LLG	60,500.00	102,814.00	54%
Kiunga Urban Authority	324,500.00	176,999.00	55%
Daru Urban Authority	447,500.00	233,040.00	52%
Balimo Urban Authority	129,800.00	70,815.00	55%
Fly Cogodala Rural LLG	383,700.00	247,418.00	64%
Fore Coast Kiwalu Rural LLG	110,000.00	71,193.00	65%

Central	1,111,300.00	644,249.00	58%
Central Kerema LLG	69,000.00	34,800.00	50%
East Kerema LLG	25,200.00	18,000.00	71%
Kaintiba LLG	104,000.00	67,750.00	65%
Koidanga LLG	281,100.00	160,519.00	57%
Lakekamu Tauri LLG	88,900.00	47,795.00	54%
Baimuru LLG	154,700.00	89,840.00	58%
East Kikori LLG	86,495.00	36,786.00	55%
Kerema Urban LLG	173,900.00	102,264.00	59%
Kaipri Melaripi LLG	64,300.00	35,900.00	0%
Toaripi LLG	35,900.00	35,900.00	0%
Moripi LLG	44,300.00	44,300.00	0%
Wake LLG	83,100.00	83,100.00	0%
Malalaua LLG	64,500.00	64,500.00	0%
East Ihu LLG	130,900.00	130,900.00	0%
West Ihu LLG	104,600.00	104,600.00	0%
Kikori Urban LLG	113,000.00	113,000.00	0%

Central	2,838,000.00	1,613,252.00	57%
Hiri LLG	374,700.00	217,195.00	58%
Kairuku LLG	363,500.00	214,503.00	59%
Kolari LLG	297,500.00	108,984.00	60%
Mekeo Rural LLG	182,900.00	166,082.00	56%
Moripi LLG	297,500.00	96,908.00	56%
Ripo Coast LLG	174,200.00	160,804.00	55%
Ripo North LLG	293,300.00	160,804.00	55%
Ripo South LLG	73,600.00	39,596.00	54%
Guari LLG	28,500.00	28,500.00	54%
Tapipi LLG	86,400.00	51,831.00	60%
Woiwape LLG	198,900.00	114,668.00	58%
Aromaa Bay LLG	85,300.00	46,305.00	54%
Aromaa LLG	215,300.00	120,660.00	56%
Cloudy Bay LLG	117,100.00	68,737.00	59%
Vanap Brown Rural LLG	165,000.00	92,254.00	56%
Kiani Rural LLG	60,700.00	32,842.00	54%
Ripo East Rural LLG	97,200.00	53,343.00	55%

PROVINCE AND LOCAL-LEVEL GOVERNMENTS	RURAL AND URBAN LLG GRANTS (KINA)		
	2023 Appropriation	Funds released	
		Year to date (Jan - Aug)	% RELEASED
Simbu	2,030,000.00	1,274,354.00	63%
Siame LLG	63,800.00	40,524.00	64%
Elmbani LLG	65,700.00	41,378.00	63%
Chuave LLG	69,200.00	43,046.00	62%
Waiye LLG	140,500.00	81,295.00	58%
Mitande LLG	122,500.00	72,065.00	59%
Nigikande LLG	69,100.00	50,704.00	60%
Gurume LLG	70,700.00	43,628.00	62%
Mr. Digine LLG	39,200.00	27,477.00	70%
Boma/Kumai LLG	153,300.00	88,089.00	57%
Karamui LLG	134,500.00	77,822.00	58%
Nomane LLG	51,000.00	33,849.00	66%
Kup LLG	98,400.00	58,397.00	59%
Gena/Waigla LLG	134,600.00	77,878.00	58%
Lower/Upper Korongil LLG	93,300.00	56,815.00	60%
Tabane LLG	43,200.00	28,876.00	67%
Yonggomugil LLG	59,100.00	37,319.00	63%
Suwai LLG	76,800.00	46,800.00	61%
Kundilwa Urban LLG	320,100.00	244,686.00	76%
Kerowagi Urban LLG	139,300.00	80,800.00	58%

Eastern Highlands	3,756,100.00	2,223,934.00	59%
Gahuka Rural LLG	225,700.00	126,924.00	56%
Mimandla Rural LLG	155,700.00	89,204.00	57%
Agarabi LLG	101,000.00	59,865.00	59%
Gadsu - Tairora LLG	122,000.00	72,142.00	59%
Kamiano No. 1 LLG	99,900.00	59,221.00	59%
Kamiano No. 2 LLG	59,900.00	37,688.00	63%
East Okapa LLG	250,400.00	145,715.00	58%
West Okapa Local LLG	100,700.00	60,339.00	60%
Dunantina LLG	102,100.00	60,450.00	59%
Falyantina LLG	110,300.00	64,796.00	59%
Kafentina LLG	121,400.00	70,855.00	58%
St Michael LLG	110,600.00	64,894.00	59%
Unavi LLG	53,000.00	34,139.00	64%
Yagaria LLG	141,500.00	81,721.00	58%
Lamani LLG	302,600.00	173,602.00	57%
Yalia LLG	374,000.00	217,567.00	58%
Unggal LLG	80,800.00	49,229.00	61%
Upper Bena LLG	37,631.00	37,631.00	63%
Lower Bena LLG	90,700.00	54,755.00	60%
Upper Asaro LLG	113,600.00	67,164.00	59%
Upper Asaro LLG	46,300.00	30,524.00	66%
Wabubung LLG	31,000.00	23,008.00	74%
Goroka Urban LLG	687,900.00	421,256.00	61%
Kainantu Urban LLG	215,300.00	121,245.00	56%

Hela	2,679,210.00	1,472,274.00	55%
Upper Wape LLG	34,800.00	18,796.00	54%
Hulia LLG	233,900.00	125,632.00	54%
Komo LLG	155,100.00	82,985.00	53%
Lower Wape LLG	158,600.00	86,308.00	54%
Tebi LLG	605,500.00	382,111.00	57%

PROVINCE AND LOCAL-LEVEL GOVERNMENTS	RURAL AND URBAN LLG GRANTS (KINA)		
	2023 Appropriation	Funds released	
		Year to date (Jan - Aug)	% RELEASED
East Sepik	5,132,300.00	3,077,048.00	60%
Boiken Rural LLG	80,200.00	45,175.00	56%
Turubu LLG	92,700.00	52,911.00	57%
Wewak Island LLG	86,000.00	48,861.00	57%
Wewak Rural LLG	156,400.00	123,966.00	79%
Abigeg Mamlep LLG	80,700.00	47,505.00	59%
Bumbia Muihang LLG	103,600.00	62,155.00	60%
Maprik Wora LLG	105,600.00	65,877.00	62%
Yamir Tamau LLG	95,500.00	53,665.00	56%
Angoram - Middle Sepik LLG	390,200.00	233,481.00	60%
Kerami LLG	218,400.00	137,715.00	61%
Manenberg - Lower Sepik LLG	320,500.00	207,428.00	65%
Yuat LLG	198,500.00	114,294.00	58%
Amuntui LLG	298,600.00	197,663.00	59%
Dreikikir LLG	334,800.00	197,663.00	59%
Gawanga LLG	174,200.00	106,905.00	61%
Tunap Husein Range LLG	175,000.00	102,836.00	59%
East Yungoru LLG	127,700.00	72,884.00	57%
Numbo LLG	93,100.00	54,715.00	59%
Sausso LLG	78,000.00	46,856.00	60%
West Yungoru LLG	111,900.00	66,015.00	59%
Burui Kunai LLG	117,200.00	69,314.00	59%
Gauwi LLG	85,000.00	50,073.00	59%
North Wosera LLG	149,500.00	79,691.00	53%
South Wosera LLG	196,800.00	127,751.00	65%
Wewak Urban LLG	723,100.00	409,348.00	57%
Dagua Rural LLG	85,100.00	48,335.00	57%
Maprik Urban LLG	72,200.00	39,905.00	55%

Sandaun	4,476,400.00	2,407,012.00	54%
Altape East LLG	286,000.00	153,722.00	54%
Altape West LLG	212,500.00	114,428.00	54%
West Wapei LLG	112,000.00	60,885.00	54%
East Wapei LLG	118,700.00	63,907.00	54%
Palat Rural LLG	160,100.00	85,892.00	54%
Maimai/Wawan LLG	46,900.00	25,375.00	54%
Yanokok LLG	194,500.00	104,431.00	54%
Nuku LLG	287,200.00	154,315.00	54%
Namea LLG	240,400.00	129,120.00	54%
Oksapmin LLG	477,700.00	256,772.00	54%
Talefomin LLG	300,900.00	161,676.00	54%
Yapise LLG	234,500.00	126,455.00	54%
Amanab LLG	260,300.00	140,118.00	54%
Green River LLG	312,900.00	168,110.00	54%
Vanimo Bawani LLG	456,500.00	245,280.00	54%
Walisa LLG	178,400.00	95,971.00	54%
Vanimo Urban LLG	412,800.00	221,665.00	54%
Altape Lumi Urban LLG	184,100.00	98,890.00	54%

Milne	785,900.00	425,089.00	54%
Aua - Wuvulu LLG	84,500.00	45,800.00	59%
Nigornem LLG	19,500.00	10,892.00	56%
Bisikani - Sopanibau LLG	64,500.00	34,801.00	54%

Midline Bay	2,805,800.00	1,840,665.00	66%
Daga LIG	93,700.00	62,625.00	67%
Huhu LIG	446,200.00	272,884.00	61%
Makamaka LIG	125,900.00	89,826.00	71%
Maramalana LIG	131,600.00	87,891.00	67%
Suau LIG	156,500.00	104,567.00	67%
Weraura LIG	201,300.00	126,650.00	63%
Dobu LIG	184,300.00	121,055.00	66%
Duau LIG	136,700.00	81,202.00	59%
West Ferguson LIG	119,600.00	75,344.00	63%
Goodenough LIG	148,200.00	95,185.00	64%
Kiriwina LIG	200,100.00	125,282.00	63%
BuanaBuana LIG	105,700.00	73,048.00	69%
Louisiado LIG	202,700.00	133,338.00	66%
Wagayamba LIG	138,900.00	87,544.00	63%
Adeau Urban LIG	350,400.00	235,796.00	73%

Oro	3,700,400.00	1,988,172.00	54%
Alore LIG	494,500.00	267,709.00	54%
Tufi LIG	487,700.00	262,050.00	54%
Oro Bay LIG	1,073,800.00	577,646.00	54%
Safia LIG	91,600.00	49,155.00	54%
Higaturu LIG	384,600.00	190,250.00	50%
Kira LIG	21,600.00	10,880.00	50%
Kokoda LIG	165,000.00	88,858.00	54%
Tamala LIG	111,800.00	59,950.00	54%
Popondetta Urban LIG	870,400.00	481,674.00	55%

Southern Highlands	3,379,200.00	2,040,134.00	61%
Lai Valley LIG	172,500.00	107,825.00	59%
Karinza Rural LIG	107,100.00	73,166.00	68%
Upper Mendii LIG	107,100.00	63,170.00	59%
Lake Kutubu LIG	74,400.00	51,107.00	69%
Poroma LIG	194,500.00	130,002.00	67%
Nipa LIG	224,900.00	126,401.00	56%
Mt. Bosavi LIG	70,100.00	43,323.00	62%
Nambi Plateau LIG	116,800.00	68,520.00	59%
Lower Mendii LIG	113,000.00	76,986.00	68%
Imbongu LIG	101,900.00	60,831.00	60%
Ilalibu Basin LIG	93,200.00	55,909.00	60%
Kewabi LIG	95,700.00	66,926.00	70%
East Pangia LIG	104,300.00	61,915.00	59%
South Wiru LIG	178,600.00	101,596.00	57%
Kagua LIG	293,600.00	163,312.00	56%
Erave LIG	171,300.00	98,375.00	57%
Kuare LIG	108,200.00	64,771.00	60%
Aiya LIG	223,100.00	125,880.00	56%
Mendi Urban LIG	624,600.00	390,888.00	63%
Mendi Urban LIG	204,300.00	115,231.00	56%

Enga	4,029,100.00	1,985,680.00	49%
Kompiang LIG	224,400.00	108,814.00	48%
Ambum LIG	248,400.00	94,881.00	38%
Wapi Yengi LIG	72,100.00	34,913.00	48%
Wapenamanda LIG	289,200.00	140,723.00	49%
Tsak LIG	123,300.00	59,810.00	49%
Wabag LIG	330,000.00	215,603.00	65%
Maramuti LIG	85,900.00	41,750.00	49%
Wabag Urban LIG	149,000.00	72,255.00	48%
Legailp LIG	458,600.00	272,364.00	48%
Maip/Muritaka LIG	97,900.00	96,006.00	49%
Pogera LIG	167,300.00	318,888.00	49%
Paiela/Hewa LIG	333,900.00	162,030.00	49%
Kandep LIG	174,100.00	84,381.00	48%
Wage LIG	125,800.00	61,245.00	49%
Pilikambi LIG	318,600.00	154,794.00	49%
Pogera Urban LIG	100,000.00	68,083.00	49%
Wali Tanua LIG	140,600.00	49,140.00	49%

Western Highlands	3,083,600.00	1,683,350.00	55%
Mid LIG	252,000.00	135,369.00	54%
Baiyer LIG	215,000.00	115,569.00	54%
Lumasa LIG	90,300.00	49,054.00	54%
Koma LIG	20,740.00	38,600.00	54%
Midland LIG	290,700.00	156,202.00	54%
Mt. Hagen Rural LIG	613,400.00	329,638.00	54%
Nasipari LIG	258,000.00	176,452.00	68%
Mt. Giluwe LIG	178,400.00	104,511.00	59%
Mt. Hagen Urban LIG	970,100.00	500,433.00	52%
Mila Kunjibi Rural LIG	55,700.00	30,315.00	54%
Lower Kaugli Rural LIG	121,400.00	65,167.00	54%

Hayapuga LIG	104,900.00	56,285.00	54%
Tagali LIG	62,100.00	33,419.00	54%
North Koroba LIG	144,800.00	77,784.00	54%
South Koroba LIG	203,400.00	110,356.00	54%
Lake Kopigelo LIG	135,600.00	71,766.00	54%
Awl Lagayay LIG	6,810.00	36,989.00	543%
Tari Urban LIG	1,160,700.00	619,771.00	53%
Mt Sisa Rural LIG	124,100.00	66,881.00	54%
Pori Rural LIG	87,900.00	47,222.00	54%
Benalia LIG	107,600.00		0%
Hewa LIG	68,700.00		0%
Koroba Urban LIG	96,600.00		0%
Central Magarima LIG	427,400.00		0%

Hwaka	1,422,200.00	764,631.00	54%
Angilimp LIG	354,900.00	197,968.00	54%
Kudjip LIG	162,500.00	90,311.00	54%
Tapibunga LIG	170,100.00	90,747.00	53%
Koi LIG	146,300.00	78,757.00	54%
North Waghi LIG	198,600.00	107,155.00	54%
Nondup LIG	137,400.00	73,826.00	54%
Mimi Rural LIG	166,300.00	89,495.00	54%
Koniambe Rural LIG	79,100.00	42,915.00	54%

Morobe	8,189,000.00	4,403,760.00	53%
Yabim - Mape LIG	74,600.00	21,400.00	29%
Kotte LIG	104,300.00	56,368.00	54%
Hube LIG	126,700.00	68,516.00	54%
Burum - Kuat LIG	70,400.00	37,974.00	54%
Siassi LIG	124,700.00	67,626.00	54%
Sialum LIG	161,200.00	87,204.00	54%
Wasu LIG	97,700.00	52,494.00	54%
Dayamas LIG	176,500.00	95,138.00	54%
Salepet LIG	130,600.00	70,311.00	54%
Yus LIG	147,000.00	78,999.00	54%
Komba LIG	130,100.00	70,135.00	54%
Leron -Wantoat LIG	128,500.00	69,294.00	54%
Alzera - Umi LIG	143,300.00	77,054.00	54%
Onga - Waffa LIG	84,900.00	45,678.00	54%
Wain - Erap LIG	138,900.00	75,108.00	54%
Nabak LIG	65,900.00	35,972.00	55%
Labuta LIG	92,900.00	44,745.00	48%
Salamaua LIG	100,600.00	54,169.00	54%
Wamapar LIG	438,700.00	236,065.00	54%
Morobe LIG	116,100.00	62,736.00	54%
Mumeng LIG	447,500.00	241,142.00	54%
Waria Rural LIG	343,300.00	184,804.00	54%
Wau LIG	608,900.00	327,286.00	54%
Watut LIG	330,700.00	180,062.00	54%
Buang LIG	94,015.00	54,015.00	54%
Wapi LIG	98,400.00	52,828.00	54%
Kome LIG	182,500.00	102,015.00	56%
Kapao LIG	114,200.00	61,909.00	54%
Nanima - Kariba LIG	117,700.00	63,453.00	54%
Ahi LIG	414,000.00	222,896.00	54%
Finschafen Urban LIG	85,800.00	46,118.00	54%
Lae Urban LIG	2,618,400.00	1,420,246.00	54%
Mape	96,500.00		0%
Kuat LIG	70,400.00		0%
Alzera LIG	158,400.00		0%

Madang	4,873,200.00	3,232,475.00	65%
Almami LIG	179,600.00	129,757.00	72%
labu LIG	225,300.00	175,659.00	78%
Yawar LIG	316,200.00	249,845.00	79%
Ambenob LIG	420,200.00	242,315.00	58%
Transgogol LIG	163,000.00	99,143.00	61%
Arabaka LIG	328,100.00	193,604.00	59%
Josephistai LIG	214,500.00	132,003.00	62%
Simbai LIG	206,500.00	122,003.00	59%
Gama Rural LIG	109,000.00	70,710.00	65%
Rai Coast LIG	414,100.00	244,596.00	59%
Naho Rawia LIG	146,900.00	88,405.00	60%
Nayudu LIG	96,700.00	63,056.00	65%
Astrodabe Bay LIG	199,200.00	128,817.00	65%
Karkar LIG	256,700.00	151,924.00	59%
Sungilbar LIG	184,200.00	110,064.00	60%
Bundi LIG	147,700.00	90,453.00	61%
Usino LIG	254,900.00	218,834.00	86%
Kovon LIG	127,000.00	79,748.00	63%
Madang Urban LIG	883,400.00	641,539.00	73%

Pomolu - Drehet - Kuri - Andra LIG	74,800.00	40,117.00	54%
Lelemdin - Bupi - Chupeu LIG	87,400.00	46,974.00	54%
Los Nagros Local Level Government	35,400.00	19,112.00	54%
Nali Sopat - Penabu LIG	52,300.00	28,798.00	55%
Telidu LIG	31,900.00	17,644.00	55%
Pobuma LIG	61,700.00	33,184.00	54%
Balopa LIG	35,700.00	19,196.00	54%
Rapatona LIG	45,000.00	24,455.00	54%
Lorengau Urban LIG	262,500.00	141,116.00	54%

West New Britain	3,454,900.00	1,881,018.00	54%
Talasia LIG	646,900.00	347,543.00	54%
Mosa LIG	606,700.00	170,202.00	55%
Hoskins LIG	233,200.00	131,480.00	56%
Bali Witu LIG	383,100.00	214,055.00	56%
Gasmata LIG	109,900.00	59,535.00	54%
Kandrian Inland LIG	127,300.00	70,483.00	55%
Kandrian Coastal LIG	164,000.00	90,805.00	55%
Gloucester LIG	114,700.00	62,063.00	54%
Kailakrove LIG	197,600.00	106,145.00	54%
Kimbe Urban LIG	677,400.00	363,830.00	54%
Central Nakanai LIG	174,800.00	94,371.00	54%
East Nakanai LIG	317,300.00	170,506.00	54%

West New Britain	3,454,900.00	1,891,018.00	54%
Talasia LIG	646,900.00	347,543.00	54%
Mosa LIG	306,700.00	170,202.00	55%
Hoskins LIG	233,200.00	131,480.00	56%
Bali Vitu LIG	385,100.00	214,055.00	56%
Gasmata LIG	109,900.00	59,535.00	54%
Kandrian Inland LIG	127,300.00	70,483.00	55%
Kandrian Coastal LIG	164,000.00	90,805.00	55%
Gloucester LIG	114,700.00	62,063.00	54%
Kalia/Kove LIG	197,600.00	106,145.00	54%
Kimbe Urban LIG	677,400.00	363,830.00	54%
Central Nakanai LIG	174,800.00	94,371.00	54%
East Nakanai LIG	317,300.00	170,506.00	54%

Bougainville			
NCD		n/a	n/a
		3,300,000.00	1,050,000.00
			32%

Bougainville	n/a	n/a	n/a
NCD	3,300,000.00	1,050,000.00	32%

Note: (*) These recurrent Goods & Services grants are determined as per the provisions stated in the Organic Law on Provincial and Local Level Government (OLPLLG) 1995 which excludes Bougainville and NCD. However, they receive their grants from National Government under separate arrangements.			
Total of 18 new LLGs (highlighted in green) were gazetted in 2022 and appropriated funds for in 2023. However, their respective funds were warranted to the original LLGs.			
List of 18 new LLGs appropriated for in 2023:			
Kaipri Melanipi LIG	Mape		
Toanipi LIG	Kuat LIG		
Moripi LIG	Alzera LIG		
Wake LIG	Reimber LIG		
Melalaua LIG	Toma LIG		
East Ihu LIG	Open Bay LIG		
West Ihu LIG			
Kikori Urban LIG			
Bonalia LIG			
Hewa LIG			
Koroba Urban LIG			
Central Magarima LIG			



NATIONAL ECONOMIC &
FISCAL COMMISSION

2024 BUDGET FISCAL REPORT